Impact of Micro and Small Business Entrepreneurship on Poverty Reduction in Ibadan Metropolis, South Western Nigeria

ADEBAYO, NATHANIEL ADEYEMI

Department of Business Administration and Management Studies,
The Polytechnic, Ibadan, Nigeria,
Email: naadebayo@yahoo.com
Tel: +2348060597810

NASSAR, MOSHOOD LANREWAJU

Department of Management and Accounting Obafemi
Awolowo University, Ile Ife, Nigeria.

Abstract

The main objective of this study was to assess impact of Micro and Small business entrepreneurship on poverty reduction in Ibadan metropolis, South Western Nigeria. The study population was drawn from a register of relevant trade associations and published government documents, which yieded a total of 383 enterprises. The study used proportional sampling method. The main Statistical tool was the Counterfactual or Difference-in-Difference model of impact assessment. With exp (β₃) = 1.385, the empirical results indicated that the odds of individuals in micro and small business entrepreneurship in Ibadan metropolis to earn more than US\$1.25 per day increased by 39 %. The study found that the impact could have been more pronounced but for some socio-economic, infrastructural and management challenges. Study recommends strengthening of youth entrepreneurship, increased publicity of government Business Development and Support Services, liberalization of access to and usage of business premises, reduction in cost of production, improvement of infrastructural facilities among others.

Key Words: Entrepreneurship, Micro and Small Enterprises, Counterfactual Model, Poverty Reduction, Nigeria, Informal Business Sector.

Introduction

With a population of 140 million, Nigeria is recognised as the most populous country in Africa, accounting for 47% of West Africa's population (World Bank 2007). Although an oil-rich country, a significant population of Nigeria lives in poverty. Handley, Higgins and Bhavna (2009) noted that approximately 70 million people in the country, live on less than US\$1/day [World Bank and Department for International Development (DFID), 2005], 54% of Nigerians live below the poverty line United Nations Development Programme (UNDP 2006) and over one-third live in extreme poverty (i.e. those who cannot afford 2900 calories per day) (UNDP, 2006). The country's poverty situation has grown worse. According to National Bureau of Statistics (NBS 2012) by 2010 the number of people in poverty moved to 112.5 million. With this, 69% of the population lived below the poverty line.

There are suggestions from a number of contemporary studies that implicate unemployment in persistence poverty (Sanders, 2002; Park, Wang and Wu, 2002). Since unemployment has also been identified as both a driver and maintainer of poverty in Nigeria (Handley, *et al.* 2009; Meagher and Yunusa, 1996), it is instructive to highlight trends in unemployment in Nigeria over the years. This may help appreciate the

reason for persistence poverty in Nigeria. Unemployment in the country has been on consistent rise for ten years between 2002 and 2011. It only dropped from 13.4 per cent in 2004 and to 11.9 per cent in 2005. But from 2006, it has been on the ascendancy again, moving from 12.3 per cent in that year to 23.9 per cent in 2011 (NBS 2010; NBS 2011).

The task of reducing poverty in Nigeria has been herculean making the country to oscillate among several programmes. In the pre-Structural Adjustment Programme era, the country experimented with not less than 18 poverty reduction programmes. Ogwumike (2002), citing Central Bank of Nigeria (CBN 1998) observed that these programmes could not be sustained "due to lack of political will and commitment, policy instability and insufficient involvement of the beneficiaries of the programmes". Between 1986, when the Structural Adjustment Programme came afloat and 2012, not less than seven new poverty reduction programmes have been mainstreamed in Nigeria. Out of these, four can be said to have entrepreneurial flavour. It can therefore be said that entrepreneurship approach to poverty reduction in Nigeria is a latter-day development. In sharp contrast to the failure of other global attempts at poverty reduction, there is now a plethora of studies orchestrating entrepreneurship as a viable route to poverty reduction.

Statement of the Problem

The position that entrepreneurship is a bulwark against poor economic growth, poverty, frustration and social exclusion appears to be getting widely accepted in most countries across the world. This has resulted in a massive change towards entrepreneurship and a movement by the Third World countries from public sector dominated economies to entrepreneurial economies. Nigeria is a quintessential indicator of this (Magbagbeola, 1996; Chemonics International Inc., 2006).

It is paradoxical however that contrary to the position that entrepreneurship is a panacea for poverty, there is an increasing number of 'the working poor', being dominated by entrepreneurs and the self-employed. For such people, the unpalatable consequences of poverty still abate. Thus many micro and small business entrepreneurs still experience malnutrition, engage in child labour, lack access to good health care system and hence suffer sicknesses. Other consequences of poverty which manifest also among 'the working poor' include voicelessness, inter-generational transmission of poverty status, and restricted access to good education.

The existence of 'the working poor' in an environment of massive micro and small business entrepreneurship may be suggestive of poor impact of entrepreneurship on poverty reduction. This postion is often challenged by SMEs Advocates. Consequently there is need for empirical studies to establish the correct postion. As a result, this study was directed at the following research questions;

- Does micro and small business entrepreneurship significantly reduce poverty?
- What factors (if any) inhibit optimization of micro and small busness enterprises as effective agents of poverty reduction?

Literature Review And Conceptual Framework

Literature Review

Reality of Poverty

One of the major socio-economic problems of our time, especially in developing countries is poverty. Most other socio-economic problems would almost be completely solved, if the problem of poverty is successfully addressed. Islam (2004) reaffirmed this position, when he said;

If one were to cite one problem which poses a challenge for world leaders development practitioners (at the global as well as national levels), and policy makers alike, it is the stubborn persistence of poverty in many parts of the world. It is only in countries of East and South East Asia (ESEA), that real success in poverty reduction has been achieved, although that achievement also looked rather fragile during the economic crisis of the late 1990s.

Lending credence to the same observations Osmani (2003) pointed out that in the past the growth of national income was taken to be the explicit objective of economic development. More recently, poverty reduction has come to be accepted as the explicit objective.

Film and Poverty Tourism are aspects of 'Poortainment' which are now being used to draw attention to the graphic reality of poverty. 'Poortainment' is the coming together of Poverty and Entertainment (Karnani 2011). According to Karnani (2011), "poverty in its gritty detail, filthy grime and revolting brutality can be seen in the film 'Slumdog Millionaire' ". The film creates the impression that the poor can bootstrap themselves out of poverty. This has been described as an illusion. According to Hanlon *et al.* (2010) "You cannot pull yourself up by your bootstraps if you have no boots." This study takes the issue beyond illusion in Hanlon *et al.* (2010) by focusing on the poor who have ' boots' (i.e. self employment) and assessing if they have been able to ' bootstrap themselves out of poverty'.

It is clear from these views that poverty reduction has come to occupy the centre-stage in development discourse. That its stubborn nature has led to renewed attention and more vigorous pursuit of its reduction is a reality. This may be the reason for making it the number one issue of the Millennium Development Goals by the United Nations.

Definitions of Poverty

'Poverty' has been variously defined over the years. Economic Development and Development Studies literature is replete with several definitions of poverty. The fact that, for a long time, there was no unanimity on the meaning of poverty is a pointer to the problematic nature of the term. Presented in this section is a review of some of the definitions of the term. This is done in a bid to have a working definition for this research.

Onibokun and Kumuyi (1996) defined poverty as "a depravation of entitlement through lack of access to economic and social resources, as well as to political participation and consultation". Osmani (2003) preferred a description of poverty as "basic capability failures", rather than just "low income" as is commonly believed. According to Osmani (2003), the "failures are such as the capabilities to be free from hunger, to live a healthy and active life and so on". From the foregoing, it is clear that poverty is multidimensional. As a result one cannot agree enough with a former Secretary-General of the United Nations Organisation, quoted by Onibokun and Kumuyi (1996). According to him, "poverty manifests itself in the sphere of economics as deprivation, in politics as marginalisation, in sociological issues as discrimination, in culture as ruthlessness and in ecology as vulnerability".

Weiser (2011), citing the World Bank (2011) defined poverty as *pronounced deprivation in wellbeing and comprises many dimensions. It includes low income and inability to acquire the basic goods and services necessary for survival with dignity. Poverty also encompasses low levels of health and education, poor access to clean water and sanitation, inadequate physical security, lack of voice and insufficient capacity and opportunity to better one's life.*

Of all the definitions of poverty reviewed here the World Bank (2011) is the most appealing for a number of reasons. Firstly, it captures adequately the multi-dimensional nature of poverty. Secondly, it highlights consequences of poverty, with most being amenable to measurement. Finally, it stresses lack of income as the underlying factor of poverty.

While the various dimensions of poverty may reinforce one another, income poverty appears to be at the root of most dimensions of poverty. It is in the light of this that Micro and Small Business Entrepreneurship require attention particularly in terms of its income-generating capacity. It is also for the same reason that this study focuses on income poverty.

Theories of Poverty

Ownership of factors of production has been identified by Akeredolu-Ale (1975) as the basis for propounding a theory of poverty. This is because it is a major determinant of the structure of inter-personal and inter-group differentials in wealth and income. On the basis of this, four theories of poverty have been propounded; the Necessity Theory, the Individual-Attributes Theory, the Natural-circumstantial Theory and the Power Theory.

Necessity theory has three variants; the functionalist, the evolutionist and the capitalist entrepreneurial. The functionalist variant is based on the belief that specialization leads to efficiency. Those who perform specialist functions are therefore better rewarded than others, and are better placed in higher economic and social hierarchies. The evolutionist variant holds that the poor in the society arise spontaneously w

ith inequality and poverty acting as eliminators of the least fit. The third is the capitalist entrepreneurial variant. This argues that crude exploitation constitutes a major factor in the emergence of the poor, by giving impetus to increase in saving and aggressive entrepreneurship on one hand and the impoverisation of labour on the other.

The Individual-attributes theory reacts on the view that the poor in the society are the architects of their own conditions. According to this theory, the position of an individual in the income and wealth continuum is dependent on the individual's motivation, aptitudes and ability.

The Natural-circumstantial theories have more to do with causes of poverty. According to these theories, explanatory variables responsible for poverty include geographical location and natural endowment of the individuals' environment, unemployment, old age etc.

The Power theory is predicated on the view that the structure of political power is a major determinant of the extent and distribution of poverty. This theory has empirical validity in Nigeria's situation of a few hijacking power and organizing the economic system to suit their own interests. It has however been asserted that the "extent of success of the exploiting class will depend on the revolutionary consciousness of the subject or oppressed class; on their organizational capacity to resist exploitation and over-throw the oppressive property system" (Umianikogbo, 1997).

Tella (1999) has however added two additional theories/concepts to the earlier ones in Akeredolu-Ale (1975). These are the Corruption Theory and Element-of-Luck Theory. Corruption theory postulates that poverty is rooted in corruption. When the underlying motive of seeking political power is unfettered desire for material acquisition that will not only last the life time of an individual but also sustain the family after him, corruption would become manifest. Such material acquisition which is at the expense of the populace deprives the society the needed resources for poverty reduction. The longer the individuals concerned stay in power or corridors of power, the more public property including funds, they acquire. Corruption in this context is therefore seen a driver of poverty.

In the Element-of-Luck theory, poverty is hinged on the accident of birth of the poor. According to Tella (1999) when people are lucky to be borne into societies that cherish hard work, honesty, self-service, good values and pride, upon which the younger generation can build, poverty exists mainly within the context of individual attributes.

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Micro and Small Business Entrepreneurship

Developments in the Theory of MSEs

The main theory of MSE development is often traced to the seminal work by Lewis (1955), which is commonly referred to as the Labour Surplus Theory. According to this theory, the emergence and development of MSEs is driven by excess labour supply, which cannot be absorbed by either the public sector or the large private enterprises of the formal sector, the poor pay and low productivity of these sectors not withstanding.

In line with this theory, it can be argued that unemployment is a lubricant for MSE growth and development. When there is high rate of unemployment, MSEs provide a 'refuge' for those who are not able to find employment in the formal sector. Green *et al.* (2006) posit that MSEs are expected to grow in periods of economic crisis, when formal sector contracts or grows too slowly to absorb the labour force. However, when formal employment grows, the MSE sector is assumed to contract again and thus developed an anti-cyclical relationship with the formal economy. The position of Green *et al.* (2006) on the anti-cyclical relationship has been strengthened by the trend in MSE development before and after Structural Adjustment Programme (SAP) in some countries. See for example, Daniels (1994) and Brand *et al.* (1995) for Zimbabwe, Meagher and Yunusa (1998) for Nigeria.

Definitions of Micro, Small and Medium Enterprises

Conceptually a business may assume any of the following sizes:

1. Micro-enterprises
2. Small Scale Enterprises
3. Medium Scale Enterprises and
4. Large Scale Enterprises

Over the years, attempts have been made to draw lines of demarcation between one size of business and the preceding/succeeding ones. This is particularly true of micro-enterprises and small scale enterprises and between the latter and medium scale enterprises. Effort in this regard has a long history leading to multiplicity of definitions across and within countries. In actual fact Olabisi *et al.* (2011) inform that ILO (2005) in a study identified 50 definitions of MSMEs in 75 different countries.

The multiplicity and lack of consensus in defining micro, small and medium enterprises observed across countries and among international organisations does not exempt Nigeria. From table 2.3, it can be seen that various government organisations in Nigeria have given different defintions of these enterprises at different times. In some cases one organisation had given different definitions at different times. This is especially the case with Central Bank of Nigeria (CBN) in 1988 and 1993. Another example of this is Companies and Allied Matters Decree - CAMD (1990) and Companies and Allied Matters Act- CAMA (2004).

One of the most recent definitions in Nigeria is found in Udechukwu (2003) who reported this as being part of the outcome of the 13th Meeting of the National Council on Industry (NCI) in Markudi, Benue State, in July 2001. Based on this:

(a)   a **micro/cottage Industry** is an industry with capital not more than N1.5million including working capital but excluding cost of land and/or a labour size of not more than 10 workers.
(b)   a **small-Scale industry** is one with total capital employed of over N1.5million but not more than N50million including working capital but excluding cost of land or a labour size of 11-100 workers.

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(c)   a **medium-scale Industry:** is an industry with a total capital employed of over N50million but not more than N200million including working capital and a labour size of 101-300 workers.

This research has adopted these definitions of micro, small and medium enterprises (MSMEs) as given by the National Council on Industry for a number of reasons. Firstly, it is about the most current definition. Settling for an acceptable definition has a lot to do with time, because of the need for time value of money in capital specification. Secondly, the defining authority is the highest organ on commerce and industry matters in Nigeria. Finally, the two prominent parameters in business size classification (capital and workforce) are included.

Table 1; Various Definitions of Business Size in Nigeira

Source	Definition
Owualah (1999)	Micro enterprises: Firms with as many as 10 workers, although the norm is 1or2. Owned by the poor, women, disabled, youths. Typically family business in the informal sector.
Eigege (1991)	Small scale enterprises: Firms with yearly turnover not exceeding US$ 3million (China, Hong Kong, Korea).
Federal Ministry of Commerce and Industry – 1981/83 Guideline to NBCI.	Small business enterprises: Firms with total cost of not more than N500,000 (excluding land but including working capital)
Central Bank of Nigeria (CBN) 1988	Small scale enterprises: (Excluding general commerce) investment (including land and capital) not exceeding N500,000 and/or annual turnover not exceeding N5million.
Central Bank of Nigeria (CBN) 1993	Small business enterprises: Firms with total cost, excluding cost of land but including working capital above N1million but not excluding N10million.
Companies and Allied Matters Decree (1990). Section 376 (2).	Small company: Firm with a value of not more than N1million.
Companies and Allied Matters Act 2004. Section 351(1).	Small Company: A particular year is one with turnover of not more than N2million and net assets of not more than N1million.
NERFUND	Small business enterprises: Firms with fixed assets plus cost of new investment not exceeding N10million.
Bankers Committee (Nigeria) for purpose of Small and Medium Enterprises Equity Investment Scheme (SMEEIS) – 1999.	Small and Medium Enterprises: Firm with a maximum asset base of N500million (excluding land and working capital).
National Council on Industry (2001) Udechukwu (2003)	Micro/cottage Enterprises: Firm with capital not more than N1.5million including working capital but excluding cost of land and/or labour size of not more than 10 workers. Small scale enterprises: Firm with total capital of over N1.5million but not more than N50million including working capital but excluding cost of land and/or a labour size of 11-100 workers.

Sources: Owualah (1999); Eigege (1991); CBN (1988; 1993); CAMD (1990); CAMA (2004) Demeke *et al.* (2006); Udechukwu (2003).

Whereas the two dominant parameters (capital and workforce) are included in the adopted definitions, the research will stratify the respondent businesses into micro and small business enterprises using the criterion of workforce. The major reason for this is that it is more objective. Using the capital criterion will require a sound knowledge of what constitutes business capital and a resolution of whether it is 'Start-up Capital'

or 'Working Capital' that should be used. Since most of the potential respondents may lack the ability to distinguish between the one and the other, the use of workforce, which is less controversial is preferable for this study.

Empirical Literature

Empirical Studies on Impact of Micro, Small and Medium Enterprises (MSMEs)

In a study of developmental impact of investments in ten small and medium enterprises in the Small Enterprises Assistant Funds (SEAF) observed that SMEs have the potentials of being a vehicle not only for growth, but also for poverty reduction. SEAF (2004) has highlighted the results of the study, indicating all the "ten case studies demonstrate the multiple paths by which these SMEs have affected their communities".

      The SEAF study reveals among other things that
* The economic impact of investments in SMEs is significant. In specific terms, the study observed that every dollar invested by SEAF generated an additional ten dollars in local currency.
* The greatest share of benefits from the investments gives to employees, followed by governments.
* Two thirds of total employment in the sampled firms gives to low-skilled workers. This strengthens the hypothesis that SMEs generate new jobs which are suitable for the poor.
* Employees annual real wage growth can be as high 28% for low-skilled and 34% for high-skilled workers.
* The enterprises also provide non-salary benefits.

Shrestha (2004) investigated impact of Micro and Small Enterprises, supported by the Micro-Enterprise Development Programme (MEDEP) on a number of targets, in Nepal. Poverty reduction was in the menu of the targets focused by the investigation. The study found that "almost every enterprise yields an interesting case study of successful entrepreneurship strategy and a significant economic and moving personal transformation of the newly minted entrepreneurs" Shrestha (2004).

According to Shrestha (2004) in Nepal, Micro and Small enterprises have recorded positive impacts with regard to indicators such as income, local communities, poverty reduction, women empowerment and micro and macro linkages. Shrestha (2004) found that the poor through micro enterprises achieved significant increases in income of between 50 percent and 100 percent with an overall average of income increment of about 50 per cent. The report mentioned that total income before MEDEP intervention was about $69 per year and after intervention it rose to about $105. In terms of job creation, the study found micro enterprises creating total employment for about 8, 139 persons i.e. an average of about 1.3 persons per entrepreneur. Using basic needs approach to evaluating poverty, Shrestha (2004) found that households that were incapable of meeting these needs before MEDEP intervention, were financially empowered through micro-entrepreneurship to do so.

Using inequality decomposition techniques, Kimhi (2009) found that a uniform increase in entrepreneurial income reduces per capita household income inequality in Southern Ethiopia. Consequently, the study concluded, "that encouraging rural entrepreneurship may be favourable for both income growth and income distribution." Beck, Demirgue-Kunt, Levine (2003) evaluated the impact of SMEs on growth and poverty using cross-country growth regression framework. Their study in this regard concluded that there was no robust relationship between the size of the SME sector and the incidence of poverty, or income per capita or its growth rate.

Two other studies that strengthen the poverty-reduction potentials of micro, small and medium enterprise are Demeke *et al.* (2006) and Rahman and Islam (2003). Findings from these studies showcase how employment (self – or wage) can lead to poverty reduction, and even wealth creation.

The significant role played in the economy of Ethiopia by MSEs (Micro & Small Scale Enterprises) has been pointed in Demeke *et al.* (2006). According to them *SMEs, provide income and employment for significant proportions of workers in rural and urban areas by producing basic goods and services for rapidly growing populations... contributing over 99% of all enterprises, over 60% of private sector employment and about 30% or 80 of exports.*

Rahman and Islam (2003) in doing a comparative analysis of which of the two routes to poverty reduction (wage – employment and self-employment) was more effective in Bangladesh found that:

i)   *Wage workers are more prone to poverty than the self-employed and that is reflected in the lower hourly earnings of the former.*
ii)   *The average returns from self-employment is much lower for the poor than the non-poor group, implying that the nature of self-employment in which the poor are engaged is different from the non-poor and*
iii) *Education is an important factor in determining the probability of a household being poor.*

The findings of Rahman and Islam (2003) indicate that self-employment can fast track poverty reduction than wage employment. In a country like Nigeria, where there was a strong attachment to wage employment and a lethargy for self-employment, these findings are instructive ot only for combating unemployment but also for poverty reduction.

Conceptual Framework

Relying on OECD/EUROSTAT Entrepreneurship framework in Ahmad and Seymour (2008), we propose a model, which links Lewis Labour Surplus Theory and labour market dynamics with entrepreneurship as a window of possible exit from poverty. This conceptual framework is presented as figure 1. In this conceptual framework Lewis Labour Surplus Theory and Labour Market Dynamics constitute the antecedent variables. Determinants of nature and motivation for entrepreneurship constitute intervening variables. Independent variables are made up of key factors in business performance while the depedent or outcome variable which captures impact of micro and small business entrepreneurship is poverty reduction through job creation.
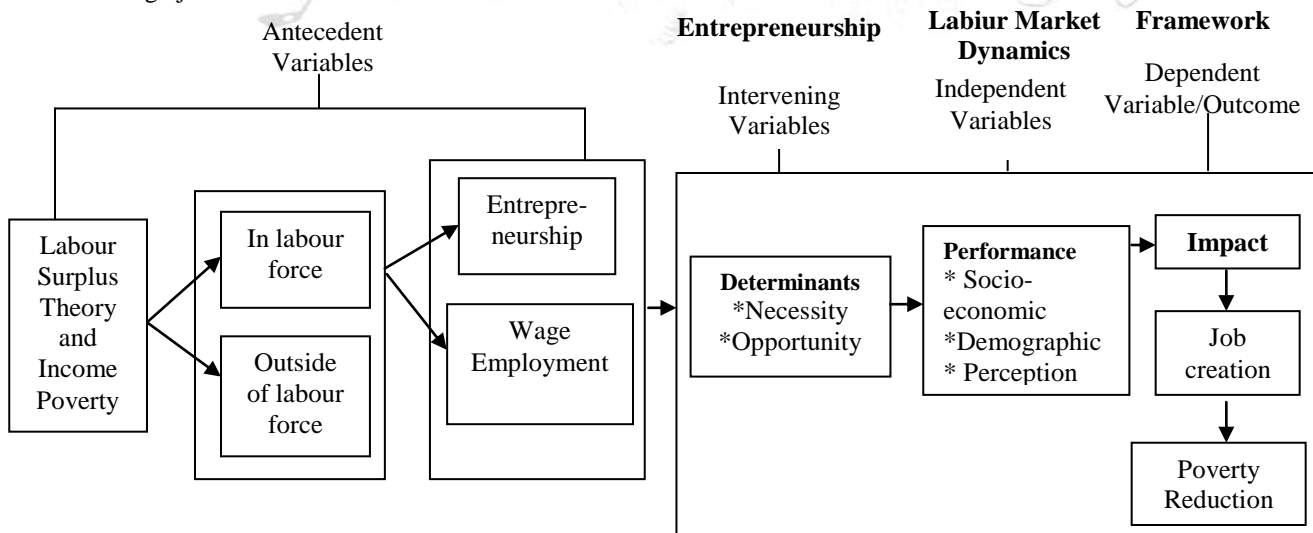

Fig. 1: Integrated Framework of Poverty-Entrepreneurship Linkage.
Source: Designed by the Author

Research Methodology

Area of Study

The area of study is Ibadan metropolis in South Western Nigeria. Although Nigeria has 36 states and six geopolitical zones, the choice of South Western zone was informed by the fact that South West is the commercial hub of Nigeria and is recognized as the zone with the lowest poverty indices (NBS, 2012).   It is necessary to study the zone as a model and see the extent to which micro and small business entrepreneurship has contributed to these low poverty indices.

Outside Lagos, which was Nigeria's Federal Capital before Abuja, Oyo State, which has Ibadan Metropolis as capital, has the highest concentration of micro and small business enterprises in South Western Nigeria. This is 3.03% compared to Ekiti (2.44%), Ogun (2.73%), Osun (2.79%) and Ondo (2.84%). With micro and small business enterprises being the subject – matter of this research Oyo State is therefore quintessential.

Ibadan metropolis itself is made up of five local governments and has long been recognized as the most indigenous urban centre in Africa, South of Sahara Adeniji-Soji (1996). Ibadan metropolis plays host to almost all tribes in Nigeria and certainly all the major ones. As a result it is a miniature of Nigeria, providing possibility of making findings from this study applicable to the whole country.

The economic, social, political and demographic structure of Ibadan Metropolis also provides a good setting for the study of the impact of micro and small scale entrepreneurship on poverty reduction. Ibadan is the third largest metropolitan area by the 2006 population census in Nigeria after Lagos and Kano. It is also the largest metropolitan geographical area. Outside Lagos, Ibadan is the largest metropolitan city of South Western Nigeria with a population of 1,338,649 (National Population Commission, 2006). From the 2006 population exercise, Ibadan North East is the biggest of the five local governments in the metropolis, accounting for 24.7 per cent. It is followed by Ibadan North (22.9%), Ibadan South West (21.1%) with Ibadan North West (11.4%) being the smallest.

Study Population

Micro and Small business enterprises in Ibadan metropolis constitute the study population for this research. Most of these enterprises are located in the informal sector of the economy. Since the informal sector is "invisible non- structured" Magbagbeola)1996) determining accurate study population is difficult.

For the purpose of this research however, the study population was drawn from list of members of the National Association of Small Scale Industrialists (NASSI), registers of trade associations that are not members of NASSI and the 2010 edition of Industrial Directory. The study population going by these sources was 383.

Sampling Methods

This research used proportional stratified sampling method. The study population was divided into strata, first in term of size (ie Micro and Small Enterprises using the criteria in Udechukwu (2003), second in terms of sectors and third in terms of entrepreneurial motivation (necessity and opportunity). The sample frame was the proportion of each stratum in the study population. For good representativeness and generalization of results, a sample frame of 80% of the study population was used. The choice of proportional stratified sampling method was informed by its potential advantages. First is that it promotes precision. Secondly, proportional stratified sampling is adiministraively convenient. Research assistants were trained to deal with respondents in line with the peculiarities of each stratum. Finally, this method ensures better coverage of the study population than stratified random sampling.

Sources of Data

The data for this study came mainly from primary sources. They (data) were collected through a questionnaire designed and administered on the study sample. This was complemented with guided interview by the research assistants where necessary. The guided interview largely enabled the research assistants explain some key terms in the Questionnaire. In order to arrive at reasonable figures of income earned, a dairy was opined for the purpose recording daily earning of the respondents. This was done for a period of three months – September to November 2012. The mean of these figures has been used for each of the respondents.

Structure of Questionnaire

The questionnaire was divided into four sections apart from the introduction.

- Section A: Bio-data on the respondents. It should be stated that in order to encourage quick and honest responses, the rule of anonymity is observed.
- Section B: Business history and operation.
- Section C: Entrepreneurial Characteristics.
- Section D: Socio-Economic and Demographic Characteristics.
-

Administration of the Research Instrument

The study used The Spearman-Brown and Cronbach alpha for realibility test. This was preferred because it captures full scale realibility rather than split half reliability and yielded a value of 0.73. This implies that the instrument of data collection was reliable in stability, dependability and predictability. Cronbach Alpha (α) applied for validity test yielded a value of 0.71. This indicates a highly valid instrument. The study used trained Research Assistants to distribute, interview and retrieve the questionnaires. Data collection through Questionnaire was complemented with Guided Interview.

Method of Data Analysis

This research depended heavily on some related works that had been done on poverty impacts of Small Enterprises Initiatives (Nexus Associates, 2002: Oldsman and Hallberg, 2003), characterisation of Micro and Small business entrepreneurs (Bhola *et al.* 2006, Wagner, 2005), on entrepreneurial earnings and impact on poverty (Wagner, 2003; Block and Sandner, 2005; Block and Koellinger, 2006; Block and Wagner, 2006) Data were analysed using Statistical Package for Social Sciences (SPSS version 17).

Modelling for Assessment of Poverty Impact of Micro and Small Business Enterprises

The model of poverty impact of micro and small business entrepreneurship used in this study is highly dependent on Nexus Associates (2002) and Oldsman and Hallberg (2003) and originally requires six steps to be taken. Over the years measuring impact of policy has been confused with evaluating effects of policies. The fundamental tenet of impact assessment is the need to compare the observed situation (ie post intervention) with what was the case was before intervention (pre-intervention). This is what is called the Counterfactual. The difference between the two states is the real impact and explains why it is also called Difference-in-Difference model. In the context of this research, impact of micro and small business entrepreneurship on poverty reduction is a comparison of the poverty status of the entrepreneurs before and after engagement in business. It is in line with this methodology that the model in explicit term is stated as;

$$PoV = \beta_o + \beta_1 \, EDP + \beta_2 BAGE + \beta_3 \, (EDP * BAGE) + \beta_j \, X_j + e$$

Here exp (β_3) is the predictor of impact.

In this model the dependent variable (POVERTY) is dichotomous, hence the need to estimate it using logit regression. It was scored '1' if earning of an entrepreneur was above the poverty line of ($1.25) and '0' if otherwise. This absolute poverty line was converted to local currency using the average official exchange rate of ₦150 (2011) to a US dollar.

- EDP = dichotomous variable on whether a business is an entrepreneur's only source of income or not. It equals '1' if it is the only source and '0' if there are others.
- BAGE = the age of the business in question.
- X_j = vector of other variables believed to affect poverty rate. Such variables for this study are listed on table 3.

Table 3: Variables for Logistic Estimates for Socio-Economic and Demographic factors affecting Micro and Small Business Entrepreneurs' Poverty.

Variable	Variables Description	A Priori Expectation
Dependent Variable		
POV	Poverty line of $1.25 at 2011 official exchange rate = 1 if income is more than it = 0 if income is less it.	
Explanatory Variables		
HSIZE	Size of entrepreneur's household	+ve
AGEH	Age of the entrepreneur	-ve
HOUT	**Type of housing** = 1 If entrepreneur's household resides in block of flats. = 0 If lower than flats	**-ve**
EDUC	**Household education level** No education for a household member=0 Education up to junior secondary level=5 Education up to senior secondary school level=10 Education up to /university /polytechnic/college=15 Index= total points/household size	**-ve**
PARR	**Participation rate;** No of workers in the household/No of adults	**-ve**
HOHC	**Household Health Care** = 1, If entrepreneur's uses private hospitals = 0, If otherwise	**-ve**
BUPO	**Business Property Ownership** = 1, If entrepreneur has landed property = 0, If otherwise.	**-ve**
DEPR	**Dependency ratio** ‹18yrs+›60yrs/ No of others	**+ve**

Source: Adapted from Chaudhry et al. (2009).

There are six steps required in using the Counterfactual Model.

Step 1:   Selection of Poverty Indicator:

In this research $1.25 per day absolute poverty line was. One major reason for this is the World Bank having revisted the dollar-per-day measure, had since 2005 established that $1.25 per day is more realistic in measuring extreme poverty. This according to Chen and Ravallion (2008) is the updated international poverty line. Secondly and arising from the first reason is the fact that underestimation of poverty situation

engendered by the use of $1 per day is avoided.   Thirdly according to Haughton and Khandker (2009) "absolute poverty line is essential if one is trying to judge the effect of antipoverty policies overtime or estimate impact of a project (for example micro credit) on poverty". Since this study is on impact of micro and small business entrepreneurship on poverty reduction, it is only appropriate that absolute poverty line is used.

Step 2:   Selection of Time Period

For this study the number of years within which is the micro and small business enterprises have been in existence is used.

Step 3: Obtaining Data

Data used were primary in nature and therefore questionnaire was employed as an instrument of collection. This was complemented by guided interview and use of diary. The latter was to a fair knowledge of earnings of the respondents.

Step 4: Construction of Control Group

In this study, the treatment group consisted of those micro and small business entrepreneurs whose only sources of income were the businesses under study. They were scored '1'. The control group on the hand was made up of those who had other sources of income apart from the businesses in question. They were scored '0'.

Step 5:   Estimate of Poverty Impact

As mentioned earlier β_3 is the predictor in the model. It estimates poverty impact.

Step 6; Model Interpretation

The coefficient β_3 tells how the log-odds in favour of escaping poverty (defined as earnings above the poverty rate) change since being in entrepreneurship.

Taking the antilog of β_3 (the odds ratio) tells us how the odds have changed for the entrepreneurs, since being in business. E.g. $\exp(\beta_3) = 1.18$ is interpreted as meaning that the odds for the entrepreneurs to earn more than the defined poverty rate (e.g. US$1.25 per day) increased by 18% more than the period before business.

Results and Discussion

Whereas the study aimed at a sample of 90% of the study population (383), the number of questionnaire retrieved and valid for analysis was less. 345 copies of the questionnaire were distributed, 15 copies could not be retrieved while 24 copies were not properly filled, making them invalid and unusable. In all a total of 306 copies were both properly filled and returned. In other words, the sample for this study is 80%.

Frequency and Percentage Distribution of Respondents by Socio-economic Characteristics and Business Location

The distribution of respondents by gender, age, educational status and location of business by local government is shown in table 4.1.   From this table, there were more male (68.6%) in micro and small business entrepreneurship than female (31.4%). This is expected as men are usually the dominant bread winners of many households. The data also revealed that no foreigner was found in micro and small

business entrepreneurship in Ibadan metropolis. The business units under study are principally of informal sector and as a result having 100% Nigerians in them is also expected.

Table 4.1 also presents the age structure of the sampled micro and small business entrepreneurs. From this table micro and small business entrepreneurs between 18 and 35 years were 49.3%, closely followed by those between 36 and 60 years (41.8%). The rest consisted of those below 18 years (8.5%) and those above 60 years (0.3%). From this sample, micro and small business entrepreneurs in Ibadan metropolis were predominantly young. This is followed by the adult population who constituted 41.8%. Since the active labour force is made up of those between 18 and 60 years, whose combined population in this study is 279 (or 91.2%) the study is made richer. This is because most of the respondents (91.2%) belong to the age group, whose employment should be a major source of concern.

About one third (36%) of the micro and small business entrepreneurs had primary and secondary education. This is followed by those with early tertiary education (ND/NCE holders), (33.6%). Another 26.8% held Higher National Diploma (HND) degrees. The remaining 3.6% of the sample held Post Graduate qualifications. In essence 64% of the respondents had 3.6% of tertiary education, while 36% had primary and secondary education.

From this table Ibadan North Local Government had the highest respondents of 30%, followed by Ibadan North West 21%, Ibadan South East 19%, Ibadan South West 17% in that order. Ibadan North East had lowest number of respondents of 13%.

Table 4.1 Frequency and Percentage Distribution of Respondents by their Socio-economic Characteristics, Business Location and Nature of Business

Socio-economic characteristics	Frequency	Percentage	Cumulative
Gender			
Female	96	31.4	31.4
Male	210	68.6	100.0
Nationality			
Nigerian	306	100.0	100.0
Foreigners	0	0.0	100.0
Age of Entrepreneurs			
Under 18 years	26	8.5	8.5
18 – 35 years	151	49.4	57.9
36 – 60 years	128	41.8	99.7
Above 60 years	1	0.3	100.0
Educational status			
Primary	47	15.4	15.4
Post primary	63	20.6	36.0
Tertiary	196	64.0	100.0
Location			
• IBN	92	30	30
• IBNE	40	13	43
• IBNW	63	21	64
• IBSE	58	19	83
• IBSW	53	17	100

Source: Field Survey (2012)

Frequency and Percentage Distribution of Respondents by Nature and Characteristics of Business

Table 4.2 also presents respondents by type of business. Manufacturing enterprises in the context of this research include businesses in carpentry, bakery, cake-making, pure water production, metal fabrication, welding, furniture making etc. Enterprises in services on the other hand include sawmilling, motor/motorcycle repair, barbing, hairdressing, proprietorship of schools etc. Enterprises captured under distribution are not difficult to identify. They include all businesses that are involved in hawking, trading, sale and marketing.

From table 4.2, 41.5% of the respondents were engaged in distribution, while those in services were 31.4%. Those engaged in manufacturing were 24.8%. 2.3% of the respondents could not however be classified. Entrepreneurship literature has theoretically established two dominant motives of entering into business; exploitation of economic opportunity and inability to secure alternative means of livelihood. Those who engage in the former are called opportunity entrepreneurs while those engaged in the latter are referred to as necessity entrepreneurs. From table 4.2 about 70.3% of the respondents were into necessity entrepreneurship while the remaining 29.7 percent were engaged in opportunity entrepreneurship.

Micro and small business entrepreneurs who had been in business for more than ten years were 63/7%.. Those in business for between five and ten years were 32.0%, while micro and small business entrepreneurs in business for less than five years were 4.3%. Considering the position in this study that a period of five years should be fairly adequate to begin to feel the impact of entrepreneurship on poverty reduction, from table 4.26 more than 95 per cent of the sample met this specification.

Enterprises employing between 1 and 10 workers accounted for 87.9 percent of the sample. The remaining 12.1% employed between 11 and 100 workers. Going by the adopted operational definitions of micro and small enterprises, 87.9% of the sample were micro enterprises while 12.1% were small business enterprises.

Size of capital is one of the criteria in classifying firms/businesses into micro and small enterprises. In line with our adopted definitions, which is in conformity with National Council on Industry, any enterprise with capital of not more than N1.5million is a microenterprise. Businesses with more than N1.5million but not more than N50million are small business enterprises. Medium business enterprises are firms with total capital of N50million but not more than N200million.

From table 4.2 the study sample was made up of 258 microenterprises, 45 small business enterprises while only 3 respondents fell outside our study focus not being in any of the earlier two groups. By implication using capital criterion, 84.3% of the businesses were microenterprises and 14.7% were small business enterprises. The remaining 1 per cent was larger than micro and small business enterprises. For reasons earlier advanced, the study used number of workers rather than size of capital.

From table 4.3, 91.2% of the respondents had no other sources of income except the one under study. The remaining 8.8% had additional sources of income. Since this study is mainly concerned about impact of the micro and small business entrepreneurship under study, 91.2 per cent of the sample fell into this group.

Although the number of respondents with experience before business engagement was higher at 50.3%, the difference is marginal when compared with 49.7% that had no such experience. From table 4.3 therefore 50.3% of the respondents had pre-engagement experience while 49.7% had no experience in the business field prior to engagement.

A total of 225 out 306 were unemployed after their highest qualifications, while 81 of them did not experience unemployment. By implication 73.5% were unemployed before entering into business. 26.5% did not experience unemployment. Of the respondents who experienced unemployment before engaging in

business, 41.8% had two-year duration, 26% had one year, 4.6% had three years and 0.3% had four years experience of unemployment before business engagement. This distribution is also shown on table 4.3. The implication of this distribution is obvious; that most graduates of Nigeria's educational institutions do not wait too long expecting jobs that would never come. The reality of unemployment and the need to embrace self-employment now appears to stare most of them in the face.

Table 4.2: Frequency & Percentage Distribution of Respondents by Nature and Characteristics of Business

Nature of Business	Frequency	Percentage	Cumulative
Manufacturing	76	24.8	24.8
Distribution	100	32.7	57.5
Service	130	42.5	100.0
Entrepreneurial Motivation			
Opportunity	91	29.7	29.7
Necessity	215	70.3	100.0
Age of Business			
< 5 years	13	4.3	4.3
5 – 10 years	98	32.0	36.3
> 10 years	195	63.7	100.0
Number of Workers			
1 – 10	280	87.9	87.9
11 – 100	26	12.1	100.0
Size of Start-up Capital			
≤ 1,500,000	258	83.3	83.3
1,500,001 – 50,000,000	45	14.7	98.0
> 50,000,000	3	1.0	100.0

Source: Field Survey, 2012

Frequency and Percentage Distribution of Respondents by Streams of Income, Unemployment and Pre-Engagement Experiences.

Table 4.3 Respondents by Unemployment and Pre-Engagement Experience and Business Outcomes

Number of Sources of Income	Frequency	Percentage	Cumulative
Current business only	279	91.2	91.2
Multiple streams	27	8.8	100.0
Pre-Engagement Experience			
No Experience before Business Engagement	152	49.7	49.7
Experience before business Engagement	154	50.3	100.0
Experience in Unemployment			
Unemployed after School	225	73.5	73.5
No Unemployment after School	81	26.5	100.0
Duration in Unemployment			
0 years	81	26.5	26.5
1	82	26.8	53.5
2	128	41.8	95.1
3	14	4.6	99.7
4	1	0.3	100.0
Influence of Unemployment on Business Start-up			
Unemployment prompted Business Start-up	225	73.5	73.5
Unemployment did prompt business start-up	81	26.5	100.0

Source: Field Survey, 2012

From table 4.3, 72.2% of the respondents were *pushed* into business as a result of fear of unemployment. The remaining 27.8% started business without due regard for the prevailing high unemployment rate in the country. This distribution is fairly in alignment with respondents' disposition on motivation for engagement in self-employment. The 27.8% that went into business regardless of the unemployment situation were *pulled* into entrepreneurship and hence aligning with opportunity entrepreneurship.

Frequency and Percentage Distribution of Respondents by Household Characteristics

Table 4.4 presents data on the main household characteristics. The standard active labour force age is between 18 and 60 years. From table 4.4, 64.4% had between 1 and 5 members in this age group, 17.3% had no member of the household within the age group, and 15.7% had between 6 and 10 members in the active labour force. Those with more 10 members of household in the threshold were 1.6%.

Conceptually household members who are less than 18 years old are usually of school age. As a result they are excluded from those in labour force. They however constitute part of the dependents. From table 4.4, 78.8% of the sampled micro and small business entrepreneurs had between 1 and 5 members of the household in this group. 14.7% had between 6 and 10 in the group. The remaining 6.5% had nobody that was less than 18 years in the household. Household members who are above 60 years are usually considered to be out of labour force. They therefore constitute another important segment of dependents. From table 4.4, 53.3% of the respondents had nobody in this age group, while 46.1% had between 1 and 5 members of the household in the group. The remaining 0.7% had between 6 and 10 members of the household in the group.

Frequency and Percentage Distribution of Respondents by Other Business Outcomes

Engagement in business may be fun especially for habitual entrepreneurs but for most entrepreneurs especially micro and business entrepreneurs and including novice entrepreneurs, it is not for fun. Several outcomes most of which are indices of performance measurement are often expected. Two of these are income and business property. Income generated by micro and small business enterprises is an important variable of this study. This is because of the interest of the study in determining the extent to which such generated income impact on the entrepreneurs' poverty reduction. From table 4.5, 48.7% of the respondents earned less than N5, 500 per month. Those who earned between N5,501 and N10,000 were 34.3%, while 7.5% of the micro and small business entrepreneurs, earned between N10,001 and N20,000. 5.2% of the respondents earned between N20,001 and N40,000, while 2.6% earned between N40,001 and N50,000. Micro and small business entrepreneurs who earned above N50, 000 were 1.6% of the study sample.

Table 4.4 Respondents by Household Characteristics

Number of Household's Active Labour Force	Frequency	Percentage	Cumulative
0	53	17.3	17.3
1 – 5	200	65.4	82.7
6 – 10	48	15.7	98.4
Above 10	5	1.6	100.0
Less 18 years old Household members			
0	20	6.5	6.5
1 – 5	241	78.8	85.3
6 – 10	45	14.7	100.0
Above 60 years old Household members			
0	163	53.3	53.3
1 – 5	141	46.1	99.4
6 – 10	2	0.6	100.0

Source: Field Survey, 2012

Business property is a constituent of business wealth. Ownership of business property is therefore an indicator of financial bouyancy of an entrepreneur. It is also an index of business prosperity and positive signal in poverty reduction.

From table 4.5, 96.7% of the respondents claimed that they were not the owners of the properties on which their businesses were located, while 3.3% of them asserted that they owned the properties on which their businesses were located.

Table 4.5   Respondents by other Business Outcomes

	Frequency	Percentage	Cumulative
Income Generated by Business per month			
≤ 5,500	149	48.7	48.7
5,501 – 10,000	105	34.3	83.0
10,001 – 20,000	23	7.5	90.5
20,001 – 40,000	16	5.2	95.7
40,001 – 50,000	8	2.6	98.3
> 50,000	5	1.7	100.0
Ownership of Business Property			
Not owners of Business Property	296	96.7	96.7
Owners of Business Property	10	3.3	100.0

Source: Field Survey, 2012

Table 4.6   Respondents by Dependency Burden Indices

Size of Household	Frequency	Percentage	Cumulative
1-5	270	88.2	88.2
6 – 10	36	11.8	11.8
Above 10	0	0	100.0
Size of Dependants			
0	117	38.2	38.2
1	42	13.7	51.9
2	62	20.3	72.2
3	37	12.1	84.3
4	25	8.2	92.5
5	23	7.5	100.0

Source: Field Survey, 2012

Frequency and Percentage Distribution of Respondents by Awareness of Government BDSS, Sources of Initial Capital and Observed Constraints to Business Performance

Establishment of some agencies, especially by the Federal Government of Nigeria, was to provide largely business development and support services. The aim is not just to rekindle the entrepreneurial spirit, it is

also to boost business performance. Such agencies include the National Directorate of Employment (NDE), National Poverty Eradication Programme (NAPEP) and Small and Medium Enterprises Development Agency of Nigeria. (SMEDAN).

From table 4.13, 173 of the respondents were aware of the activities of National Directorate on Employment (NDE). 146 were aware of the existence of National Poverty Eradication Programme (NAPEP) and 85 had knowledge of the existence of Small and Medium Enterprises Development Agency of Nigeria (SMEDAN).

Potential sources of business start-up capital especially for enterprises in the informal sector include personal saving, loans from friends and relations loans from co-operatives and banks (especially microfinance banks). From table 4.13, loans from friends and relations appear to be the most popular with 175 respondents. It is followed by personal saving (134), loans from co-operative societies (57), loans from banks (29) and from government agencies like NAPEP, NDE etc.

In an effort to understand what factors might have obstructed desirable performance of micro and small business enterprises, respondents were asked to select from a list of factors. From table 4.13, the strongest constraint was capital/business funding, followed by low patronage, high cost of input/wares, lack of desired manpower, and government policies in that order. Excessive taxation is the least and this is understandable. Most micro and small business entrepreneurs did not pay tax. In addition some of the micro and small business entrepreneurs in the study sample (through guided interview) volunteered information that it was difficult for them to get workers who were honest and committed.

Table 4.13 Distribution of Respondents by Awareness of Government BDSS, Sources of Initial Capital and Observed Constraints to Business Performance

	Frequency	Ranking
Awareness of Government BDSS		
NDE	173	1
NAPEP	146	2
SMEDAN	85	3
Initial Sources of Capital		
Personal Saving	143	2
Loans from friends & Relations	175	1
Loans from Banks	29	4
Loans from Co-op Society	57	3
Loans from Govt. Agencies	9	5
Observed Constraints to Business Performance		
Lack of capital/Finance	289	1
Low Patronage	215	2
High cost of Input/Wares	197	3
Government Policies	80	5
Excessive Taxation	30	6
Lack of Desired Manpower	125	4

Source: Field Survey, 2012

Impact Assessment

Using the concept of Counterfactual otherwise called Differences-in-Differences method, where

$$POV = \beta_o + \beta_1 EDP + \beta_2 BAGE + \beta_3 (EDP * BAGE) + \beta_j X_j + e$$

the logistic regression results are as shown on table 4.14. From these, the coefficient of (EDP *BAGE), which is the predictor (i.e β_3), is significant at 0.05 level. The exp (β_3) value is 1.385. The log odds is

therefore about 39%, implying that the odds for micro and small business entrepreneurs in Ibadan metropolis to earn more than US$1.25 per day increased by 39%. Consequently the hypothesis that micro and small business enterprises do not significantly reduce poverty is accepted.

Table 4.14: Logit Regression of Impact of Micro and Small Business Entrepreneurship on Poverty Reduction

	B	**S.E**	**Weld**	**Df Sig.**	**Exp (β)**
EDP	-1.668	0.836	3.986	0.646	0.189
BAGE	-0.367	0.416	0.778	0.378	0.693
EDP * BAGE	0.326	0.470	4.045	0.044	1.385
Constant	0.274	0.699	0.154	0.695	1.315

a Variable(s) entered on step 1; EDP, BAGE, (EDP * BAGE)

For micro and small business enterpreneurship to reduce poverty by 39% may ordinarily be considered as relaively good. But when compared with the duration within which the entrepreneurs had been in business (95.8% had been in business for more than 5 years: table 4.2), the small size of household and the relatively good participation rate, this may not be significant enough.

Recommendations

It is clear from empirical results of this study that micro and small business entrepreneurship can contribute significantly in the drive for poverty reduction. Its impact on poverty reduction can be more pronounced and contribution raised from the marginal level observed in this study, if all stakeholders, especially policy makers will recognise and implement the following recommendations which have arisen from the findings of this study.

Firstly, since it has been established from this study that micro and small business entrepreneurship can help in the poverty reduction drive, government at all levels of administration should put in place appropriate policies to encourage, stimulate and sustain entrepreneurial spirit, especially in Nigerian youths.

There are several ways through which this can be done. The recent introduction of Entrepreneurship Development in all tertiary institutions is a right step in the right direction. This effort should however go beyond limiting choice of trade to those that are merely available on campus. Skills acquisition under such programme should follow deliberate systematic and approach; conduct of Self-Analysis Test for each student, match every student to appropriate trade, attach every student to experts in such trade whether available on or off campus and do periodic monitoring that will ensure that the goal of entrepreneurship for all under-graduates of Nigerian tertiary institutions is achieved.

In addition, it is recommended that this Entreprenuership Education and Training should be taken a step down to the secondary school level of education. This is to capture the group of young Nigerians whose parents may not be able to afford the increasing cost of tertiary education in the country. By implication, those leaving secondary schools would in the final analysis be gainfully self-employed if this recommendation is accepted and implemented.

Secondly, government should be more serious with financial empowerment of Nigerians of all ages who are ready to set up their own businesses. With lack of initial capital, nascent entrepreneurs with good skills and expertise in various fields may find it difficult to launch into the world of business. What has been discovered in the course of this study about government's lipservice to financial empowerment makes a complete mockery of the scheme. Table 5.1 is from the records of National Directorate of Employment in Oyo State between 1987 and 2010. From this table, the number of beneficiaries (107 in 23 years) has been

too small. In addition the average loan given has been too small also, ranging from about N25, 000 in 1987 to 250,000 in 2010. A total of N14, 830,532 for a period of 23 years is a far cry from what is required.

Table 5.1 NDE OYO STATE
Information on SSE Programme From 1987 to 2010

S/n	Scheme	Target Group	Year(s) of disbursement	No resettled	Total amount disbursed ₦
1.	Graduate Employment Scheme (State Pilot Scheme)	Graduates	1987 – 1988	19	467,532
2.	Mature People's Loan Scheme	Retirees/Elderly people	1987-1990	6	278,000
3.	Motorcycle Loan Scheme	Artisans/Schl. Leavers	1994	10	880,000
4.	Start Your Own Business (SYOB) Scheme	Graduates	1999	3	400,000
5.	NDE/NACRDB Loan Scheme	Graduates/Mature People	2006	26	3,655,000
6.	NDE/NACRDB Loan Scheme 1. Start Your Own Business (SYOB) 2. Basic Business Training (BBT)	Graduates Artisans	2009	6 4	900,000 1,000,000
7.	Enterprise Creation Scheme	Graduates & Artisans	2008	Grad – 7 Art. – 5	1,750,000 500,000
8.	NDE/NACRDB	Graduates & Artisans	2009	Grad – 6 Art. – 4	1,500,000 750,000
9.	Enterprise Creation Scheme	Graduates	2010	11	2,750,000
	Total			107	14,830,532

- Mean per beneficiary: $\frac{14,830,532}{107}$ = ₦138,603

- Mean per year: $\frac{14,830,532}{23}$ = N644,806

NB: All loans under NDE/NACRDB collaboration were disbursed by NACRDB

Source: Complied by the author from Records of National Directorate of Employment Oyo State.

Thirdly, there was poor knowledge of the existence and activities of government agencies that have the mandate to promote entrepreneurship in the country. As a result more needs to be done by government to properly fund such agencies and make it compulsory for them to reach out to the Nigerian public. Institutional based approaches may be relevant in this regard. Through periodic interactive sessions of workshop and training, such agencies can showcase what they have to offer. This recommendation is not meant for federal government agencies alone but for those at state government level set up to complement what the government at the centre is doing. It is interesting to observe that whereas Oyo State government has a Ministry of Establishment, Training and Poverty Alleviation almost all the sampled micro and small business entrepreneurs did not know of its existence and activities.

Fourthly, deliberate actions should be taken to assist micro and small business entrepreneurs in overcoming the challenge of high cost of input and wares (articles sold by those in the distribution sub-sector). Epileptic supply of electricity from the national grids has done a lot of damage to micro and small business enterprises. Most entrepreneurs who require energy to be able to work do this at a very high cost. This in turn has led to low patronage. Many entrepreneurs with this experience have completely abandoned their enterprises for alternative sources of income, for which most had not been trained. A popular case in this regard is the 'Okada' transport business. As a result of high cost of input and other structural reasons, Nigeria's textile industry is already in extinction, dispossessing several workers of their jobs and thereby compounding the country's unemployment problem.

Of all challenges facing micro and small business entrepreneurship, low patronage is singled out. This is because government can do something positive about it. The fifth recommendation therefore is that government should be in the forefront of patronising micro and small business enterprises particularly with regard to those sub-sectors where the enterprises produce what government needs. While patronage of the individual enterprises may be good, cluster or network approach is strongly recommended. This is because the small scale of production may not enable single enterprises to supply government adequately. With government as a large market, long-run survival of the micro and small business may be guaranteed.

Finally government should harmonise the current existing multiple trade associations not just into few but strong bodies. There are many advantages in doing this. First is that it will make it easy for government to reach micro and small business entrepreneurs directly with policies targeted at strengthening them The current situation where there are some shylock intermediaries between government and beneficiaries of its policies would be avoided. Secondly, it will provide forum through which internal locus of the entrepreneurs can be raised, thereby promoting the needed self-confidence for good business performance. Thirdly, other strategies that can enhance profit maximisation (e.g. the need for and methods of having and maintaining small household size) can be encouraged and in some cases demonstrated.

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