EFFECT OF FEDERAL GOVERNMENT SUPPORT AGENCIES IN THE DEVELOPMENT OF ENTREPRENEURSHIP IN ENUGU STATE

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ABSTRACT

A healthy SME sub-sector is a sine qua non for inclusive and socially sustainable development and the place of government support are inevitable. In order to sustain this vital component of the economy, there is a need for entrepreneurship development program. The aim of the study is to ascertain the effect of Federal Government support agencies in the development of entrepreneurship in Enugu State. The specific Objectives of the study are to determine the effect of Small and Medium Enterprises Development Agency of Nigerian (SMEDAN) on the establishment of micro businesses in Enugu State, Nigeria and the effect of Industrial Training Funds (ITF) on business skill acquisition. Descriptive research design was adopted in the study among 396 beneficiaries of government support agencies in Enugu State. Data obtained through questionnaire was used in testing the study hypotheses at 5% significant level. The result of the study shows that SMEDAN has significantly enhance the establishment of micro businesses in Enugu State, Nigeria\(r = .874; t = 29.038; p = .000\) and that Industrial Training Funds (ITF) has a significantly engaged in business establishment skill acquisition\(r = .809; t = 22.201; p = .000\). It was concluded that the government of any given country can achieve high macro-economic growth by enacting and enhancing policies, establishing agencies that will support the development of both small and medium scale enterprises. The management of Small and Medium Enterprise Development Agency of Nigeria (SMEDAN) should strategically position themselves through proper planning and articulating policy ideas for micro, small and medium enterprises growth and development by adequately stimulating, monitoring and coordinating the development of the SMES sector especially in Enugu State was recommended.

Keywords: SMEDAN ITF, Federal Government support agencies, business skill acquisition, Establishment of micro businesses
INTRODUCTION

Globally, the importance of entrepreneur development in an economy cannot be overemphasized. Available study established that entrepreneurship is a vital ingredient for job creation as well as economic development (Kumar & Liu, 2005). Experiences of developed economies in relation to the roles played by entrepreneurship buttresses the fact that the importance of entrepreneurship as significant in advancement and sustainability of an economy. Entrepreneurship has been variously referred to as a source of employment generation. Entrepreneurial activities have been found to be capable of making positive impacts on the economy of a nation and the quality of life of the people (Adejumo, 2001). Onyenebo and Ezeano (2011), states that entrepreneurship performs numerous roles in business, in the society and overall development. Today, the success of income generation for both rural and urban populace is entrepreneurship except for few governments and associated employees.

In developed countries, SMEs have been reportedly contributed to a great height in terms of employment generation, increase per capital income and improved standard of living. This however contrary to what is obtainable in developing country were the place of SMEs have been relegated due to insufficient governmental support, and even were institutions that provide support services where available, they are often limited in capacity and coverage in developing economies (Ogbo and Agu, 2012).

A healthy SME sub-sector is a sine qua non for inclusive and socially sustainable development and the place of government support are inevitable. In order to sustain this vital component of the economy, there is a need for entrepreneurship development program. In fact, all factors of production (labour, land and capital) would be rendered ineffective and unproductive without entrepreneurship development. In the case of government support policies, it is assumed that since government is in the lead for entrepreneurial development, it should provide the much-needed resources within its capability. Such resources include provision of environment conducive to business that will highly promote entrepreneurship (Obaji and Olugu, 2014).

Nigeria as a country has numerous business and investment potentials due to the abundant, vibrant and dynamic human and natural resources it possesses. The performance and effectiveness of entrepreneurs in the country as an instrument of economic growth and development has long been under scrutiny. This intense scrutiny has been against the backdrop of the low performance and inefficiency that characterized small business particularly in assessing its role on economic growth and development. The need for entrepreneurship development in the country today is necessitated by unemployment (Okoye-Nebo, Iloanya and Udunze, 2014).
After many years of government interest in small and medium scale industry in Nigeria, SMEs still face several challenges such as acute shortage of technology, managerial skills, poor management, adverse environment, and change in policy while capital is still a source of great concern to the entrepreneurs in Nigeria. Some of the goals of the Nigerian government are economic growth, poverty reduction, development to establish support agencies for these objectives in order to anchor its programmes on entrepreneurship development through them. These support agencies with head office in Abuja, have branches in some state capital like Enugu State. Some of these Federal government agencies in Enugu State: include National Directorate of Employment (NDE), National Open Apprenticeship Scheme, The Small and Medium Scale Enterprises Development Agency of Nigeria (SMEDAN), the Industrial Training Funds (ITF), the National Economic Reconstruction Fund (NERFUND).

Despites various government agency established to enhance entrepreneurship development in Nigeria, entrepreneurial ability and leadership tend to be relatively lacking. In Enugu State, in spite of the Federal Government claims that it had invested massively on entrepreneurship growth and development, poverty among the citizenry seems to be in the increase. Yet, Federal Government Agencies for the development of entrepreneurship abounds in the State appears not to show remarkable advancement commensurable with the multiplicity of agencies established and funded by the government for their support. This ugly trend has the tendency of creating an economy with mass failure of small and medium scale enterprise as such discouraging the younger generation from ambitious desire to venture into entrepreneurship in the state. It is therefore paramount to investigate the extent to which the government agencies have contributed to the growth of SME’s in the country.

OBJECTIVES OF THE STUDY

The main objective of this study is to ascertain the effect of Federal Government support agencies in the development of entrepreneurship in Enugu State. The specific Objectives of the study are to determine the effect of:


2. Effect of Industrial Training Funds (ITF) on business skill acquisition.

RESEARCH QUESTIONS

The following research questions have been set in order to achieve the objective of the study.

i. What impact has SMEDAN made in the establishment of micro businesses in Enugu State, Nigeria?
ii. What effect does Industrial Training Funds (ITF) have on business establishment skill acquisition?

RESEARCH HYPOTHESES

In this study, four hypotheses are formulated in line with the objectives of the study and research questions. They are:

i. $H_0$: SMEDAN has not significantly enhanced the establishment of micro businesses in Enugu State, Nigeria.

ii. $H_0$: Industrial Training Funds (ITF) has not significantly engaged in business establishment skill acquisition.

REVIEW OF RELATED LITERATURE

ENTREPRENEURSHIP DEVELOPMENT PROGRAM

Entrepreneurship as a word is a multifarious word used differently by different authors. Different authors given attempt have defined as a process in which individuals pursue opportunities fulfilling needs and wants through innovation together with the attendant risks (Stevenson & Gumpters, 2002). It can also be said that entrepreneurship is the process of carefully determining and analysing unmet needs through creatively satisfying those needs by bearing the related risks. By combining the above thoughts, it can be argued that entrepreneurs are risk bearers, coordinators, organizers, gap-fillers, leaders and innovators (Salami, 2013). In other words, entrepreneurship is the dynamic process of creating incremental wealth. The wealth is created by individuals who assume the major risks in terms of equity, time and/or career commitment or provide value for some product or service. The product or service may or may not be new or unique, but value must somehow be infused by the entrepreneur by receiving and locating the necessary skills and resources efficiently and effectively. Entrepreneurship is thus considered as the process of creating something new with value by devoting the necessary time and effort, assuming the accompanying financial, psychic, and social risks, and receiving the resulting rewards of monetary and personal satisfaction and independence that comes with it.

Entrepreneurship development is program targeted at the study of entrepreneurial behavior, the dynamics of business set-up, development and expansion of the enterprise. Entrepreneurship development (ED) refers to the process of enhancing entrepreneurial skills and knowledge through structured training and institution-building programmes with a basic aim of enlarging the base of entrepreneurs in order to hasten the pace at which new ventures are created. This accelerates employment generation and economic development. It focuses on the individual who wishes to start
or expand a business. In addition, entrepreneurship development concentrates more on growth potential and innovation.

Various attempts have been made to promote and develop entrepreneurship. By giving specific assistance to improve the competence of the entrepreneur and his enterprise so as to enhance his entrepreneurial objectives and accommodate more people to become entrepreneurs as well. In Nigeria, the federal government has established several agencies to foresee the advancement of entrepreneurship development. Such establishment are; National Directorate of Employment (NDE), National Open Apprenticeship Scheme, The Small and Medium Scale Enterprises Development Agency of Nigeria (SMEDAN) the Industrial Training Funds (ITF), the National Economic Reconstruction Fund (NERFUND).

SMALL AND MEDIUM ENTERPRISES DEVELOPMENT AGENCY OF NIGERIA (SMEDAN): The small and Medium Enterprises Development Agency of Nigeria (SMEDAN) was established by the SMEDAN Act of 2003 to promote the development of the MSME sector of the Nigeria Economy. The Agency positions itself as a One Stop for Micro Small and Medium Enterprises in Nigeria (MSME) Development. Micro Enterprises are included in the clientele of the Agency since they form the bedrock for SME’s Their vision was “to establish a structured and efficient micro, small and medium enterprises sector that will enhance sustainable economic development of Nigeria” while their mission was “to facilitate the access of micro, small and medium entrepreneurs and investors to all resources required for their development”. Justification for their existence emanated from poverty, due to lack of access to income earning opportunities and lack of capacity to take advantage of the opportunities, is a social malaise that is threatening global prosperity in general and national economic growth and development in particular. A well-developed MSMEs sector has proven to be one of the most veritable channels to combat poverty. The establishment SMEDAN is therefore justified by the need to trigger the development of Nigeria’s MSME’s in a structured and efficient manner (SMEDAN, 2016). SMEDAN functions include: stimulating, monitoring and coordinating development of the MSME’s sector; initiating and articulating policy ideas for micro, small and medium enterprises growth and development; promoting and facilitating development programs instruments and support services to accelerate the development and modernization of MSME operation; serving as vanguard for rural industrialization, poverty, reduction, job creation and enhance sustainable livelihoods; linking SMES to linking SMEs to internal and external source of finance, appropriate technology, technical skills as well as to large enterprise; promoting information and providing access to industrial infrastructure such as layout incubators, industrial parks; intermediating between MSMES and the Government SMEDAN is voice of the MSMES and ; working
in concert with other institutions both public and private sectors to create a good enabling environment of business in general and MSME activities in particular (http://www.Smedan.org).

NATIONAL ECONOMIC RECONSTRUCTION FUND (NERFUND)

The National Economic Reconstruction Fund (NERFUND) was set up to provide needed medium- to long-term financing to viable Small and Medium scale production enterprise. The grand objectives are to increase the quantum of goods and services available for local consumption and export, provide needed employment, expand our production base and add value to the economy. In the words of our President, Commander-in-Chief “the NERFUND is not another cake-sharing exercise. It is designed to aid in the cake-banking process, and as such, fund disbursements by the NERFUND will be based on competitive efficiency”. Since there is more demand for the NERFUND loans than the resources currently available can satisfy, only the most viable project may benefit from the programme. Your challenge is to put together one of the most viable projects to benefit from NERFUND programme. The NERFUND has been very successful in re-orientating the nation towards a production culture from the old trading culture. So far, the NERFUND has approved loans for one thousand four hundred and ninety seven projects, valued at over five billion naira (N5b) and disbursed to one thousand three hundred and thirty two projects, value at four billion, Five hundred million naira (N4.5b). This figure excludes those of legacy projects which were sanctioned in the first decade of Fund’s operation between 1989 and 1999. The National Economic Reconstruction Fund (NERFUND) was established by Decree No. 2 of 1989 to act as a catalyst towards the stimulation of the rapid rise of real production enterprises in the country.

The NERFUND was specifically mandated to provide long-medium term loans to entrepreneurs through commercial/merchant banks for industrial growth of Nigeria. For the delivery of these services, the institution focused on its vision, mission and mandate as stipulation by its decree (http://www.nerfund.com.ng/NERFUND-Welcome). Their vision is to build a world class Development Finance Institution (DFI) anchored on professionalism, transparency and quality service delivery. The Mission of NERFUND is to support the growth of indigenous Micro, Small scale industrial Enterprise through the provision of medium to long term financing. The main objective of the fund was to fill the gap existing in the provision of medium to long term financing to small and medium- scale industrial enterprises, (SMEs) Other objectives for establishing NERFUND are listed as following: correct any observed inadequacies in the provision medium to long-term financing to small and medium–scale industrial enterprises, especially manufacturing and agro-allied enterprise and ancillary services; provide medium to long-term loans to participation commercial and merchant bank for on-lending to small and medium- scale enterprises for the promotion and acceleration of
production activities in such enterprise; facilitate the provision of loans with five to ten years maturity, including a grace period of one to three years, depending on the nature of the enterprise or project; provide such loans either in naira or in foreign currencies or both according to the sources of fund available to the fund and the requirements of the eligible enterprise or project

EMPIRICAL STUDIES

In a study on assessment of relevance of the national directorate of employment (NDE) training programmes to the needs of the trainees in South western Nigeria utilizing research question and interview among 1200 trainees, 420 trainers and 120 ex-trainees selected Adebisi and Oni (2012) reported that NDE has impacted positively on the previously unemployed Nigerians by providing them with gainful employment (despite the operational challenges observed). Oni and Daniya (2012) reported in a study in a development of small and medium scale enterprise that financial institutions provided the necessary financial lubricant that facilitates the development of small and medium scale enterprises. And also successive governments in Nigeria had strived to formulate various policies on establishment of small and medium scale enterprises. Meanwhile Agwu (2012) on his part reported in a study on the relationship between success factors and enhanced work performance of education women entrepreneurs.

Iwuoha and Obi (2012) identified that 25% of 20 respondents in their study on Eradicating or Aggravating poverty? An Evaluation of the national poverty Eradication Programme (NAPEP) in Enugu State, Nigeria (2001-2007) indicated that poor funding constitute a militating factor against NAPEP and its programmes in Enugu State, while 12.5% representing 10 respondents indicated wrong targeting of programmes. However, 62.5% made up of 50 respondents indicated official corruption. The study found that the implementation of NAPEP programmes, including the youth Empowerment Scheme (YES), has not tangibly reflected upon high feasibility of human capacity enhancement in Enugu State. Hassan, Maina and Mahammad (2016) reported that Micro Small and medium enterprises is useful engine that promote economic development of a nation like Nigeria by providing employment and self-reliance in addition, Oluseyi, Debola and Binuyo, (2013) in a study to assess the service of small and medium enterprises development agency of Nigeria (SMEDAN) and small business survival in Ogun State, Nigeria revealed that the service of SMEDAN did not significantly enhance the survival of cooperative-financed small business in Ogun State within the study period of 2005-2010. Eboreime and Njoku (2011) finding shows that poverty reduction otherwise. Moreover, a supplementary analysis shows that the headcount index is 0.42. This is a move away from perfect targeting at the core poor. Antai, and Anam (2014) conducted a study on National Poverty Eradication Programme and Poverty Reduction in Nigeria and reported that reveals
that the calculated value of square (18.1) was greater than the table value of chi (9.49), tested at. 05 level of significance which indicates that the implementation of NAPEP has a significant impact on entrepreneurial development among youths in Cross River State.

**METHODOLOGY**

Cross sectional descriptive research design was adopted in the study among 35224 beneficiaries of government support agencies in Enugu State. Sample size of 396 was determining using taro Yamne formula. That instrument used for data collection was structured questionnaire which was formatted in five likert scale. The instrument validity was established through a proper structuring of the questionnaire and submitting of the questionnaire to two Enugu based consultancy in the field of small and medium scale development that made necessary correction and input hence established content and face validity. The reliability was established through a test-r test method and application of alpha Cronchba. The alpha Cronchba reliability coefficient of .935 shows that the instrument is highly reliable. Data obtained from the field were analysed and presented in tables.

The two hypotheses were tested using linear regression at 5%level of significant.

**TESTING OF HYPOTHESES**

Various hypotheses formulated earlier were tested using linear regression.

**HYPOTHESIS ONE**

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Durbin-Watson</th>
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<tr>
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<td>.874*</td>
<td>.764</td>
<td>.763</td>
<td>.49418</td>
<td>.561</td>
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</tbody>
</table>

a. Predictors: (Constant), SMEDAN

b. Dependent Variable: Establishment of Micro Businesses

**ANOVA**

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
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</thead>
<tbody>
<tr>
<td>Regression</td>
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<td>205.927</td>
<td>843.217</td>
<td>.000*</td>
</tr>
<tr>
<td>1</td>
<td>Residual</td>
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<td>.244</td>
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<tr>
<td>Total</td>
<td>269.424</td>
<td>261</td>
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</tbody>
</table>

a. Dependent Variable: Establishment of Micro Businesses

b. Predictors: (Constant), SMEDAN
### SUMMARY OF FINDINGS

\[ R = .874; \quad R^2 = .764; \quad DW = .561; \quad F = 843.217; \quad T = 29.038 \]

**INTERPRETATION OF THE TABLES**

A linear regression conducted on ascertaining the extent to which SMEDAN affect the establishment of micro business in Enugu Nigeria shows a strong positive relationship between SMEDAN and establishment of micro business in Enugu, \( r = .874 \). The \( r \)-square, the coefficient of determination shows that 76.4% of establishment of micro business could be attributed to SMEDAN while the remaining 23.6% can be attributed to some other factors beyond SMEDAN. The regression sum of the sum 205.927 is greater than the residual sum of the square 63.496 indicating that the variation is not due to chance with \( F \)-statistic = 843.217 which shows that regression model is significant. SMEDAN effect on the establishment of micro business in Enugu State Nigeria with value .874 indicates a positive significance between SMEDAN and establishment of micro businesses, which is statistically significant \( t = 29.038; \quad p = .000 \). Based on the result, the null hypothesis is rejected while the alternate which states that SMEDAN has significantly enhance the establishment of micro businesses in Enugu State, Nigeria is therefore accepted.

**HYPOTHESIS TWO**

\( H_0 \): Industrial Training Funds (ITF) has not significantly engaged in business establishment skill acquisition

### Model Summary

<table>
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<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.809*</td>
<td>.655</td>
<td>.653</td>
<td>.66177</td>
<td>.725</td>
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</table>

\* Dependent Variable: Establishment of Skill Acquisition
### Summary of Findings

**ANOVA**

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<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
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<tbody>
<tr>
<td>Regression</td>
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<td>215.850</td>
<td>492.879</td>
<td>.000</td>
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<td>.438</td>
<td></td>
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<tr>
<td>Total</td>
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a. Dependent Variable: Establishment of Skill Acquisition

b. Predictors: (Constant), Industrial Training Funds (ITF)

### Coefficients

<table>
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<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
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<th>Sig.</th>
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<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>1.097</td>
<td>.086</td>
<td></td>
<td>.000</td>
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<tr>
<td>Industrial Training Funds (ITF)</td>
<td>.935</td>
<td>.042</td>
<td>.809</td>
<td>22.201</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Establishment of Skill Acquisition

**SUMMARY OF FINDINGS**

R = .809; R² = .655; DW = .725; F = 492.879; T = 22.201

**INTERPRETATION OF THE TABLES**

A linear regression conducted on ascertaining the Effect of Industrial Training Funds (ITF) on business skill acquisition in Enugu Nigeria shows a strong positive relationship between Industrial Training Funds (ITF) and establishment of business skill acquisition, (r = .809). The r-square, the coefficient of determination shows that 65.5% of establishment of business skill acquisition could be attributed to Industrial Training Funds (ITF) while the remaining 34.5% can be attributed to some other factors beyond ITF. The regression sum of the sum 215.850is greater than the residual sum of the square 113.864indicating that the variation is not due to chance with F-statistic = 492.879which shows that regression model is significant. ITF effect on business skill acquisition in Enugu State Nigeria with value .809indicates a positive significance between ITF and business skill acquisition, which is statistically significant (t = 22.201; p = .000). Based on the result, the null hypothesis is rejected while the alternate which states that Industrial Training Funds (ITF) has a significantly engaged in business establishment skill acquisition is therefore accepted.
DISCUSSION OF THE FINDINGS

Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) and Industrial Training Funds with the mandate have been found to significantly enhance the establishment of micro business in Enugu as well as engaged in business establishment skill acquisition. In view of their mandate, SMEDAN and ITF have over the years tremendously been engaged in the activities of promoting the establishment of micro business and initiation of business training skills through different initiatives. In particular, ITF has pursuits its objectives over the decades by providing required knowledge to its beneficiary. Information available on their site shows that ITF have not only raised training consciousness beneficiary in the economy, but has also helped in generating a corps of skilled indigenous manpower which has been manning and managing various sectors of the national economy. In the most recent, SMEDAN and ITF have collaboratively engaged in activities such as Industrial Skill Development Programme which is targeted at enhancing the skills of small and medium scale enterprises in the state. The finding of this study relates to previous study findings by Adebisi and Oni (2012) which reported that NDE has impacted positively on the previously unemployed Nigerians by providing them with gainful employment (despite the operational challenges observed). This however in contrast to findings by Oluseyi, Adebola and Binuyo, (2013) which revealed that the services of SMEDAN State within the study period of 2005–2010.

CONCLUSION

As the world continue to strive for better economic growth and development, the place of entrepreneurship becomes inevitable as entrepreneurship is a part of economic development strategy employed by several countries globally to achieve macro-economic benefits. The government of any given country can achieve high macro-economic growth by enacting and enhancing policies, establishing agencies that will support the development of both small and medium scale enterprises, as this enterprise stand as a backbone of any nation in achieving a sustainable development. Encouraging SMES through various agencies remains a sine qua non for inclusive and socially sustainable development. Establishing government agencies encourages SMES through creating business enabling environment that will facilitate business idea generation, acquisition of loan facilities and drive for self-employment. The study concludes that Government agencies significantly and positively affect small and medium scale development in the nation.
RECOMMENDATION

1. The management of Small and Medium Enterprise Development Agency of Nigeria (SMEDAN) should strategically position themselves through proper planning and articulating policy ideas for micro, small and medium enterprises growth and development by adequately stimulating, monitoring and coordinating the development of the SMES sector especially in Enugu State.

2. The management of Industrial Training Fund (ITF) should further enhance their service to enable the citizens feel the impact of their training programs and training partnership/sponsorship

REFERENCES


