

**COURSE  
GUIDE**

**ENT 310  
CULTURAL CHANGE AND ENTREPRENEURSHIP**

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## **INTRODUCTION**

ENT310: Cultural Change and Entrepreneurship is a one semester course work having two credit units. It is available to students on Undergraduate Programme in the Faculty of Management Sciences at the National Open University of Nigeria.

The course is made up of 18 units covering essential topics on culture and cultural changes in the society and how cultural impacts entrepreneurship generally. The course is meant to enable students appreciate their culture and learn from other cultures. The course will make reference to experiences that have affected entrepreneurial practices of groups in the Nigerian society.

This course guide tells you what the course is all about, the relevant textbooks you should consult, and how to work through your course materials to get the best out of it. It also contains some guidelines on your tutor-marked assignments.

## **COURSE CONTENTS**

This course will identify and discuss how changes in the experience of people, entity or society impact on their entrepreneurial orientation. The course is designed to enable students appreciate their culture and learn from other cultures. Reference will be made to what obtains in other cultures and how culture influences entrepreneurial activities in Nigerian society.

We may ask why and how do people become entrepreneurs? Why is entrepreneurship beneficial to our society and the economy. How can our government encourage entrepreneurship in order to bring about economic growth and improvement in the standard of living of the people in the society. The number of people engaged in small and medium-scale enterprises increase as a result of new enterprises being started and through the expansion of existing businesses. Increase in the number of small businesses run by small-scale business entrepreneurs lead to the employment of more people and thus technically solving the problem of unemployment in our society and improving the leaving standard of the populace.

## **COURSE AIMS**

The aim of this course is to groom students to understand culture and appreciate its effect on entrepreneurial business activities. The culture of the people may also influence how much entrepreneurship there will be within the locality. Different levels of entrepreneurship may stem from cultural differences that make entrepreneurship more or less rewarding. A community that accords the highest status to those at the top of hierarchical organizations or those with professional expertise may discourage entrepreneurship. A culture or policy that accords high status to the “self-made” individual is more likely to encourage entrepreneurship.

## **COURSE OBJECTIVES**

In order to achieve the full aims of the course, the study is divided into coherent units and each unit states, at the beginning, the objective it is out to achieve. You are therefore advised to read through the specific objectives before reading through the unit. However, the following represent some of the broad objectives of the course. That is to say, after studying the course as a whole, you should be able to:

- \* Understand a general overview of culture and cultural changes
- \* Appreciate the effect of cultural changes on entrepreneurship development
- \* Understand how culture influence determine the number of small-business
- \* Know why people in some cultures do better than others in other cultures
- \* Analyze how stringent thrift among people can discourage entrepreneurship
- \* Understand how unstable government policies can discourage entrepreneurship
- \* Examine the effect of taxation of the establishment and growth of small businesses
- \* Forecast future prospects of entrepreneurship as the driver of economic growth
- \* Appreciate how the skills of the entrepreneur determines the success of the business
- \* Examine the possible ways the government can help the growth of entrepreneurship

## **WORKING THROUGH THIS COURSE**

It is imperative that you read through the units carefully consulting the suggested texts and other relevant materials to broaden your understanding. Some of the units may contain self-assessment exercises and tutor-marked assignments to help you. Only when you have gone through all the study materials provided by the National Open University

of Nigeria (NOUN) can you satisfy yourself that indeed you have completed the course. Note that at certain points in the course you are expected to submit assignments for assessment, especially the Tutor-Marked Assignment (TMAs). At the end of the course, there will be a final examination to test your general understanding of the course.

## **COURSE MATERIAL**

Course Title: ENT310 CULTURAL CHANGE AND ENTREPRENEURSHIP.

STUDY UNITS are as follows:.

### **CONTENTS**

#### **Module 1**

- Unit 1 Overview of culture
- Unit 2 The Role of Entrepreneurship in the Economy and Society
- Unit 3 Influences of Culture on Entrepreneurship Development
- Unit 4 Cultural (Ethnic) Groups in Northern Nigeria

#### **Module 1**

#### **Module 2**

- Unit 1 Cultural (Ethnic) Groups in Southern Nigeria
- Unit 2 Cultural Zones in Nigeria
- Unit 3 Other Cultural Zones in Nigeria
- Unit 4 The Evolution of Nigerian Nation

#### **Module 3**

- Unit 1 The Economy and National Development
- Unit 2 Citizenship Education
- Unit 3 Nigerian Environmental Problems
- Unit 4 Business and marketing plan in Entrepreneurship
- Unit 5 Business Growth and the Entrepreneur
- Unit 6 Law and its relevance to Business Operations

#### **Module 4**

Unit 1	Role of Support Institutions and National Associations
Unit 2	Role of Support Associations in Product Selection Process
Unit 3	Contributions of National Associations to Entrepreneurship
Unit 4	Government Support Agencies for the Development of SMEs

## **ASSIGNMENT FILE**

The assignment file will be made available to you (where applicable). There, you will find details of all the work you must submit to your tutor for marking. The marks you obtain from these assignments will count towards the final mark you will obtain to hit the required pass-mark for the course.

## **ASSESSMENT**

Your performance on this course will be determined through two major approaches. The first is through your total score in the Tutor-Marked Assignments, and the second is through the final examination that will be conducted at the end of the course. Thus, your assessment in the course is made up of two components:

Tutor-market Assignment	30%
Final Examination	70%

The self-assessment tests which may be provided under some units do not form part of your final assessment. They are meant to help you understand the course better. However, it is important that you complete work on them religiously so that they will help in building you strongly and serving you as mock-examination.

## **TUTOR-MARKED ASSIGNMENT**

At the end of each unit, there is a Tutor-Market Assignment (TMA), which you are encouraged to do and submit accordingly. The study centre Director/Tutorial facilitator will guide you on the number of TMAs to be submitted for grading.

Each unit of this course has a TMA attached to it. You can only do this assignment after covering the material and exercise in each unit. Normally, the TMAs are kept in a separate file. Currently, they are being administered on-line. When you answer the questions on-line, the system will automatically grade you. Always pay careful attention

to the feedback and comments made by your tutor and use them to improve your subsequent assignments.

Do each assignment using material from your study texts and other sources. Try to demonstrate evidence of proper understanding, and reading widely will help you to do this easily. The assignments are in most cases easy questions. If you have read the study texts provided by NOUN, you will be able to answer them. Cite examples from your own experience (where relevant) while answering the questions. You will impress your tutor and score higher marks if you are able to do this appropriately.

## **FINAL EXAMINATION AND GRADING**

At the end of the course, you are expected to sit for a final examination. The final examination grade is 70% while the remaining 30% is taken from your scores in the TMAs. Naturally, the final examination questions will be taken from the materials you have already read and digested in the various study units. So, you need to do a proper revision and preparation to pass your final examination very well.

## **HOW TO GET THE BEST OUT OF THIS COURSE**

The distance learning system of education is quite different from the traditional or conventional university system. Here, the prepared study texts replace the lecturers, thus providing you with a unique advantage. For instance, you can read and work through the specially designed study materials at your own pace and at a time and place you find suitable to you.

You should understand from the beginning that the contents of the course are to be worked on carefully and thoroughly understood. Step by step approach is recommended. You can read over a unit quickly to see the general run of the contents and then return to it the second time more carefully. You should be prepared to spend a little more time on the units that prove more difficult. Always have a paper and pencil by you to make notes later on and this is why the use of pencil (not pen or biro) is recommended.

## **FACILTATORS/TUTORS AND TUTORIALS**

Full information about learning support services or tutorial contact hours will be communicated to you in due course. You will also be notified of the dates, time and location of these tutorials, together with the name of your tutors. Your tutor will mark and comment on your assignments. Pay attention to the comments and corrections given by your tutor and implement the directives as you make progress.

### **USEFUL ADVICE**

You should endeavour to attend tutorial classes since this is the only opportunity at your disposal to come face to face with your tutor/lecturer and to ask questions on any grey area you may have in your study texts. Before attending tutorial classes, you are advised to thoroughly go through the study texts and then prepare a list of questions you need to ask the tutor. This will afford you opportunity to actively participate in the class discussions.

### **SUMMARY**

Cultural change and entrepreneurship looks at how the culture of the people affects and influences entrepreneurship development in the society. The culture of the people may also influence how much entrepreneurship businesses there will be within each locality. Different levels of entrepreneurship may stem from cultural differences that make entrepreneurship more or less rewarding. A community that accords the highest status to those at the top of the hierarchy of an organization or those with professional expertise may discourage entrepreneurship in the society. A culture that accords high status to the “self-made” individual is more likely to encourage entrepreneurship. Thus, for the business of the entrepreneur to succeed, he must keep himself and his business dealings close to the society and maintain cordial relationship with the people.

NATIONAL OPEN UNIVERSITY OF NIGERIA

COURSE GUIDE

COURSE CODE: ENT310

COURSE TITLE: CULTURAL CHANGE AND  
ENTREPRENEURSHIP

**ENT310:  
ENTREPRENEURSHIP**

**CULTURAL CHANGE AND**

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**ENT310 CULTURAL CHANGE AND ENTREPRENEURSHIP  
MODULE I**

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- Unit 3 Influences of Culture on Entrepreneurship Development
- Unit 4 Cultural (Ethnic) Groups in Northern Nigeria

Module 2

- Unit 1 Cultural (Ethnic) Groups in Southern Nigeria
- Unit 2 Cultural Zones in Nigeria
- Unit 3 Other Cultural Zones in Nigeria
- Unit 4 The Evolution of Nigerian Nation

### Module 3

- Unit 1 The Economy and National Development
- Unit 2 Citizenship Education
- Unit 3 Nigerian Environmental Problems
- Unit 4 Business and marketing plan in Entrepreneurship
- Unit 5 Business Growth and the Entrepreneur
- Unit 6 Law and its relevance to Business Operations

### Module 4

- Unit 1 Role of Support Institutions and National Associations
- Unit 2 Role of Support Associations in Product Selection Process
- Unit 3 Contributions of National Associations to Entrepreneurship
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## **ENT342 CULTURAL CHANGE AND ENTREPRENEURSHIP MODULE I**

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#### **UNIT 1 OVERVIEW OF CULTURE**

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## **1.0 INTRODUCTION**

The need to strengthen entrepreneurial culture and cultivate favourable attitude towards entrepreneurship and enterprise development became obvious from all local case studies. The importance of entrepreneurial culture that encourages start-ups and enhances the growth of small and medium-scale enterprises has translated into government action and spurred public private initiatives.

Both national and local initiatives have been organized, such as entrepreneur's days, business idea competitions and various awards meant to encourage entrepreneurship activities in the society. In some areas, partnerships have been formalized between the

Chamber of Commerce and Trade, and Chambers of Crafts and the Public Employment Services to promote entrepreneurship and stimulate innovation.

## **2.0 OBJECTIVES**

After reading this unit the student will be able to understand:

- How culture can influence partnership and the role of entrepreneurship in society.
- Various factors affecting the growth of entrepreneurship in the society.
- How entrepreneurial skills affect the success and growth of entrepreneurship in society

## **3.0 MAIN CONTENT**

### **3.1 Definition of Culture**

Broadly speaking, culture can be defined as social heritage of a group (organized community or society). It is a pattern of response discovered, developed or invented during the group's history of handling problems which arise from interactions among its members, and between them and their environment. These responses are considered the correct way to perceive, feel, think, and act, and are passed on to the new members through immersion and teaching. Culture determines what is acceptable or unacceptable, important or unimportant, right or wrong, workable or unworkable in the society.

Culture encompasses all learned and shared, explicit or tacit, assumptions, beliefs, knowledge, norms, and values, as well as attitudes, behavior, dress, and language.

#### **3.1.1 How Culture can Influence Entrepreneurship**

Why and how do people become entrepreneurs? Why is entrepreneurship beneficial to an economy? How can our government encourage young entrepreneurship, and, with it, economic growth? The number of people engaged in small and medium-scale enterprises increase as a result of new enterprises being started and through an expansion of existing

activities. Opportunity for employment opens up when new businesses are floated or when existing businesses expand.

The culture of a community also may influence how much entrepreneurship there is within it. Different levels of entrepreneurship may stem from cultural differences that make entrepreneurship more or less rewarding personally. A community that accords the highest status to those at the top of hierarchical organizations or those with professional expertise may discourage entrepreneurship. A culture or policy that accords high status to the “self-made” individuals in the society is more likely to encourage entrepreneurship.

There is the need to formulate concrete guidance which should promote teaching and learning strategies that will achieve the following objectives; foster enterprising and entrepreneurial mindsets, develop enterprising and entrepreneurial graduates, develop enterprising and entrepreneurial capabilities that can be applied in a range of contexts. Such teaching and learning strategies should also be made to encourage students to consider new venture creation and self-employment as valid graduate career options and foster enterprising culture in society. It should also be made to develop awareness of intellectual assets and enhance their capacity to manage and exploit them and increase the number of graduate start-up businesses. The strategies should enhance graduates’ life-long learning skills, personal development and self-efficacy, allowing them to contribute to economic growth and national development. Enterprising behaviours such as adaptability, flexibility and the ability to work in situations of ambiguity and risk correlate with employers’ needs. Enterprising skills such as team work and the ability to demonstrate initiative and original thought, along-side self-discipline in starting tasks and completing them within the given deadline, are essential attributes that have been identified by employers as priority issues.

Employers need thinkers who can adapt and change direction according to current needs. The traditional approach to studying larger businesses and commenting passively on trends and factors that have influenced development may help understanding, but that is no longer enough to prepare graduates for career-making in a complex and challenging economy. It does not promote the thinking skills and approaches needed for success in a predominantly micro and small business environment.

### **3.1.2 The Role of Entrepreneurship and Entrepreneurial Culture**

The role of entrepreneurship and entrepreneurial culture in economic and social development has often been under-estimated. Over the years, however, it has become increasingly apparent that entrepreneurship does indeed contribute to economic development. Transforming ideas into economic opportunities is the crux of entrepreneurship. History shows that economic progress has been significantly advanced by pragmatic people who are entrepreneurial and innovative, able to exploit opportunities and willing to take risks.

Entrepreneurs produce solutions that fly in the face of established knowledge, and they always challenge the status quo. They are risk-takers who pursue opportunities that others may fail to recognize or may even view as problems or threats. Whatever the definition of entrepreneurship, it is closely associated with change, creativity, knowledge innovation and flexibility-factors that are increasingly important sources of competitiveness in an increasingly globalized world economy. Thus, fostering entrepreneurship means promoting the competitiveness of businesses. Private sector development and entrepreneurship development are essential ingredients for achieving the Millennium Development Goals of reducing poverty. While sound macro-economic policies and easy market access are crucial, emerging markets need to nurture and develop entrepreneurs able to take advantage of opportunities created by globalization.

For many developing countries, private sector development has been a powerful engine of economic growth and wealth creation. In fact in many economies especially in the developing countries of the world, the private sector act as the engine of economic growth and national development while the government provides enabling environment for business activities to thrive. The private sector is crucial for improving the quality, number and variety of employment opportunities for the poor. Economically, entrepreneurship invigorates markets. The formation of new business leads to job creation and has a multiplier effect on the economy. Socially, entrepreneurship empowers citizens, generates innovation and changes mindsets. These changes have the potential to integrate developing countries into the global economy.

## **3.2 Factors that Impact the Starting of a New Business**

What makes some entrepreneurs tick while others fail? Why do people in some cultures and regions display a better entrepreneurial spirit and skills compared to people in other cultures or areas? This section will discuss the major cultural, political and economic factors influencing entrepreneurship.

### **3.2.1 How Cultural Factors Influence Entrepreneurship**

Culture refers to the customary practices and beliefs that have a significant impact on the basic values, perceptions, preferences, and behavior of people. Culture and entrepreneurship intervene in many ways as follows:

- People who traditionally engage in business have a pro-business attitude and disdain taking up salary job and working as an employee of an organization.
- Many people fall outside the establishment and remain unsuited for the traditional job market due to a strong culture of independence or other reasons.
- Business school students come under the missionary zeal of teachers who exhort them to become entrepreneurs even if the opportunity cost is very high.
- The culture of consumerism where people desire material goods encourages entrepreneurship within the area as returns from a business become more than returns from a job.
- People engaged in jobs and other services pressure their children to find secure jobs and crush their entrepreneurship spirit at a very tender age.
- A culture of thrift where people spend less and save for a rainy day discourages entrepreneurship within the local community as the returns from a business become less attractive compared to returns from a job.
- In cultures where people are risk averse and do not attach much importance to hard-work and perseverance, such people are generally not willing to dabble into entrepreneurship.
- In a culture or community where the society honours teachers and scholars greatly, children grow and aspire to become teachers and take up paid jobs too.

Our educational curriculum needs to be revolutionized in such a way that the system will be in position to produce graduates who will establish businesses and become job creators rather than job takers. We want our university and polytechnic graduates to become self-employed rather than self-ready for employment for the economy to

grow and the standard of living of the populace to rise. Until there is a u-turn in our value system where people are hailed for owning their own business rather than roaming the streets in search of paid jobs that are not there, true economic growth will continue to elude us (Obi, 2015).

### **3.2.2 How Political Environment Supports or Suppresses Entrepreneurship**

The following are some of the ways in which the political environment influences entrepreneurship:

- Unstable political climate where government policies change frequently discourages business as investors fear and doubt the safety and security of their investment.
- Government support to economic development through infrastructural development, provision of industrial parks, and the like all encourage entrepreneurship.
- High taxes that make inroads into business returns usually discourage entrepreneurs. On the other hand, tax holidays and government infant industry protection policies encourage business start-ups.
- The availability of infrastructural facilities and utilities such as good roads, regular power supply, communication facilities and absence of corruption and bureaucratic delays in obtaining such utilities encourage entrepreneurship.
- Economic freedom in the form of favourable legislation and few hurdles to start and operate businesses encourage entrepreneurship.
- While most businesses accept laws related to the safeguard of labour rights and the environment, some countries have retrograde laws that make compliance very difficult and time-consuming. Such legal hurdles create a barrier to entrepreneurship.

### **3.2.3 How Economic Factors Influence Entrepreneurship**

The nature of the economy is a major factor that influences entrepreneurship. Some of these economic factors are discussed below:

- The general purchasing power of the people, manifested by income levels and economic prosperity of the region, plays a major role in the success of entrepreneurship ventures.
- During times of economic slow-down or recession, the purchasing power declines and people remain reluctant to invest thus affecting entrepreneurship activities adversely.
- In a subsistence economy, most of the people are engaged in agriculture, consuming most of their output and realizing little earnings from the sale of their surplus produce to other local dwellers. Entrepreneurial opportunities are limited in a subsistence economy.

#### **3.2.4 How Entrepreneurial Skills Affect Entrepreneurship**

All other factors notwithstanding, the success of an entrepreneurial venture depends on the entrepreneur. The entrepreneur is the leader and driver of the venture, and requires the following skills and orientation for success:

- Hard-work and persistence
- Ability to manage and minimize risk
- Ability to draw up a comprehensive business plan, and having a contingency plan ready.
- A strong need-orientation that provides the inclination to achieve things.
- Honesty and intelligence on the part of the entrepreneur.
- Ability to withstand pressure in times of great need.
- Abstention from high taste and high life
- A good entrepreneur should have good human relations.

With the collapsing trade barriers and globalization of economic activities, there is, today, greater opportunities for entrepreneurship especially in developing countries.

### **3.3. Culture and Entrepreneurship**

This section discusses the intersection of culture and entrepreneurship. The most important issue is to determine how regional business cultures affect the local entrepreneurship process. We need to understand how these cultures came into being and how they change over time. These findings will help us form regional policies affecting entrepreneurship activities. In a world where everyone is trying to build his or her own Silicon Valley, we need to think carefully about how successful policies are embedded in the particular cultural contexts they developed within.

Let us, for example, examine the development of entrepreneurial cultures in three of Canada's most entrepreneurial cities: Waterloo, Ottawa, and Calgary. Through more than 100 interviews with technology entrepreneurs, investors, and economic development officials, the study of the characteristics of the regional cultures and how they actually influence the on-the-ground practices of the region's technological entrepreneurs.

Culture has emerged as an important concept within the entrepreneurship literature to help explain differences in the nature of the entrepreneurship process observed between regions, industries and socio-cultural groups. Despite voluminous research on the topic, theories about how culture affects the entrepreneurship process remain under-developed. Without a framework to connect culture with everyday entrepreneurial practices and strategies, it is difficult to critically compare the role of culture between multiple contexts. Such a framework is necessary when examining the influence of local cultures on entrepreneurship, given the diverse ways they can influence economic activities. Generally speaking, any research on entrepreneurship must carefully consider how the concept of culture is used and examine the extent to which it can serve as useful factor in explaining the heterogeneous geography of entrepreneurship as we see in modern economy today.

The regional variation of entrepreneurship and self-employment within and across nations has been carefully studied over the past 20 years. These studies show that population growth, migration, unemployment, socio-cultural values all play a significant role in encouraging self employment and entrepreneurship among people.

### **3.3.1 Factors Affecting Entrepreneurial Growth**

Entrepreneurship does not emerge and grow spontaneously. There are factors affecting the growth of entrepreneurship and entrepreneurial environment. If these factors are positive, then the growth of entrepreneurship will be enhanced. Some of these factors are discussed below:

### **3.3.2 Economic Factors**

Economic environment exercises perhaps the most direct and immediate influence on entrepreneurship. It has some conditions which are stated below:

(a) Markets:

The size and composition of market both influence entrepreneurship in their own ways. Practically, monopoly in a particular product in the market becomes more influential for entrepreneurship than a competitive market.

(b) Capital:

Availability of capital helps to bring together the labour, machinery and equipment and raw material that are required to produce products.

(c) Labour:

Labour is the most important factor of economic condition of entrepreneurship. It appears that the labour problems can prevent entrepreneurship from emerging.

(d) Raw Materials:

Without raw materials, business cannot be started, and production of good cannot be carried out without the use of raw materials.

(e) Industrial policy:

Industrial policy includes rules, incentives, procedures which will make the establishment and operation of small and medium-scale enterprises easy.

(f) Fiscal Policy:

Fiscal policy includes; tax, rate and other payment due to government. As incentive to encourage the establishment and growth of small and medium-scale enterprises, new establishments are given tax holidays and other favourable policies are put in place to protect infant industries.

### **3.3.3 Social Factors:**

Social environment in a country exercises a significant impact on the emergence of entrepreneurship activities. The main components of social environment are as follows:

(a) Social Mobility:

Social mobility means the people in the society transferring from one place to another, exchanging culture, attitude, etc. If mobility is positive then entrepreneurial growth will also be positive.

(b) Security

Entrepreneurship security is an important facilitator of entrepreneurial behavior. Insecurity does not hinder entrepreneurship, but rather different kinds of insecurity will result in different kinds of entrepreneurship.

(c) Legitimacy of Entrepreneurship:

Illegal activities are not regarded as entrepreneurship undertaking. High degree of legitimacy encourages the establishment of new businesses and the growth of existing ones.

### **3.3.4 Political Factors:**

Political factors are also important to the entrepreneur. A country's economic growth, to a large extent, depends on its political factors. Some of the major political factors affecting businesses are as follows:

(a) Political Instability:

This is where there exists constant problems in the polity resulting in arrests, killings and change of government and government policies.

(b) Political Ideology of Government:

Political ideology of government influences the development of entrepreneurship. If the political ideology is favourable to business growth then entrepreneurship takes new initiative to form business.

(c) Nature of change in political ideology:

Due to the change of government, the political ideology also changes again and again. As a result of the changes new businesses are established and old ones decline.

### **3.3.5 Psychological Factors**

Many entrepreneurial theorists have propounded theories of entrepreneurship that concentrate on spontaneous psychological factors. These factors are as follows:

(a) Need for Achievement

Need for achievement serves as motivator for achieving business success. It is a psychological power that propels the entrepreneur to act.

(b) Perception and Motivation

Perception and motivation psychologically support entrepreneurial behavior.

Especially perception and motivation which provide positive forces that invigorate the entrepreneur.

(c) Learning and personality

More learning about business increases business efficiency. It should be noted that different personalities including reformist disposition and innovative tendency affect business.

### **3.3.6 Legal Factors:**

Legal factors point to the country's law and order. The law and order situation in a country helps the growth of entrepreneurship activities within the nation. Some of these legal factors are as follows:

- (i) Income tax law
- (ii) Labour law
- (iii) Law affecting wages and salaries paid to employees.

## **4.0 CONCLUSION**

Culture determines what is acceptable or unacceptable, important or unimportant, right or wrong, workable or unworkable in the society. Culture encompasses all learned and shared, explicit or tacit, assumptions, beliefs, knowledge, norms, and values, as well as attitudes, behavior, dress, and language. The culture of a community also may influence how much entrepreneurship that the people will be willing to undertake. Different levels of entrepreneurship may stem from cultural differences that make entrepreneurship more or less rewarding to entrepreneurs.

In every culture, a concrete guidance is required to foster enterprising and entrepreneurial mindsets, develop enterprising and entrepreneurial capabilities that can be applied in a range of contexts. Such teaching and learning strategies should also be made to encourage students to consider new venture creation and self-employment as valid graduate career options and foster enterprising culture in society. It should also be made to develop awareness of intellectual assets and enhance their capacity to manage and exploit them and increase the number of graduate start-up businesses in the society

## **5.0 SUMMARY**

In this unit, we learnt that culture can be defined as social heritage of a group in the community or society. It serves as pattern of responses developed or invented during the group's history of handling problems which arise from interactions among its members, and between them and their environment. Culture encompasses all learned and shared, explicit or tacit, assumptions, beliefs, knowledge, norms, and values, as well as attitude of the people.

The culture of a community influences how much entrepreneurship there will be in the community. Different levels of entrepreneurship may stem from cultural differences that make entrepreneurship more or less rewarding. A community that accords the highest status to those at the top of hierarchical organizations may discourage entrepreneurship. A culture that accords high status to the "self-made" individuals in the society is more likely to encourage entrepreneurship

## **6.0 TUTOR-MARKED ASSIGNMENT**

- \* Explain how the culture of a people can influence partnership success or failure within that community.
- \* How do entrepreneurship activities affect the growth of the economy and improvement  
in the living standard of the people.?

## **7.0 REFERENCES/FURTHER READING**

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## **MODULE 1**

### **UNIT 2 THE ROLE OF ENTREPRENEURSHIP IN THE ECONOMY AND SOCIETY**

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#### **1.0 INTRODUCTION**

Entrepreneurship is usually equated with new venture creation and small business management. There are some economic reasons for this belief. Neo-classical economists recognize the three primary economic factors of production as raw material, labour and capital. All products (including goods and services) are a combination of these three

components. Value is created by combining them in such a way as to satisfy human needs. However, the components do not combine themselves. They have to be brought together by individuals, usually working together and undertaking various functions.

Since the days of the Industrial Revolution in the 1930s, the co-ordination of these tasks has traditionally taken place in organizations. Under such circumstances, some economists regard the entrepreneur as some kind of fourth factor of production because the entrepreneur acts on the other three factors and he is responsible for their success in the productive effort. Thus, the roles of the entrepreneur are to:

- Find new combinations of economic factors to meet human needs (to innovate)
- Organize the resources effectively and profitably (to create new business).
- Create wealth by adding value to human effort (to generate employment).

However, entrepreneurs operate within economic and societal contexts. For this reason, they make the economic system more competitive and drive changes in the structure of society. There is, in fact, a hierarchy of entrepreneurial activities operating in different social areas. At the base is what is conventionally understood to be entrepreneurship, namely; the profit-making business venture, the non-profit-making organizations, such as, charities and public sector institutions, social and cultural activities, such as, sporting and artistic ventures. At the top, there are activities aimed at creating wholesale social change, such as, political activities.

## **2.0 OBJECTIVES**

At the end of this unit, the student will be able to understand the following:

- \* The role of entrepreneurship in society and the economy including the role of culture in entrepreneurship.
- \* Understand the role of entrepreneurship in innovation and change, new venture creation, job creation, and business growth.
- \* Analyze the factors affecting entrepreneurial performance in the economy and society

## **3.0 MAIN CONTENT**

### **3.1 Where and how does Entrepreneurship take place**

Entrepreneurship is not confined to world of business and entrepreneurs can be found in all walks of life. Entrepreneurship is about change, innovation, improvement and

thinking out new ideas. Entrepreneurship opportunities also exist in all fields of human endeavour.

This idea that entrepreneurship is about innovation and change has led to the suggestion that it is concerned with creating and managing vision and communicating that vision to other people. It is about demonstrating leadership, motivating people and being effective in getting people to accept changes and make the best out of new ideas and altered processes.

Entrepreneurship is not restricted to new or small ventures, to private sector organizations or to profit-making enterprises. Rather, it is a way of life that permeates society. However, in business studies context, entrepreneurship is associated with profit-making activities and it is perceived to serve five functions, namely: (a) Innovation and Change, (b) New Venture Creation, (c) Business Growth, (d) Job Generation, and (e) Regional Development.

### **3.1.1 The Concept of Cultural Entrepreneurship**

Cultural entrepreneurship is a new form of entrepreneurship. The main driver of cultural entrepreneurship is not wealth creation or business capability but creativity. However, many people engaged in cultural and aesthetic entrepreneurship have made successful business out of their talent and become extremely wealthy but monetary wealth is not their main motivation. Rather their motivation is the desire to produce original, imaginative and innovative work.

The contribution of cultural or aesthetic entrepreneurship to the economy and society, therefore, is not wealth creation but enrichment of life, by challenging conventions positively and by opening up ways of thinking and behaving that previously did not exist.

### **3.1.2 Reasons for Entrepreneurship**

According to Gibb (1996), there are essentially three main reasons for the contemporary interest in entrepreneurship. These reasons are as follows:

- Job creation and economic development
- Strategic adjustment and realignment
- Deregulation and privatization of public utilities and state-owned Enterprises

According to Peters (1987), society is entering an era of unprecedented uncertainty, a world turned upside down. But that is nothing new to us. Change has always been a part of social and economic evolution. What is new is the nature of contemporary change. Change used to be the same thing made a little bit better. That is incremental change and to be welcomed. Today, we know that in many areas of life we cannot guarantee more of the same, be it work or money, piece of freedom, health or happiness, and cannot even predict with confidence what will be happening in our own lives.

Under such circumstances of change, it is necessary not only to accommodate change but to be capable of anticipating and, more importantly, initiating such a change. At the same time, there is a somewhat paradoxical set of trends occurring within the world economy. While globalization and the interdependence of markets have been recognized increasingly in recent years, it has also become apparent that we can no longer rely on them to provide us with our wealth, our jobs, our homes and our healthcare. Increasingly, we are relying on ourselves. So we have to empower individuals, communities, organizations and even nations in a way that, previously, has been unrecognized. We are all independent, but increasingly we are being required to take ownership of our own destinies for the benefit of ourselves, our families, our colleagues, our fellow countrymen and women, and world citizenry. Within individuals, communities, organizations and societies. We need to develop a greater sense of enterprise. We need people who see opportunities, create new things, foster initiatives and achieve goals.

### **3.1.3 Innovation and Change**

Innovation is a crucial part of the entrepreneurial process. According to Drucker (1977), innovation is the specific tool of entrepreneurs, the means by which they exploit change as an opportunity for a different business or a different service.

Birch (1987) presents an exceptionally clear analysis of the contribution of entrepreneurs to the development and growth of the American economy, tracing the relative contributions of three major classes of company listed below:

- Elephants: The typical, large, slow-growth companies that are unresponsive to changes in the economy.

- Mica: Small no-growth firms that reproduce rapidly at a rate of over one million a year in the U.S.
- Gazelles: New ventures that grow rapidly and are based on significant innovations.

The last group above represented only five percent of new ventures in the USA between 1984 and 1987 but produced 87 percent of the new jobs.

Furthermore, according to research undertaken in the 1980s and 1990s, by the U.S Department of Commerce and National Science Foundation, small entrepreneurial firms were responsible for the following in the United States:

- Half of all innovation post-world war II and 95% of all radical innovations.
- Twice as many innovations per P & D dollar spent than the larger firms.
- 24 times as many innovations per R & D dollar than the mega-firms with more than 10,000 employees.

While such findings are particularly impressive, and have influenced government thinking globally, it should be remembered that:

- The vast majority of small firms and new ventures are not at all innovative.
- In most countries, innovative entrepreneurs face tremendous barriers to development.

At the same time, it needs to be remembered that, in a business sense, innovation can mean a lot more than just developing a new product or a new technology. It encompasses any new way of doing something so that value is created. Apart from meaning a new product or service, this can also include:

- A new way of delivering an existing product or service.
- New ways of informing the consumer about a product and promoting it to them.
- New ways of organizing and motivating the workforce in order to produce the product or service more efficiently.
- New approaches to managing relationships with consumers and other organizations.

### 3.2 New Venture Creation

Entrepreneurs are creative individuals who are keen to take ownership of their own destinies and, as a result, they try to create and own new ventures. Often, new ventures are not owned, in fact, by the entrepreneur but by venture capital companies or institutional investors. This does not make the entrepreneur any less effective, rather it could be an indication to the contrary, that he or she possesses the entrepreneurial attributes that have enabled him to present the venture in such a way as to attract the support of investors. Similarly, many firms are giving their employees the opportunity, through share option schemes, to own part of their firms. While this may have the effect of making them more entrepreneurial, it does not make them entrepreneurs. Again, the creation of a new venture need not indicate the presence of entrepreneurship.

Throughout the 1970s, 1980s and 1990s in the industrialized nations, large corporations have been downsizing by any of the following methods:

- Spinning out whole departments of their organizations to create new free-standing ventures.
- Making employees (including senior and middle management) redundant.

Many new ventures have been created in this way and this process has become known as forced entrepreneurship. Similarly, many people are forced to create new ventures as an alternative to unemployment. This is particularly true in periods of economic recession and in countries where high unemployment prevails, but it is also the case in societies where discrimination (on the grounds of either gender or race, for example) is high. Whatever the cause, while some new ventures may be run by entrepreneurs, many are run are by existing large corporations.

There is no definitive reason or reasons why new ventures fail, but according to Scarborough and Zimmerman (2000) the most common causes of failure are:

- Managerial incompetence
- Lack of experience

- Poor financial control
- Lack of strategic management
- Inappropriate location
- Lack of inventory control
- Inability to make entrepreneurial transition when necessary.

### **3.2.1 Root causes of Business Failure**

It has been argued that the main causes (root causes) of business failure are managerial incompetence and lack of experience, since all of the other factors essentially rest on these two. Interestingly, the work of Brough (1970) appears to confirm this. From his study of the causes of failure among firms that were compulsorily wound up in 1965 in the United States and some developing countries during that period. He discovered that shareholders regarded mismanagement as the overwhelming cause of business failure. In contrast, the directors of these firms cited insufficient working capital, insufficient capital and bad debts as the main challenges they were having.

Whatever the rate and cause of failure, in most western countries the rate of new firm creation is high, though it varies with different sectors. With the growth of the service sector, particularly in the developed economies of the western world, it is inevitable that the greatest concentrations of new firms' formation in recent years have been in the service sector, but there are marked variations. In the UK, the growth of small service-sector firms has been studied by Keeble (1992) who pointed out that this growth has been most dramatic in professionally-based information-intensive business service sectors such as computer services, management consultancy and scientific and technical services rather than support services employing manual workers such as contract executing and road haulage firms. In the transition from skill-intensive to knowledge-intensive economy, such development is to be expected and it is no surprise to see in the United Kingdom and developing economies of the world considerable growth in the number of new small management and technical consultancies firms.

While the rate of new firm creation is high in most economies, there are marked spatial variations. In Europe, for example, new firms formation rates are higher than it is the case in Denmark where special circumstances prevail. There are no apparent economic explanations for these differences. Generally, it would seem that the greatest proportion of new firms is to be found around the largest and most diversified city regions where there is a sizeable market than it is the case in the rural areas. In Nigerian, for example,

many new entrepreneurial businesses spring up in large cities like Lagos, Kano and Port Harcourt due to large population and wide market for all sorts of goods and services

### **3.2.2 Theories of Business Formation**

The lowest rate of new firm formation is in the urban industrial areas where demand for products and services is high. Three theories are used to explain the choice of urban industrial centres by entrepreneurs for new business formation.

First, **structural theory** argues that differences in technology, rates of market growth and capital requirement result in different propensities for new firm formation.

Second, **socio-cultural theory** posits that the rate of new firm formation is determined by the socio-economic mix and demographic characteristics of the population and the regional tradition for entrepreneurship.

Third, **economic theory** suggests that small firms are more likely to grow in those environments where infrastructural conditions are available and most conducive to development. These include; premises, venture capital, market demand, educational support, training and consultancy, and research and development.

Whichever theory is correct, it would appear that those areas most in need of economic development are those least likely to generate new firms or viable small businesses since they are still struggling to put structures in place and to create conducive environment for entrepreneurial activities to thrive. (Johnstone and Kirby, 1999).

### **3.2.3 The Rate of New Business Formation**

Traditionally, it is believed that new firm formation is highest in periods of economic recession. This is because, naturally, people are pushed into self-employment as an alternative to unemployment. Certainly this was true in the United Kingdom in the 1930s during the period of the Great Depression. However, research by Keeble (1993) suggests that this was not the case in the 1980s. During that decade in the UK, unemployment was falling and new firm formation rates were rising, suggesting that new businesses were being created in response to the improving market conditions and opportunities. This ignores the influence of government policy and the major efforts during the decade not only to raise awareness of the opportunities self-employment affords but to encourage

business start-ups. Inevitably, with the increase in self-employment over the decade the unemployment rate fell. Thus, it is generally believed that there is a positive correlation between the rate of new business formation and the level of unemployment in the economy. This situation holds true for both developed and developing economies.

### **3.3 Job Creation**

Clearly, the establishment of new ventures creates employment opportunities for both the entrepreneur and others. However, prior to the 1980s, the analysis of self-employment received only limited attention from the economics profession. However, the work of Birch (1979) revealed that new and small firms were a source of new job creation. With unemployment increasing and large firms downsizing, both governments and academics around the world developed interest in self-employment and employment generation opportunities provided by new and small businesses. The bottom-line is that new entrepreneurial businesses spring up in periods of economic recession when firms are downsizing and people are losing their jobs. Since there are no paid employment opportunities any more, people start thinking of what to do to survive buttressing the saying that “necessity is the mother of invention”.

Drawing example from Britain, the total number of self-employed people increased over the period 1981 to 1997. In the period 1981-1990, the number of self-employed people actually increased by 59%. By 1991, approximately 12% of the total workforce was self-employed compared with 9% in 1981. The numbers entering self-employment appear to vary by gender, age, marital status, ethnic origin and level of education. We will now look at each of these factors in turn.

#### **3.3.1. Gender**

Traditionally, males constitute a significantly greater proportion of the self-employed sector than females. In the United States, the proportion of female-owned businesses is only in the order of 33% of the total. However, in Britain, female self-employment has grown rapidly in recent years and continues to do so. In the developing nations such as Nigeria and Ghana, female self-employment is also growing significantly especially in the area of food-stuff marketing, and dealing in jewelry and clothing.

#### **Age**

Self-employment appears to become increasingly inviting when one is at the middle age, when the potential entrepreneur can afford the start-up costs of a new venture. If redundancy or early retirement occurs, the entrepreneur already has experience to identify opportunities or ways of doing things better. Indeed, a recent survey of 600 British most successful businessmen reveals that they are young people with the average age of 45.

### **3.3.2 Marital Status**

Self-employment is much less likely for single people than it is for people in other categories (married, widowed, divorced or separated). In part, this reflects the fact that people below the age of 25 are less likely to be married than those in the older age categories. However, it does seem that marriage provides the support necessary to establish a successful new venture, and spouses are often partners in such enterprises.

### **3.3.3 Business Growth**

According to the UK Committee on Inquiry on Small Firms conducted in 1971, small firms provide the means of entry into business for new entrepreneurial talent and the seed-bed from which new large companies will grow to challenge and stimulate the established leaders.

While very little research has been undertaken to support or refute this statement, there is evidence in retail business in support of the claim.

However, it is known that very few new small businesses do grow. And, as has been shown, many do not survive either. Of those that survive, only a very small number actually grow, and Storey (1993) has suggested that three groups of small firms can be identified. These three groups are; the “failures”, the “trundlers” and the “fliers”. The fliers are the growth firms while the trundlers are the firms not doing too well

There are numerous reasons why new ventures are not able to grow very rapidly. Barber (1989) suggested that the literature on the barriers to growth can be classified under three headings as follows: (1) management and motivation, (2) market opportunities, and (3) structure. However, more recent work by the Cambridge Small Business Research Centre (1992) pointed to financial constraints, the level of demand in the economy and the nature of competition as the barriers to business growth. The study concluded that

external factors are more significant barriers to growth than the internal factors, such as managerial skills or the availability of skilled labour.

#### **4.0 CONCLUSION**

While the barriers to growth of small businesses are known, the precise catalysts for growth are not known. Considerable descriptive research has been carried out into this area and it is known, for example, that growth firms are younger and smaller than non growth firms. They are more likely to be limited companies (rather than sole traders or partnerships) and tend to be located in accessible rural areas rather than urban centres. Equally, they are likely to be owned by individuals who share equity with external individuals or organizations, and who are prepared to devolve decisions to non-owning managers, to occupy particular niches or segments where they can exploit any quality advantages they may have and to be innovative.

Clearly, the fact that so few new ventures grow restricts the contribution they make to the job generation and economic recovery processes. Equally, it minimizes the seed-bed effect and has led to suggestion that, perhaps, a more selective approach should be taken towards new venture creation whereby the winners are picked out at birth for special attention and nurturing. If management is crucial to both survival and growth, it is probable that with appropriate managerial support many more businesses would make a more significant contribution. Rather than attempting to pick out the seeds that are worthy of more favoured attention, perhaps the conditions for growth need to be improved.

#### **5.0 SUMMARY**

Traditionally, it is generally believed that the formation of new firms is highest in periods of economic recession. This is because, naturally, people are pushed into self-employment as an alternative to unemployment. Certainly this was true in the United Kingdom in the 1930s, the period of the Great Depression. However, further research suggests that this was not the case in the 1980s. During that decade, unemployment was falling and new firm formation rates were rising, suggesting that new businesses were being created in response to the improving market conditions and opportunities. This ignores the influence of government policy and the major efforts during the decade not only to raise awareness of the opportunities self-employment affords but to encourage

business start-ups. Inevitably, with the increase in self-employment over the decade the unemployment rate fell.

## **6.0 TUTOR-MARKED ASSIGNMENT**

- \* What are the advantages of new business formation to the economy of a nation?
- \* How does the skills and savvy of the entrepreneurs affect the growth and survival of their business?

## **7.0 REFERENCES/FURTHER READING**

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## **MODULE 1**

### **UNIT 3 INFLUENCE OF CULTURE ON ENTREPRENEURSHIP DEVELOPMENT**

#### **CONTENTS**

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- 2.0 Objectives
- 3.0 Main Content
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## **1.0 INTRODUCTION**

Clearly, entrepreneurship development is driven by the motivations of individuals seeking to satisfy their own personal goals. However, while the key to initiating the process of entrepreneurship lies within the individual members of society, its development is affected by the degree to which the spirit of enterprise exists, or can be stimulated. We may then try to find out the factors that stimulate entrepreneurial spirit in individuals. These factors can be said to be entrepreneurship culture and a political economy that promotes enterprise. In the next section, we shall consider the concept of enterprise culture.

## **2.0 OBJECTIVES**

After studying this unit the student will understand the following:

- \* The factors that whip up entrepreneurial spirit in individuals
- \* How enterprise culture affects the success of small businesses in our society

## **3.0 MAIN CONTENT**

### **3.1 The Enterprise Culture**

Since the late 1970s, there has been considerable academic and political debate in the United States, Britain and some developing nations about the concept of an enterprise culture. The concept of entrepreneurship has been considered for some time prior to that date but it was not until the late 1970s that the debate about what constitutes an enterprise culture really came to the fore. Democratic governments all over the world are recognizing that the rightful role of the State is to provide a facilitative framework within which companies can grow unfettered without undue government or trade union interference. In other words, the private sector in every nation should be given the opportunity to serve as the engine of growth in the economy while the government provides enabling environment through policies, regulations and industrial laws required for businesses to thrive (Obi, 2015).

Impetus to growth of enterprises today is being provided by the realization of both developed and developing economies of the importance of small and medium-scale enterprise culture to the well-being of the people and rise in the standard of living. As with entrepreneurship, there is no agreed definition of the concept of an enterprise culture. To some it equates with the concept of “being business-like” or adopting a business-like manner and ethics to the management of organizations, including such non-market-based activities as education, health and social services.

#### **3.1.1 Non-Enterprising and Non-Entrepreneurial Businesses**

However, many businesses are neither enterprising nor entrepreneurial, and being business-like does not necessarily mean being enterprising. Separating enterprise and entrepreneurship in the personal behavior sense from the notion of “being business-like” is wholly central to all policy-making approaches to entrepreneurship. Thus, it would seem that an enterprise culture is more than just a culture of business or a culture that promotes new small-scale enterprises. These may be the external manifestation of such a culture, but they are not the culture itself. Indeed, the concept might be conceived as requiring individuals, groups and organizations to take responsibility for their own destinies (i.e. ownership), whether in a business or non-business context rather than being dependent on others. It is about being dependent on oneself. According to UK Department of Employment (1989), the heart of any enterprise culture is the ability to

innovate, recognize and create opportunities, work in a team, take risks and respond to challenges.

### **3.1.2 Socio-cultural Factors**

Although currently, the term “entrepreneurial culture” has become popular and widely accepted internationally. As Morrison (2000) observed, there is no such thing as a standard, identifiable and universal culture that stimulates entrepreneurship. Rather, there exists a wide range of cultures that stimulate or stultify entrepreneurship to a greater or lesser extent. If the culture contains pro-entrepreneurial values, it serves as an incubator in the entrepreneurship initiative. However, the converse can also hold true. In societies where entrepreneurship has become tainted, for example, entrepreneurship ideas and proposals are not well received.

Fortunately, culture is not static. It can change, if only slowly, hence it has the potential to be modified. In her model of the key features associated with entrepreneurship initiative. Morrison (2000) identified various inputs that influence culture, namely religion, education, family, history and role models. This section will look at each of these inputs one after the other.

### **3.1.3 Religion**

According to Morrison (1992), Christianity, Judaism and Islam are not in opposition to the development of entrepreneurship. Although in the Bible, St Matthew (19, 23-24) reports that Christ told his disciples: “Truly, I say unto you, it will be hard for a rich man to enter into the kingdom of heaven”. Again ,I tell you, “it is easier for a camel to go through the eye of a needle than for a rich man to enter into the kingdom of God.” However, these statements do not mean that Christ or Christianity is directly against business or the creation of wealth through business

## **3.2 Education**

In many societies the formal education system is recognized as a strong influence in the development of conformist, (anti-entrepreneurial behavior). As a consequence, many people in those society are, at best, ambivalent towards entrepreneurship as a result of their up-bringing. At worst, students are unaware of it and its role in the economy and society, believing that the only alternative to employment in a large organization, whether

in the public or private sector is unemployment. Indeed, Handy (1985), suggested that in Britain “The education system today probably harms more people than it helps. This is not intentional. The teaching profession is, on the whole, both diligent and dedicated. It is the fault of the system, designed at other times for other purposes but now disabling rather than enabling those who pass through it to have different mindset (entrepreneurial mindset) that would suit the present (altered) conditions.

The problem was that the system was designed at other times for other purposes. An educational system that placed and continues to place a premium on knowledge acquisition and retention, creativity, competence, capability and the ability to relate to others and conditions young people to be dependent on others for employment opportunities (i.e. prepares them for work as employees in large organizations) is out of phase with the needs of the present society. Fundamental changes have taken, and are taking place in the world economy, which suggest that the employment society is beyond its peak while society has entered an era of unprecedented uncertainty where predictability is a thing of the past (Peters, 1987). Under such circumstances, it is necessary both to grow new businesses which do things the others cannot do as well and to develop in people the ability not only to cope with change but to initiate and manage it. As Peters (1987) put it, “the winners of tomorrow will deal proactively with change”.

### **3.2.1 Focus of the Traditional Education System**

In the traditional western education system, the focus and process of education may work against the nurturing of entrepreneurship ideas (Gibbs, 1987). However, many students in America (the bastion of entrepreneurship), are clamoring for a chance at the free enterprise system meaning that the traditional education mentality is changing with the younger generation. Most college curriculums which were previously teaching people how to become proficient employees are now modifying their curriculum to teach students how to become successful business persons (Solomon, 1989).

Currently in Britain and America, there is a proliferation of courses and programmes and numerous textbooks and manuals about entrepreneurship in general and new venture creations in particular. These have been targeted at all levels of education and they have had different and frequently confused objectives. Often many programmes have taught students about entrepreneurship but have not educated them on how to become a successful entrepreneur. Students have been exposed to a range of personal transferable skills but, in general, transferable skills such as communication, numeracy, literacy, IT

knowledge and problem-solving techniques but they are not sufficient for the pursuit of entrepreneurship or for developing entrepreneurship behavior in people.

### **3.2.2 Family**

A peculiar characteristic of entrepreneurship is that it tends to pervade family life. Not only does the family revolve around the firm, but research by Bannock, (1981) revealed that the children of self-employed parents are more disposed to entrepreneurship than are those of employed parents, while many new ventures owe their success to the support of the family through the provision of funding and access to markets. This seems to be particularly true in minority ethnic businesses, though even here, there appears to be differences between families in developed countries and those in the developing nations of the world.

Furthermore, family attitudes can act as a barrier to entrepreneurship development, both by conditioning off-springs to behave in an un-enterprising manner and by discouraging them from exploring the concept of self-employment either formally or informally. Certainly, in a society where there are few entrepreneurs and few family businesses, there are likely to be few family role models, and entrepreneurship development is unlikely to be encouraged.

### **3.2.3 History**

Clearly, historical conditioning can impact upon the extent to which entrepreneurial characteristics exist within the population and the degree to which entrepreneurship is accepted as socially legitimate. In countries like the former socialist economies, there is no tradition for entrepreneurship and no role models. Thus, in a country like Slovenia, the transition to a free market economy is very slow. However, in other countries such as Poland, the adjustment to free market economy is much quicker, possibly due to the influence of recent history of free enterprise in the country.

## **3.3 Role Models**

It is a common belief that role models are important in promoting the concept of entrepreneurship in society. According to Anderson (1995), the existence of role models in a society will have a positive effect on the development of entrepreneurship and vice

versa. Hence in a country like Scotland, a deliberate attempt has been made to promote the achievements of new and successful entrepreneurs through the publication of Local Heroes in entrepreneurship, while in America, many universities have Entrepreneurship Halls of Fame, through which they not only celebrate the achievements of entrepreneurs, but introduce them to their students.

Competition and awards are other ways of celebrating and promoting the achievement of entrepreneurs. We have many such awards and competitions often run in association with national newspapers, periodicals and magazines.

### **3.3.1 Politico-economic Factors**

Apart from the socio-cultural factors that stimulate or retard entrepreneurship development, there are a whole set that might be termed politico-economic factors. Perhaps the first of these is the political system itself, which can either promote or retard entrepreneurship directly through the way the economy is managed. Clearly in the former command economies of the communist countries, entrepreneurship was not only discouraged but was not accommodated at all.

There are other varying degrees and types of direct State intervention that can affect the propensity for private enterprise development. However, there are other, less direct, ways in which entrepreneurship can be promoted or discouraged through the political system. These relate largely to style of government. In the more egalitarian and democratic countries such as Australia and North America, entrepreneurial attitudes and behaviours tend to be encouraged through the non-interventionist policies of the State. On the other hand, in countries where there is strong government and a sense of being ruled either formally or informally, the tendency is to produce persons who are lacking in the personal attribute generally associated with entrepreneurs such as leadership disposition, creativity, self-reliance and self-confidence.

### **3.3.2 The State of the Economy**

Entrepreneurship becomes a prerequisite for economic development when economies are rapidly changing and development is uncertain. Attention has already been paid to the significance of change in the modern global economy and, in particular, to the importance of having a populace and workforce that cannot only cope with change, but

can anticipate and initiate it. Under such conditions the flexibility of the entrepreneur, and his/her ability to cope with chaos and uncertainty, is at a premium. In conditions of little change and steady, predictable economic growth, entrepreneurship is less significant, perhaps, though clearly it is one of the roles and functions of the entrepreneur to disturb the status quo by venturing into new opportunities and making innovations.

Traditionally, however, entrepreneurship and new venture creation have flourished when an economy has been in recession. Under such circumstances entrepreneurship represents a means by which the economy and the population can break out of the downward spiral of unemployment and low economic growth. When an economy flourishes and there is full employment and high economic growth, the rate of entrepreneurship development tends to be somewhat lower. However, there are signs that this situation is changing.

Entrepreneurship is often only weakly developed in the least developed economies, possibly due to the influence of socio-cultural and political factors. At least, this appears to be true in the sense of formal entrepreneurship (i.e. the entrepreneurship that manifests itself in the creation of new small businesses). South Africa is a classical example where this situation was the case during the apartheid era. Traditionally it has been held that entrepreneurship was not a characteristic of the indigenous black population. According to a research undertaken by Neuland (1981), one in seven of the white population was purported to possess a drive for achievement, whereas among the black population it was only one in one hundred.

If the above findings are correct, then a legislation is needed to encourage the black communities. As it is now, even when members of the black population did set up businesses, they are discriminated against by the white population.

#### **4.0 CONCLUSION**

This unit examined the concept of entrepreneurship generally and outlined how culture and way of life of a people influence entrepreneurship. Democratic governments all over the world are recognizing that the rightful role of the State is to provide a facilitative framework within which companies can grow unfettered either by the government or the trade union interference

Governments all over the world are also realizing the importance of small and medium scale enterprises to the growth of the economy and rise in the standard of living of the

people. As to the meaning of enterprise culture, there is no agreed definition of the term enterprise culture. To some it equates with the concept of “being business-like” or adopting a business-like approach by the management of an organization, including such non-market-based activities as education, health and social services.

## **5.0 SUMMARY**

The culture of a people has great influence on entrepreneurship in the society. It therefore becomes very necessary that every entrepreneurial effort or activity must take into consideration the effect of culture if that business is to succeed. Needless to say that the entrepreneur himself must have the knowledge, skills and exposure in the business or service he intends to undertake.

## **6.0 TUTOR-MARKED ASSIGNMENT**

- \* Explain what you understand by entrepreneurship culture.
- \* How does the traditional educational curriculum adversely affect entrepreneurship?

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## **MODULE I**

### **UNIT 4: CULTURAL (ETHNIC) GROUPS IN NORTHERN NIGERIA**

## CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
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    - 3.1.1 Non-Enterprising Businesses
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    - 3.1.3 Religion
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    - 3.3.2 The State of the Economy
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- 6.0 Tutor-Marked Assignment
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### **1.0 INTRODUCTION**

We will start this unit by introducing the students to the culture and people of Nigeria. Nigeria is situated between latitudes 400E and 1400N and longitude 300E and 1400E of the *Greenwich meridian*. It is bounded in the west by the Republic of Benin, on the north-west by the Republic of Niger, on the north-east, by Lake Chad, on the east by the Republic of Cameroun and in the south by the Atlantic Ocean. It has a total area of 923, 768 square kilometers. It has a total of 910, 768 land mass and 13,000 square kilometre water ways. It is mostly located in the tropical region. Nigeria has a population of about 167 million (National Population Commission August, 2012) people roughly equally divided between males and females and Christians and Muslims. There are still a sizeable worshippers of African traditional religion within the confines of Nigeria.

### **2.0 OBJECTIVES**

At the end of this unit, the student will understand the following:

- Adjacent African countries sharing boundaries with Nigeria.
- The various ethnic groups in Nigeria
- The vegetation and climatic condition of parts of Nigeria

### **3.0 MAIN CONTENT**

#### **3.1. Basic Geography of Nigeria**

As one moves from the south to the north, the vegetation progressively changes from tropical rain forest to savannah grassland. Typically, there are two main seasons: rainy season and dry season interspersed by the harmattan season. The rains are heaviest in the south and thinnest in the north. Since the 1970s desert encroachment and desertification have become a serious environmental problem to the northern-most states.

From the environment we now move to the different people of Nigeria. The peoples of Nigeria are varied as would be discussed in detail below. There are about 500 different ethnic groups within the boundaries of Nigeria.

You may know that the major ethnic groups are Hausa, Igbo, Yoruba, Kanuri, Fulani, Bini, Tiv, Ijaw, and Nupe. There are some states that have more than ten different ethnic groups speaking different languages.

##### **3.1.1 The Hausa Culture**

As you are aware, you are a part of the culture of your ethnic group. Culture, is a total way of life of a people in their attempt to harness and conquer their environment. It is what gives meaning to their politics, economics, language, dietary, religion, philosophy, aesthetics, etc. The Hausa are predominantly found in the north-western part of Nigeria. They were substantially Islamized even before the Sokoto Jihad of 1804. As clearly demonstrated by Smith (1965), by the time of the Jihad a distinction could be made between the pagan Hausa and the Muslim Hausa.

Immigration and conquest mark Hausa history. The Hausa people themselves are groupings of a number of different people who have been incorporated into the “original” stock through conquest and assimilation. Homogeneity of the Hausa stems from a common language and religion (Islam).

The Hausa claim to have descended from a certain hero named Bayajida (or Abu Yazid) who was a refugee prince from Baghdad. The legend states that after leaving the Middle East, he stayed for a while in Kanem, where he married a daughter of the Mai (or king) called Magira. Later on he fled westward in order to escape the wrath of his father-in-law, the Mai, and abandoned his wife who had already born him a male child. Before

reaching Daura, where he was credited to have killed an evil snake that was preventing people of the town from drawing water from a well. He briefly stayed in Gaya.

Perhaps because of his bravery and as a reward, he is believed to have later married the Queen of Daura (Magajiya), which enabled him to become the ruler of the state. His descendants are claimed to have founded what was known as the seven Hausa states of Biram, Bagauda (Kano), Gunguma (Zazzau), Duma (Gobir), Kumayo (Katsina), Zamma (Rano) and Gazora (Daura). These were collectively referred to as the Hausa Bakwai.

The pagan Hausa lived in small villages of exogamous patrilineal kin and they worshiped natural spirits which were referred to as Iskoki. They were predominantly gatherers and farmers. The Muslim Hausa had a large centralized system. They had highly developed technologies and economy. The Hausa were famous for leatherwork, cloth-making, dyeing and iron-making.

You may recall that the success of the Jihad campaigns of Shehu Usman Danfodiyo in Hausaland at the beginning of the 19th century, gave birth to the Sokoto Caliphate and this gave the Fulani an important position in the political affairs of the Hausa states. From what you have learnt, the Hausa are reputable long-distance traders and great cultivators. They also tended to be literate in Arabic, resulting from the influence of Islam and the Sokoto Jihad.

The Sokoto caliphate is bound to the North West by Gobir; and Borno to the North East. In the south it extended to the Old Oyo and crosses the Benue.

It is important to know that the head of a typical Hausa state was the Sarki, who was supported by a retinue of officials in an elaborate court. In political terms, the development of the office of the Sarki of a birni (city) like Kano was very significant. His full title was Sarkin Kasa, meaning ‘ruler of the land’ and not just the city. Thus, he was both a political and religious leader of the people. He was also the chief executive and judge of the state. He was aided by a council of state. However, with the introduction of Islam in the 14th and 15th centuries, new

factors – were introduced into the Hausa political structure. For example, the offices of the Galadima (senior counselor), Madawaki (palace administrator), Magaji (overseer), Dogari (guard), and Zagi (orderly) have roots in the Islamization of Hausaland during the two centuries. The judicial and fiscal systems were similarly influenced by Islam. Such titles, concepts and institutions as the Alkali or the Qadi (judge), Zakat (tax on income), Jangali (tax on livestock) became commonplace in the administration of the state. The three most important Hausa rulers at the wake of the 15th century were those of Kano, Zaria and Katsina which adopted Islam in their political as well as social and economic systems.

### **3.1.2 The Fulani Culture**

Now that you have completed the study of the Hausa, there is another notable ethnic group that lives side-by-side with the Hausa and others. This is the Fulani ethnic group. The Fulani ethnic group is largely nomadic. They are believed to have originated from the Futa Jalon highland region of West Africa from where they migrated in stages to various places in West Africa.

Fulani is a notable ethnic group in Northern Nigeria. They are described differently as follows: “Peul” by the Wolof, “Fula” by the Bambara, “Fellata” by the Kanuri and are generally called Fulani by other Nigerians. The Fulani call themselves “Fulbe”. They profess Islam while others maintain syncretic practice and their main occupational activity is cattle-rearing by the males and cow-milking by the females. The Fulanis are of two categories, namely: fulanin daji (nomadic) fulani and fulanin gida (sedentary) fulani. The former, who have maintained their nomadic way of life, move from one place to another in search of pasture or grazing land for their livestock. The latter have settled in towns and villages teaching, farming and trading.

The Fulani are widely distributed in West Africa most especially in the Sahel, wandering from one spot to another with their herds of cattle. In fact, they are found in almost every country of the Sudan zone of West Africa extending from the Senegal area in the West to the Upper Nile in the east.

The pastoral Fulani’s life is principally basic and simple. They strive to maintain their tradition and culture wherever they go. They generally adhere to a code of behaviour referred to as *pulaaku* which suggests they must exhibit the following qualities: shiness, bravery and ownership of cows. In the pre-colonial period, the Fulani, under Shehu Usman Danfodiyo’s leadership, were able to revive Islam in most parts of the Hausaland. Following the Jihad, (an aggressive campaign for an idea) they functioned basically as administrators and sometimes as cultivators. As devout Muslims, they were very instrumental in assisting Shehu Usman Danfodiyo in the execution of the popular Sokoto Jihad which helped in the socio-political as well as the religious changes of Northern Nigeria in the course of the nineteenth century.

### 3.1.3 The Kanuri Culture

Another notable ethnic group in Nigeria is the Kanuri. There are many versions of Kanuri origin. The “So” version reveals that Kanuri were the original settlers in Kanem-Borno. They developed a sophisticated socio-political culture based on agriculture and the knowledge of the use of iron technology.

In addition to the “So” version there is the Saif bin Dhi Yazan myth. This version attributes the foundation of the Kanem-Borno polity to the great Arab hero Saif bin Dhi Yazan of Himyar, which supposedly happened between the 9th and the 10th centuries CE. Saif was also credited to have established the renowned Saifawa Dynasty.

The socio-political organization of the Kanem-Borno people was based on kingship. For instance, the *Mai* (king) was the highest authority in the political structure of the empire. The mother of the *Mai*, known as *magira* was a very important and respected personality in the Kanem-Borno political structure. The sister of the *Mai* (*mogaram*) was also important because she assisted the *Mai* in the administration of the empire.

Another political institution that is kingship oriented in the Kanuri Culture was an imperial state council known as the council of the twelve or the “*Nokena*”, which acted in advisory capacity to the *Mai*.

*Khadi* was the chief judge of the state. He plays a major role in the Kanuri political structure as the chief judge and the legal advisor to the *Mai*. The army played a significant role in the Kanem-Borno political system. It was a professional army divided strategically into two divisions: Home and Bush Garrisons. Another institution of the Kanem-Borno political structure was the titled nobility. They were known to have exercised great influence in state affairs and the *Mai* assigned to the fiefdoms to administer. The most important of these titles were the *Galadima* (governor of the western province), the *Kaigama* (commander in chief of the army), the *Yerima* (governor of *Yeri* province) and the *Mustrema* (queen mother’s representative).

### 3.1.4 The Nupe Culture

This ethnic group can be found in central part of Nigeria. Like many Nigerian ethnic groups, the Nupe people have different versions of origin. Many scholars believe that the early Nupe people originated from where they are presently (part of Kogi, Kwara and Niger States). Other scholars argued that the first people of Nupe originated from Egypt. Hence Egypt seems to be the origin of Nupe people in this regard. *Edegi* is considered by some Nupe people as the founder of their state; and according to Nupe tradition *Edegi* might have arrived in the early Sixteenth Century from Idah. He (*Edegi*) was also believed to have had an Igala father and a Nupe mother. Historical traditions reveal that the Nupe people had at a time paid allegiance and tribute to the *Atta* of the Igala state. To

them (the Nupe) in the Sixteenth Century, a hero, an Idah prince, known as *Tsoede* re-established Nupe independence with himself as the *Etsu* Nupe (King of Nupeland).

Regarding their religion, the Nupe people are highly Islamized group found in the Niger valley above its confluence with the Benue. A strong Nupe kingdom had existed since the 15th Century up to the Jihad. The Fulbe jihad leaders who took over Nupe land were completely absorbed into Nupe culture and became Nupe. The Nupe are a highly united group. A unity sustained by a belief in common origin, a common language and culture, the symbol of the *Etsu* Nupe and a feeling of Nupe consciousness. Due to early contact with the Europeans on the river Niger, they are highly westernized.

*Etsu* Nupe was known as the head of the Nupe kingdom. He operated a two-level administration: central and provincial. *Etsu* Nupe enjoyed a divine status and people worshipped him and respected him. His words were laws. His power and actions were regulated by a body of traditions and taboos.

Besides the *Etsu* Nupe there was a class of powerful gentlemen called nobility. Its main task is to help the king carry out his duties as leader. Such nobility include: *shaba*, *kpotuh* and *maku*.

At the village level, there was a head called *Zitzu*. He was an appointee of the *Etsu* and he was assisted by a council of elders. He was expected to pay tribute to *Etsu*.

#### 4.0 CONCLUSION

We learnt in this unit that the Hausa are found in the North Western part of Nigeria. They were substantially Islamized even before the Sokoto Jihad of 1804.

The Fulani is an ethnic group in the North and are believed to have originated from the Futa Jalon highland region of West Africa from where they migrated to various places in the West African Sub-region. The Fulani are of two groups, namely pastoral Fulani (*Fulanin Daji*) and sedentary Fulani (*Fulanin Gida*).

The Kanuri have different versions of origin, the “So” version of the Kanuri origin states that, the “So” were the first settlers in the Kanem-Borno, while the Saif bin Dhi Yazan version attributes the foundation of Kanem Borno to the great Arab hero Saif bin Dhi Yazan who was credited to have established the popular Saifawa Dynasty.

As for the Nupe Culture, some scholars argued that they originated from Egypt. However, the Idah version agreed that *Edegi* was the founder of their state. He was believed to have had an Igala father and a Nupe mother. It was also believed that the Nupe people at one time paid allegiance and tribute to *Atta* of the Igala.

#### 5.0 SUMMARY

The socio-political organizations of Hausa comprised the following: i. *Galadima* ii. *Madawaki* iii. *Magaji* iv. *Dogari* v. *Zagi*

The socio-political organizations of Kanuri comprised the following: i. The *Mai* ii. *Magira* iii. The *Mainin Kinendi* iv. The Army v. *the Kaigama*

The Fulbe seem to have no political organization before 19th Century, rather they adopted the Hausa Socio-political structure.

The socio-political organizations of Nupe comprised the following: i. *Etsu Nupe* ii. *Shaba* iii. *Kpotuh* iv. *Maku*

## 6.0 TUTOR-MARKED ASSIGNMENT

- List and discuss those African countries that share boundary with Nigeria
- What is the main occupation of the traditional Fulani Tribe in Nigeria?

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## **MODULE 2**

Unit 1 Cultural (Ethnic) Groups in Southern Nigeria

Unit 2 Cultural Zones in Nigeria

Unit 3 Other Cultural Zones in Nigeria

Unit 4 The Evolution of Nigerian Nation

### **UNIT 1      CULTURAL (ETHNIC) GROUPS IN SOUTHERN NIGERIA**

#### **CONTENTS**

1.0    Introduction

2.0    Objectives

3.0    Main Content

    3.1    The Yoruba Culture

    3.2    The Igbo Culture

3.3 The Bini Culture

3.4 The Itsekiri Culture

3.5 The Ijaw Culture

4.0 Conclusions

5.0 Summary

6.0 Tutor-Marked Assignment

7.0 Reference/Further Reading

## **1.0 Introduction**

In Unit 1, you learnt about the notable ethnic groups in Northern Nigeria. In this unit we will be concentrating on notable ethnic groups in southern Nigeria which includes Yoruba, Igbo, Bini, Itsekiri and Ijaw ethnic groups. The focus will be on their origins and their socio-political organizations.

## **2.0 OBJECTIVES**

After studying this unit, you should be able to:

- \* Understand more about the major ethnic groups in Nigeria.
- \* Identify the origins of the following ethnic groups: Yoruba, Igbo, Bini, Ijaw and Itsekiri.

## **3.0 MAIN CONTENT**

### **3.1 The Yoruba Culture**

The ethnic group now commonly referred to as the ‘Yoruba’ has been identified by different names spanning millenniums and centuries. Pacheco Pereira identified them in 1500 as the *Lucumi* while early missionary accounts of the 19th Century referred to them as the *Aku*. Yoruba, which originally referred to the Oyo, began to be used for the generality of the group by the Europeans and it has continued to be identified by that name. The earliest known account of their existence in the region according to

archaeological evidence dates to around 9000 BCE as revealed by human remains at *Iwo Eleru*. However, their inability to develop arts of writing early in their history gave rise to fables and conflicting accounts of their origin.

R.C.C. Law traced the first written account of Yoruba origin to the second Sultan of the Sokoto Caliphate, Sultan Mohammed Bello. In his writing, *Infaq al Maisuri*, Bello in his version in 1812 stated that the Yoruba derived from Nimrod, a descendant of the cursed Ham who fled Mecca while resisting Islam. This account was later appropriated by new Oyo palace historians who expanded it to identify Nimrod as *Lamurudu* whom they now referred to as the father of *Oduduwa*, the acclaimed progenitor of the Yoruba. Samuel Johnson on his part adapted this account but replaced the Meccan origin with Egyptian Coptic Christians.

Another myth of the Yoruba origin alleged that *Oduduwa* descended from heaven sent by God to create the earth. That *Oduduwa*'s first point of arrival on earth was Ile-Ife, hence the notion that Ile-Ife is the centre of the earth (GST 113: Nigerian Peoples and Culture).

What is however certain is the fact that the Yoruba are indigenous to Southwest Nigeria. The Itsekiri are their kins. They constitute a sizeable population of Middle Belt states of Kwara and Kogi. There are indigenous Yoruba in Edo state. Until the colonial conquest of Africa, the Yoruba region extended from Benin Republic to parts of Togo. A sizeable number also settled in Sudan. The Trans-Atlantic slave trade also led to their forced migration to the Americas where Yoruba cultural traditions have endured to the present in Brazil (as *Lucumi*), in Trinidad and Tobago and in Cuba, amongst many other places.

In Nigeria, the Yoruba constitute a homogenous socio-linguistic and cultural group. Their language belongs to the Niger-Congo language family and shares basic characteristics with the Igbo, Edo, Fulani, Bariba, Efik, Jukun, among other groups. Ile-Ife developed a centralized state system, complex artistic and craftsmanship abilities, socio-cultural and religious practices, as well as economic versatility. It became a cultural and political model for other Yoruba communities which began to replicate the Ife model in their domains. Ile-Ife became the spiritual motherland of the Yoruba. However, Oyo soon developed a more complex political and military system.

The Yoruba political system is very complex. The Oba (king) is an absolute ruler with divine authority, yet his powers are checked by various institutions such as the council of chiefs (the *Oyomesi* – hereditary advisers in Oyo in particular and *Ilu* in other Yorubalands), the *Ogboni* society, *Ifa* divination, and sometimes by mass rebellion or rejection of his authority or person. Any member of the council of chiefs could in turn be deposed by the king. Kingship rotates among several royal houses, hence, the son of a reigning king cannot succeed his father. A paramount ruler (the king) seldom appeared in public and was not commonly accessible to his subjects. His subordinate chiefs administered the quarters, villages, the towns and other domains on his behalf. Yet, each of the chiefs has specific traditional duties limited to each of them alone. Yoruba settlement had the Oba's palace in the centre. Village heads (*Baale*) are subject to the king through his chiefs, while lineage heads (*baale* and *mogaji* in Ibadan) administer the quarters and the wards but are subjected to the immediate higher head. Youths and quarter children have their roles and rights. The rights of women are assured as their leader is an official member of the council of chiefs.

Marriage among the Yoruba was exogenous, hence, it was not a mere event between two individuals but an event involving two previously unrelated families. After betrothal, a man must not only give presents to his future wife, but also should help her father on his farm or when building a house. The would-be in-law also plays important role in funeral rites.

The Yoruba operate patrilineal societies. Polygamy is a common feature among the Yoruba.

Apart from farming, the Yoruba were also traders and craftsmen. Cooperative efforts used in farming include 'aaro' and 'owe'. The 'aaro' form of labour mobilisation was reciprocal in that farmer who was assisted to weed his farm or build his house today would be called upon tomorrow to render similar service. While the 'owe' was not reciprocal. Drumming and feasting would normally follow after the execution of an 'owe' or an 'aaro' task.

Generally speaking, even strangers did have access to land for farming purposes through *Isakole* (i.e., land rent) charge.

### **3.2 The Igbo Culture**

Another notable ethnic group in Nigeria is the Igbo. The Igbo have a unique culture. There are three versions on the origin of the Igbo. The first version says the Igbo migrated from the Middle East to their present location.

The second version says they have been in their present location in eastern Nigeria from the beginning. The third version says they descended from the sky.

The language of the Igbo belongs to the Niger-Congo family. The Igbo people thrived in the Igbo-Ukwu art culture while they cherished Arochukwu in the spiritual realm.

You need to know that birth, marriage and burial are considered the three most important family events. Igbo traditional marriage, known as *igbankwu* is not just an affair between the future husband and wife, it involves parents, the extended family and the whole village. The would-be groom parent will bring palmwine and kolanuts to the bride's family and other items such as goats, chickens etc as requested by the family. We wish to state that the wedding ceremony varies from village to village. Birth is also celebrated among the Igbo but the naming ceremony is usually performed on the 28th day. Many customs surround the burial rites such as paying last respect to the dead, singing traditional songs and traditional dances, acrobatic displays by masquerades, etc.

The village of Igbo-Ukwu is the harbinger of the oldest known sculpture from Igboland. In that village (Igbo-Ukwu), there was an excavation of the grave of a man of some importance and wealth dating back to the 9th Century which produced some of the earliest bronze castings, glass beads, bowls and ornaments. The objects found at Igbo-Ukwu are also for ritual as well as secular purposes. The objects found at this site were a large collection of objects and regalia mostly made through the "lost wax" technique and others made through casting method.

In terms of style, the artifacts found at Igbo-Ukwu are not similar to the Bini, Ife or any other Nigerian arts; they are originally local in shape and content. The findings at this site indicate a very well developed economy with surplus to engage in artistic production.

The Igbo political system is a segmentary system of governance where you have hierarchy of power from the family to the age group and to special titles. This power is often distributed among the following title holders: *Ozo, Ichie, Mazi, Ozioko, Nze, Diokpa, Isi, Okpara, Ezeji* and a few others.

Similarly, others that hold powers include priests, elders, diviners, medicine men, the *Okparas*, members of secret society and age grades. They all have recognized roles to play within the Igbo political set up.

### **3.3 The Bini Culture**

This is another notable culture in Nigeria. There are three versions of the origin of the Benin kingdom. The first version is from Edo mythology. According to this mythology, the Benin Kingdom was founded by the youngest of the children of *Osanubua* (the high god). This child came with his elder brothers who subsequently founded Ife and Yoruba Kingdoms.

The Second Version talks about the elders of Benin requested King of Ife (*Oduduwa*) to send his son as the King of Benin. *Oduduwa* complied by sending *Oranmiyan*. But *Oranmiyan* did not stay for long. He impregnated the daughter of the *Onogie* of Edo. This woman later delivered a son who was installed as the first *Oba* of Benin. This *Oba* was later called *Eweka*. He and the people of Benin lived at *Usama*.

The Third Version according to Igharevba (1968), the Bini migrated from Egypt and in the course of their journey southward, they settled at Ile-Ife and finally moved to their present location.

The leadership of the Bini people was based on segmentary system where authority is exercised right from the family. There are three types of families:

1. The Nuclear Family
2. The Joint Family
3. The Extended Family

Each is headed by an elder who sanctions each member of the family. Similarly, there are societal elders constituting authority based on the village system and there are representative title holders who constitute a councilor court for discharging laws and justice in the whole kingdom.

### **3.4 The Itsekiri Culture**

You may wish to know this important culture in Nigeria. The people of Itsekiri claimed to have descended from *Umale-Okun* (the sea god) some of the Itsekiris claim to have descended from *Ode*, a Yoruba town in Ijebu Water-side.

In a different dimension, one part of the Itsekiri tradition claimed a relationship with *Iginuwa*, a son of one of the chiefs of the Yoruba; it was said that *Iginuwa* was sent to the Itsekiri land in company of chiefs and their servants whereby, the chief, together with the Itsekiri established the present land. On his arrival *Iginuwa* met with some Ijaw who took him along with his followers and consolidated his power as a leader of the new land.

The socio-political organization of the Itsekiri was closely related to the Bini people. The palace and titles for instance were modelled after that of the Benin kingdom. But in the Itsekiri's case, instead of the *Oba*, the kingdom was ruled rather by the *Olu*. He alone presided over a council known as *Ojoye* which was made up of seven nobles or title holders. The *Olu* combined in himself spiritual and temporal powers.

### **3.5 The Ijaw Culture**

We now move to the Ijaw culture. The Ijaw ethnic group accounts for a sizeable percentage of Nigeria's population. You also need to know that they are located along the coastal belts of Southern Nigeria from the Forcados to Bonny River, long and extensive years of interaction with various neighbours have greatly influenced their traditions thereby leading to differences in the cultural assumptions of component Ijaw groups. They are mostly identified as Western Delta Ijaw (*Gbaramatu, Mein, Iduwini, Arogbo, Egbema* (Bassan), *Apoi Ijaw*); the Central Delta Ijaw (*Apoi, Furupagha, Olodiama Ijaw*); and the Eastern Delta Ijaw (*Bonny, Elem Kalabari, Nembe* (Brass), *Okrika*).

Some scholars have come up with different Ijaw traditions of origin. These scholars include Kenneth Dike (1956), G.I. Jones (1964) and E.J. Alagoa (1972). Dike ascribed the establishment of Ijaw politico-religious institutions to the commencement of trans-atlantic trade around the 15th Century, while G.I. Jones modified this submission by propounding claims of migration from Eastern Delta pinning it to the period of or before Portuguese contact with the region (1450-1550). On the contrary, Alagoa, an Ijaw, brought up 'Mein tradition' to assert migration from Central Delta to Eastern Delta. Archaeological studies sponsored by Alagoa to settle this controversy provided a more concrete information. The results showed that Eastern Delta Ijaw communities were settled far ahead of the Central Delta region.

They belong to the Niger-Congo linguistic subgroup and they speak *Izon*. The eastern Ijaw group, however, speak *Kalabari*. The western Delta Ijaw also speak Edoid languages while the Ogbia clan, the Andoni as well as the Obulom speak Cross-River languages.

Horton (1969) noted that the politico-religious organisations of the Ijaw is similar to those of other Southeastern Nigerian groups especially the Igbo. The entire adult male population seats in three age grades assembly to perform legislative and judicial functions presided over by the *Amanyano* (village head). The village head is chosen from a single descent group.

In Ijaw cosmology, a High God (*Tamuno*) is acknowledged. An ancestor cult similar to that of the Igbo also exists. Being riverine people, there is a strong belief in the water goddess (*Owu*) that plays certain roles in human affairs.

#### **4.0 CONCLUSION**

The Yoruba people are located mainly in South-West of Nigeria and they constitute a homogenous socio-linguistic and cultural group within the Western part of the country. The Yoruba are mostly traders and craftsmen. Marriage among the Yoruba is exogenous. The government and administration of a Yoruba town are democratic.

The origins of the Igbo people vary from:

That they migrated from the Middle East to their present location;

That they have been in their present location in South-Eastern Nigeria from the beginning, and

That they descended from the sky.

The Igbo political structure is a segmentary system of governance where there is hierarchy of power from the family to the age group and to special title-holders. Others such as the priests, elders, diviners and medicine men also hold powers.

The origin of Benin culture could be traced to three myths:

The first myth was that the Benin Kingdom was founded by the youngest of the children of Osanubua (the high god);

The second myth was that the elders of Benin requested king or *Oduduwa* of Ife to send his son as the king of Benin. *Oduduwa* complied by sending *Oranmiyan* who impregnated the daughter of the *Onogie* of Edo who delivered a son who was installed as the first Oba of Benin.

The third myth was that the Bini people migrated from Egypt and in the course of their journey southwards; they settled at Ile-Ife and finally moved to their present location.

The leadership of the Bini people is based on segmentary system where authority is exercised right from the family. The families are headed by elders and there are societal elders constituting the authority as well as other title-holders.

The Itsekiri people claim to have descended from *Umale-Okun* (the sea god) while some of the Itsekiri claim to have descended from *Ode*, a Yoruba town in Ijebu Water-side. The Itsekiri were ruled by the *Olu* who presided over a council known as *Ojoye* made up of seven nobles or

## **5.0 SUMMARY**

This unit threw light on the major ethnic groups in Southern Nigeria comprising the Yorubas, Igbos, Benis, Ijaws and Itsekiris. The different ethnic groups have different cultures and way of life. Sometimes you can identify people coming from a particular ethnic group from the way they dress, the way they speak or the way they greet people from other cultures and ethnic groups.

## **6.0 TUTOR-MARKED ASSIGNMENT**

- Differentiate between the origins of the Yoruba and Igbo.
- How did Jihad influence the spread of Islam in Northern Nigeria.

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## **MODULE 2**

### **UNIT 2      CULTURAL ZONES IN NIGERIA**

#### **CONTENTS**

- 1.0      Introduction
- 2.0      Objectives
- 3.0      Main Content
  - 3.1 Cultural areas of Nigeria and their Characteristics

### 3.2 Linguistic Classifications

### 3.3 Government's Position on Language

### 3.4. Geographical Location

## 4.0 Conclusions

## 5.0 Summary

## 6.0 Tutor-Marked Assignment

## 7.0 Reference/Further Reading

## **1.0 Introduction**

In this unit we outline the approximate number of Nigerian population, the linguistic classification as well as geographical location. The cultures of these and other Nigerian ethnic groups have been shaped by their geographical environment. Therefore, they do not preserve their world beyond their geographical confines. This will also provide the number existing in Nigeria.

## **2.0 OBJECTIVES**

After studying this unit, you should be able to:

- 1. Define and use correctly all of the key words printed in bold**
- 2. Identify the linguistic classification of Nigerian People**
- 3. Mention the geographical location of the prominent ethnic groups in Nigeria.**

## **3.0 MAIN CONTENT**

### **3.1 Cultural Areas of Nigeria and Their Characteristics**

You may recall that the population of Nigeria stood at about 167 million according to National Population Commission (NPC) publication issued in August, 2012. It is common knowledge that within the country's boundaries, there are over 500 ethnic groups, each speaking its own language, although some may not necessarily speak the language identified with their ethnic groups. These ethnic groups range in size from tiny

units consisting of less than 700 people to groups numbering well above 10 million. The well-known ethnic groups in Nigeria include Hausa, Yoruba, Igbo, Fulani, Kanuri, Efik, Ibibio, Tiv, Ijaw, Edo, among others.

Although there are over 500 distinct ethnic groups in Nigeria, the number of languages spoken does not necessarily correspond to this figure. As such, there is bound to be more or less than this figure, since one ethnic group might speak different languages while different ethnic groups might speak one language. This has led to a lack of precision in identifying the number of languages spoken in Nigeria. What compounds this problem further is the existence of different varieties of the same language, otherwise known as dialects. For instance, one language may have several varieties which at times are not mutually intelligible. Whether such are regarded as distinct languages or dialects (varieties) of the same language has always remained a bone of contention among linguists. Although, the index of Nigerian languages 1993 identified 452 languages, the Ethnologue identified 529 languages (2013).

### **3.2 Linguistic Classification**

Just as is the case with their number, linguists also disagree on any single classification scheme for African languages. But it is generally recognized that Nigeria is one of the principal linguistic crossroads of Africa. J.H. Greenberg in his classification of African languages distinguishes four major groups, called phyla. This in linguistics means a large division of possibly related languages, or a major language family which is not subordinate to another. They are Afro-Asiatic, Khoisan, Niger-Congo and Nilo-Saharan. In Nigeria, the majority of the languages belong to the Niger-Congo Phylum, though there are a substantial number of languages belonging to the Afro-Asiatic phylum especially the Chadic family (Hausa, Marghi, Pabir-Bura, Bole, Karekare, Tangale, etc.). The Nilo-Saharan has Kanuri, Dandi, Teda and Zanna. There are no languages from the Khoisan phylum in Nigeria.

The Niger-Congo family is divided into: West Atlantic, Mande, Gur, Kwa, Benue-Congo and Adamawa-Ubangi. The majority of Nigerian languages belong to the Kwa, Benue-Congo and Adamawa-Ubangian families. The other families within Niger-Congo are: West Atlantic (Fulbe), Mande (Busa and Shanga), and Gur (Baatounun).

### **3.3 Government's Position on Language**

Due to linguistic diversities, the Federal Government has encouraged the citizens to employ English Language as a lingual franca, language of administration, education, trade and commerce, while attempts is being made to evolve a national language through its National policy on Education. The National Policy on Education makes it mandatory that language of immediate environment or community should be the medium of communication in early childhood education. The Junior Secondary School students are to be taught and examined in any of the three major indigenous Nigerian languages – Hausa, Igbo and Yoruba. The Senior Secondary School students are to offer one other indigenous Nigerian language other than their mother tongue. Besides the issue of national language, different states in Nigeria have dominant languages which unite them.

### **3.4 Geographical Location**

You will recall that Nigeria’s major ethnic groups are widely distributed all over the country. The Hausa are widely distributed, but they constitute majority in the far north of the country.

The Fulani-speaking people are also spread throughout Northern Nigeria. They are found all over Northern Nigeria. The Kanuri are mainly found in Borno and Yobe states. The Nupe in the Niger and Benue valleys. The Tiv are concentrated in the area south of the Benue River.

The Yoruba are found in Southwestern Nigeria as well as parts of Kwara, Kogi, Edo and Delta States. The Bini are located in Edo and Delta states, while the Ijaw (Izon) are spread throughout the coastal strips of Rivers, Bayelsa, Delta, Edo and Lagos states.

Fig. 3.5: Map showing Yoruba Areas

The Igbo are mainly found in Imo, Anambra, Enugu, Ebonyi Abia States and parts of Delta and Rivers States. However, as a result of population pressure and pressure on land, many Igbo people have migrated to various parts of Nigeria. There are other smaller ethnic groups that are located in various parts of the country.

### **4.0 CONCLUSION**

According to the National Population Commission, August, 2012 the population of Nigeria stood at 167 million people with over 500 ethnic groups.

The majority of the Nigerian Languages belong to the Niger-Congo groupings and the remaining languages are distributed between Afro-asiatic and Nile-Sahara groups.

In the Northern part of the country, the Kanuri are found in Borno and Yobe, while the Nupe are found in Niger and Benue Valleys. The Tivs, on the other hand, are found in the south of Benue river.

In the southern part of the country the Ijaw are spread throughout the coastal stripes of Rivers, Delta, Edo, Bayelsa and Lagos States. The Igbo are mainly found in South-eastern states of Anambra, Ebonyi, Enugu and Abia.

## **5.0 SUMMARY**

The publication of the National Population Commission in August, 2012 showed that the population of Nigeria stood at 167 million people with over 500 ethnic groups. It also showed that the greater part of the Nigerian languages belong to the Grouping of the Niger-Congo and the remaining languages are distributed among the Afro-Asians and Nile-Sahara areas

## **6.0 TUTOR-MARKED ASSIGNMENT**

- Based on your study of this unit, you have learnt the classifications of Nigerian Languages; you may recall that language classifications are put into four distinct groupings. Mention all the languages in each classification you read.
- From the geographical location you studied in this unit, what are the locations of the notable ethnic groups in Southern Nigeria?

## **7.0 REFERENCES**

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## **MODULE 2**

### **UNIT 3      OTHER CULTURAL ZONES IN NIGERIA**

#### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 Northern Zone
  - 3.2 Central Zone
  - 3.3 Western Zone
  - 3.4 Eastern Zone
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 Reference/Further Reading

#### **1.0 INTRODUCTION**

You are aware that Nigeria is the most populous country in Africa. Continuous human habitation of the area dates back to pre-historic times. Some artifacts found in Nok in Plateau State date back 39,000 B.C. and many Late Stone Age (15,000 — 5, 000 BC.)

artifacts have been found in the Mejiro Cave (Oyo State), Daima (Borno State) and Rop rock shelters (Plateau State) among others. All these indicate long human habitation of the area.

While detailed ethnic, linguistic and cultural composition of the area is difficult to explain, it is obvious that by 1500 AD most of the groups have occupied their approximately current locations. In part, due to the common features shared by most groups, this discussion would highlight the history and political structure of these groups before the 19th Century. For convenience and clarity, Nigeria would be sub-divided into four zones: Northern, Central, Western and Eastern.

## **2.0 OBJECTIVES**

After studying this unit, you should be able to:

1. define and use correctly all of the key words printed in bold; (SAQ 1.1, 1.2 and 1.3)
2. locate all the cultural zones in Nigeria; (SAQ 1.1, 1.2 and 1.3)
3. outline at least three cultures found in each zones in Nigeria, and (SAQ 1.1, 1.2 and 1.3)
4. determine the similarities and differences that exist among notable cultures in Nigeria. (SAQ 1.1, and 1.3)

## **3.0 MAIN CONTENT**

### **3.1 Northern Zone**

Compared to the Central Zone, this part of Nigeria is less culturally diverse. Besides, there are the Kanuri and the Hausa which constitute the notable cultural groups of the zone. Also it is a fact that Hausa is the largest cultural group in Nigeria. Historically, Daura was the original home of the Hausa people. For instance, it is related that the seven original Hausa states of Daura, Kano, Zaria, (Zazzau) Kakaina, Rano, Biram and Gobir were founded by the children of a certain Bawo, son of a certain migrant prince of Baghdad, variously called *Abu Yazid* or *Abu Yazidu* or *Bayajjida*. It is on record that *Daura* was the mother of *Cannanite* named *Najb*. So the Bayajida myth represents the mirror of a historical period in which the formation of states began in Hausa land. Today the Hausa people of Nigeria are mostly concentrated in Kano, Katsina, Jigawa, Sokoto, Kebbi and Zamfara States. (Fig. 4.1)

Fig. 4.1: Map showing the notable cultural groups in the Northern zone GST

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The Hausa people are widely spread over a large area of the central Sudan, due mainly to religious, political and economic activities. Their language is also widespread. It is recorded that not only Hausa language is classified under the Chadic sub-group of Afro-Asiatic or Hamito-Semitic family, but it is also spoken over a very wide area by so many nationalities.

The Hausa language is a *lingua-franca* of the entire northern of Nigeria. Surprisingly, it is recorded that seventy-five percent of Hausa speakers are non-Hausa, the language is spoken in the whole Sudan Savanna area.

Hausa people, as noted earlier, are the chief representatives of the people of this Zones and that is why reference is constantly made to them in most of the examples in this section. The social and political organization of the Hausa people is found on strict status differentiation. We have the *Sarakuna* (Chiefs in Hausa language) and *Masu Sarauta*. The former are at the top of the hierarchy, while the *Masu Sarauta* are holders of offices. Those who hold hereditary offices constitute the sub-class of *Masu Sarauta Na Asali* while those who hold office of allegiance form the *Masu Sarauta Na Cafka*, and they constitute the middle class. There is the third class called *Talakawa*, which is made up of farmers and peasants, petty civil servants, craftsmen, traders etc. Similarly, it is on record that every Hausa migrant community has the equivalence of a central figure or ruler in Hausaland called *Sarkin Hausawa*, just as we have among the professional guilds, e.g. *Sarkin Makera* of the blacksmith, *Sarkin Makada* of the drummers, the Imam etc.

Farming, industry and commerce constitute the three major components of Hausa economy. The main agricultural crops found in this zone are: maize, millet, guinea corn and beans among many others. Their agriculture has always been at the forefront of the Nigerian economy. People in this zone, especially the Hausa, are known for their craft.









products such as: leather, blacksmithing, sculpture, perfumes and several textile wares. They are also famous for commerce and they are one of Africa's famous merchants. Hausa women enjoy enormous economic freedom more than any other women in Nigeria. They are free to run their private businesses and enjoy absolute control over their income. Historically, Hausa cultures provide that a wife is justified to claim a fee for labour rendered to her husband in the process of economic production. It is also on record that some women are far richer than their husbands.

Beside the Hausa, the Fulani are one of the notable ethnic groups in this zone. While they call themselves "Fulbe", and refer to the language they speak as "Fulfulde", the Wolof call them "Peul" and the Bambara address them as "Fula". (Fig. 4.4)

Fig. 4.4 : The Fulani of Northern Nigeria

The Kanuri are mainly found in Borno and Yobe States. Like the Fulani, they also practise Islam as their religion and have distinctive cultural practices of their own.

### **3.2 Central Zone**

The Central Zone covers the whole area conventionally described as the Nigerian Middle Belt or sometimes referred to as *Kasashen* Bauchi. It covers much more than fifty percent of the Niger territory extending from the Idoma, Ebira and Igala axis in the south to as far north as the community collectively known as the southern Zaria and from the Cameroonian border in the east to the border of Republic of Benin in the west. This is the home of majority of Nigeria's cultural and ethnic groups. Five states are found in this zone, which are Benin, Kwara, Kogi, Northern Plateau and Taraba. These states account for fifty percent of the culture of Nigeria. The general characteristic of this zone is the small population size they have. The only groups with considerable population are Tiv, Gwari and Nupe.

The rest are smaller in size, because of this it becomes very difficult to make a distinctive classification. Examples of such are Jukun, Mumuye, Tere, Kaka, Koro, Anaguta, Zaranda, Vomni, Mbula, Chuomu, Lan, Njirai, Vemgo, Wula, Higgi, Gade, Rubu, Amo, Kurama, Burom, Kakanda, Tarok. Most of the people in these areas claim their origins from Hausa or Jukun ancestors.

The main economic preoccupation of the people in this zone is farming. Southern most reaches of the zone especially from the lower Benue valley to the Niger-Benue confluence form part of the West Africa Yam belt. This is the home of Nupe, Koto and the Tiv. Elsewhere in the zone, the primary crops are guinea corn, maize, and millets among others. They also cultivate cassava but not in commercial quantity. In this zone land belongs to everyone in the community or the lineages and not to individuals. Nigeria's two major rivers – the Niger and Benue and their several tributaries – flow through this zone and provide professionalism in fishing and farming. Religious belief in this zone is quite different from those in the Western and Eastern Zones. Nevertheless as it is in the two zones, there is a general belief in the existence of the Supreme God as well. But the Supreme Being is differently called according to the numerous ethnic groups found in this zone. For instance, among the Kurama he is called “Ashili” or “Bakashili”, Among Tiv, he is known as “Aondo”, while the Rukuba call him “Katakuru”. The Gwari call him “Shekoki”, “Shesha”, “Esse”, “Sheko” or “Soko”. The Nupe call him “Soko”. Among the Jukun, he is referred to as “Chido” or “Shido”, etc. The people of this zone also believe in other forces such as ancestral spirits. The Igala, Jukun and Tiv are well known for their strong beliefs in witchcraft, magic and sorcery. It is also worth noting that the zone is the most representative of religious balance in Nigeria, in that Islam and Christianity as well as other religions cohabit excellently. It is also recorded that members of the same family can belong to different faiths and still cohabit as brothers and sisters in the same household.

Politically, the zone is also different from the rain forest people who are known for empires and monarchies. Historically, before the rise of the northern emirates, ushered in by the 19th Century Jihad, and the advent of the warrant chief system brought by colonialism, the people in this zone were never used to culture of centralized governments. Only few ethnic groups such as Igala, Nupe and Jukun had developed elaborate monarchical structures. In antiquity this zone is known for its petty chiefdoms or village lineage-based democracies. However, some ethnic groups have been paying allegiance to the Caliph who has spiritual and political control of the greater part of the zone.

### **3.3 Western Zone**

This zone is the principal habitat of Nigeria's ethnic groups referred to as the Mennonites. These include the Yoruba, the Ndoki, Oduel, Urhobo, Bini, Itsekiri and Isoko among others, Urhobo and Isoko in this zone are the only two belonging to the

Kwa family. The major occupation in this Zone is fishing and cultivation of root crops. The main dress among these groups is the wrapper usually worn with a jumper or broad shirt for men and blouse for women. Political organization in this zone is based on village groups or clans with each

developing distinct dialect. The basic political unit in this zone is the village especially when it is fairly large in a confederation and the whole of the culture group is something of merely a cultural unit.

The basic political units in the Yoruba culture are in the town. A town is made up of lineage organised in order of seniority determined by the order of settlement. Each lineage has a hereditary title assumed by its leader. In most cases political heads of the town is called *Baale* or *Oba*. For the purpose of administration, the town is divided into wards under the leadership of ward chiefs called (*Ijoye, Adugbo* or *Olori Itun*). Wards are further subdivided into administrative units, i.e. Compounds (*Agboile*) headed by the eldest man (*Baale*). There is no distinction between judicial and legislative power but a hierarchy of power from *Baale, Ijoye* and the highest *Oba*.

Cultures of this zone are also remarkable for their sophisticated artistic traditions and skills such as the science of metallurgy, iron smelting and bronze-smelting in such communities as Ife, Oyo etc. The people of this zone are as religious as elsewhere in the nation. There is a general belief in the existence of the Supreme God who is called different names e.g. Olodumare or Olorun among the Yoruba, *Osanobua* among the Bini, *Osenobua* among the Esan, *Oghena* among the Etsakoa, etc.

Supreme God is believed in this zone to have created the world with no direct involvement in the affairs of men, but have unlimited power as well as benevolence and punitive measure.

### **3.4 Eastern Zone**

This zone consists of many ethnic groups such as the Igbo, Ijaw, Ibibio and Efik. These groups mostly had democratic systems of government and several kingdoms such as Nir Akwa Akpa (Calabar), Aro confederacy and Opobo which were huge influences in the zone. Equally is the village democracies among the Igbo and other communities of the East. At the level of the village in Igbo land, public administration is under the control of the village assembly which comprises every able-bodied male adults. At the core is what is called the inner council (*Ama Ala*) which consists of lineage heads, title holders, and other elders on the basis of their personal qualities.

Cultures of this zone are also remarkable for their sophisticated artistic traditions and skills such as the science of metallurgy, iron smelting and bronze-smelting in such communities as Nkwere, Awka, Abiriba, etc. The people of this zone are as religious as elsewhere in the nation. There is a general belief in the existence of the Supreme God who is called different names e.g. *Chukwu* or sometime *Obbasi* among the Igbo, *Abasi* among the Ibibio, etc.

#### **4.0 CONCLUSION**

The Northern Zone is the driest part of Nigeria where we have Hausa, Kanuri and Fulani and are predominantly farmers. The major cultural activities include livestock rearing, farming and trading.

The Central Zone covers the area referred to as Middle Belt and it is the centre for many cultures. Farming, especially yam cultivation and fishing, are the main economic activities of the people of this zone.

The Western zone belongs to the Kwa family of languages and their major occupation is fishing and cultivation of root crops.

The Eastern zone consists of the Edo, Igbo, Esim and Etsakoa group of cultures. They have good artistic traditions and skills of iron crafts and they believe in Supreme God.

#### **5.0 SUMMARY**

Each of the four zones (Northern Zone, Central Zone, Western Zone and Eastern Zone) has its own distinctive characteristics in terms of dominant language, culture, geography and way of life of the people.

#### **6.0 TUTOR-MARKED ASSIGNMENT**

- In each case explain the distinctive features of each of the four zones (Northern Zone, Central Zone, Western Zone and Eastern Zone) in terms of their geography and culture.

#### **7.0 REFERENCES**

Abubakar, S. (1980), "Peoples of the Upper Benue Basin and Bauchi Plateau before 1800",

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## **MODULE 2**

### **UNIT 4 THE EVOLUTION OF NIGERIAN NATION**

#### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 The Evolution of Nigeria
  - 3.2 The Amalgamation of the two Protectorates
  - 3.3 Reasons for the Amalgamation
  - 3.4 Colonial Rule in Nigeria
  - 3.5 Constitutional Development in Nigeria
- 4.0 Conclusions
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 Reference/Further Reading

#### **1.0 INTRODUCTION**

The polity called Nigeria as we know it today was before colonial rule made up of several independent states variously referred to as kingdoms, empires, chiefdoms, etc. Each state was independent of the other but there were numerous layers of relationships among them. The politically strong ones just before the onset of colonial rule were the Sokoto

Caliphate, Borno, the Hausa states and Nupe in the north and Oyo and Benin in the south. This is in addition to several small kingdoms and numerous states without clearly defined political leadership beyond the family or clan referred to as politically non-centralized states.

These states were at the onset of British colonial rule gradually amalgamated and administered as one colonial entity known as the colony and protectorate of Nigeria. It was this colonial creation that became independent in 1960 as the Republic of Nigeria.

## **2.0 OBJECTIVES**

After reading this unit, you should be able to do the following:

1. Identify at least three of the independent states before the independence
2. Enumerate some of the amalgamation processes before 1914 in Nigeria
3. Trace the negative impacts of indirect rule on our chiefs and emirs
4. outline some of the reasons for the amalgamation of the Northern and Southern protectorates

In the year 1914.

6. Trace the four different notable Constitutional Development experiences in Nigeria.

## **3.0 MAIN CONTENT**

### **3.1 The Evolution of Nigeria**

The territories that later became Nigeria comprised different states with sovereign status. Relations between these states were international relations before the colonial onslaught. Considering the constellation of state systems within the area — the Sokoto Caliphate to the north and the northwest, Borno to the northeast, the Oyo and Benin empires to the southwest, and the numerous non-centralized communities of the forest belt to the southeast, the possibility of the emergence of a state system similar to the present Nigeria without an external intervention is indeed very remote. However some scholars such as Billy Dudley have argued that the inter-group relationships such as those of trade, conquests, political association, myths of common origin, etc could still have provided the basis for a state like Nigeria.

The credit for the amalgamation and emergence of Nigeria in its present form goes to the British.

### **3.2 Amalgamation**

The name “Nigeria” was first used by Flora Shaw, who was to become the wife of Frederick Lugard, in an article to the London Times of 1899 to refer to the territories around the River Niger in Northern Nigeria. The name was originally applied to the Protectorate of Northern Nigeria before it later came to be applied to the whole country. British interest in Northern Nigeria predated the nineteenth century, however, by the beginning of the nineteenth century as early as 1879 the British government allowed British trading companies access to these territories for commercial activities. By 1826 British merchant ships had traded on the Bonny River, and by 1886 up to 1900 the British allowed the United Africa Company (UAC), which later became the chartered Royal Niger Company power to administer the Northern Nigeria territories on its behalf. This meant that the company was the government of Northern Nigeria at this period. By 1900 the British government took over administration of the territory from the Royal Niger Company and appointed Frederick (later Lord Lugard) as High Commissioner. It was Lugard who proclaimed the Protectorate of Northern Nigeria.

What became Nigeria was an amalgam of various colonial possessions which were acquired over different times and later amalgamated gradually even though the general reference to amalgamation is the one of 1914 which brought the two giant territories of the Northern and Southern protectorates together. In 1900 the Niger Coast protectorate was amalgamated with the Colony of Lagos to form the Protectorate of Southern Nigeria. This is different from the Colony of Lagos which had a different status.

Then in 1906 there was the second series of amalgamation when the Colony of Lagos was merged with the Protectorate of Southern Nigeria to form a single entity known as the Colony and Protectorate of Southern Nigeria. Finally, there was the amalgamation of 1914, which brought the Protectorate of Northern Nigeria and the Colony and Protectorate of Southern Nigeria together under one nation called Nigeria on the 1<sup>st</sup> day of January, 1914.

- How did the British Royal Niger Company participate in the amalgamation process?
- \* When was the Royal Niger charter revoked thus making Lord Lugard the High Commissioner to administer the territory.

### **3.3 Reasons for the Amalgamation**

The British amalgamated Nigeria for the same reasons that made them to colonize it in the first place. That is, to serve their imperial interests. The main reasons for the amalgamation are: First, they wanted a cheap and secure source of raw materials for their industries. Second, they wanted a market for their manufactured goods. Third, they needed a source for generating capital resources for investment in Britain thereby strengthening the British pound sterling against other currencies. Fourth, they needed a manpower reserve for military and other purposes. Fifth, they wanted the ports, water ways, roads, railways, and air spaces for transportation and imperial communication systems. All these would be easier and more efficient only if Nigeria was amalgamated.

### **3.4 Colonial Rule in Nigeria**

In the previous discussion, the interest of colonial rule was stated bearing in mind the invasion and occupation of Nigeria. The major task before the British was to find the most cost effective way to rule their newly acquired territory, a territory composed of different cultural and religious groups with different systems of governance and administration. The British, based on Lord Lugard's recommendations, decided to interfere as little as possible in the day to day administration of the peoples they ruled. It was decided that interference should be limited to what was necessary to the basic needs of colonial administration and economic exploitation of the country or to eliminate what they perceived as repugnant to British conception of justice and morality.

To this end, a system of British rule through local traditional rulers known as Indirect Rule was instituted. These rulers would be responsible for carrying out colonial policies and tax collection under the supervision of British colonial officers. This system created the illusion of Africans ruling themselves and significantly reduced the cost of administration. It also created a wedge between the traditional rulers who became beneficiaries of the colonial system and patriots resisting colonial domination. In Northern Nigeria, Indirect rule, in part, insulated Islam from the Christian influences which might have led to resistance to colonialism.

The northern part of Nigeria, with its large states and developed emirates system was the most fertile ground for the indirect rule system of administration. The system was a success in the northern region. However, in the western and eastern regions it was not so successful. In Benin and Yorubaland the British re-enacted the former empires in 1916 and an unpopular attempt to bring back the Oyo Empire was also attempted. The Oba now appointed and backed by the British were expected to serve them. Many of them became autocratic because the mechanism for removing despotic ones was no longer effective. This did not eliminate resistance as four officials of the Oyo Native Authority were killed at Iseyin in 1916. Similarly, in 1918 a rebellion broke out after the Abeokuta Native Authority introduced direct taxation.

In Igbo land, for example, there were no chiefs; the British had to create a class of chiefs referred to as warrant chiefs, to collect taxes and enforce colonial policies. The policy of indirect rule was premised on local peoples being ruled by their local traditional rulers without disruption to their lives. However the warrant chiefs had no prior legitimacy in the places they ruled and were invariably corrupt and unscrupulous. Therefore they were deeply resented. In most of the southern provinces indirect rule was a problem because of the absence of traditional rulers and centralized governments. This did not stop the British from introducing them anyway.

Throughout Nigeria when traditional rulers or British appointed rulers served as intermediaries between the government and the people, the result was always misrule and corruption by local officials and eventually anti-colonial resistance. The 1929 Aba Riots arose because of tax abuse and other forms of bad governance.

Native courts set up by the colonial administration to try cases based on local traditions and customs were equally failures. The most vociferous opposition to the native authorities came from the class of western educated Nigerians for example nationalists like Dr. Nnamdi Azikiwe, Herbert Macauley, Obafemi Awolowo and Aminu Kano.

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In spite of the claim of mutual benefits to both the British and local traditional rulers as well as the claim of minimum disruption of people's lives and livelihood, British interference was widespread and very negative. Some of the visibly negative impacts included the following:

1. Most emirs and chiefs who resisted British rule in any form were deposed and new compliant ones installed. Therefore, only those who collaborated with the colonial regime were maintained.
2. The British reduced the status of both the Caliph at Sokoto and the Shehu of Borno to that of emirs. The Caliph was renamed Sultan.
3. The judicial system was changed to reduce the potency of the Islamic legal system (shari'ah). Shari'ah courts became subordinate to customary and common law courts.
4. There was a persistent resistance against the influence of Christianity by the Emirs. Later the resistance resulted into emirates through which indirect rule started. Lord Lugard formalized the indirect rule system in the North.

### **3.5 Constitutional Development in Nigeria**

You may know that the colonial government set out how they can rule Nigeria through defined rules and regulations. A constitution is a document which clearly defines how a state should be governed. It contains statements that depict the relationship between the rulers and the ruled and the basic rights and duties of citizens in a country. A constitution, therefore, is a body of rules and regulations that set out how a state should be governed. It defines the structure, powers, functions of the government and the rights and responsibilities of citizens.

Constitutionalism is a basic principle that states that the government should rule the people according to the constitution of the land. The essence is to make sure that the activities and operations of the government are within the confines of the law. Constitutionalism promotes respect for the operations of the rule of law.

The historical development of constitutions and constitutionalism in Nigeria can be traced to the establishment of colonial rule in the 1860s. However, constitutional government in the formal sense began with the institution of the Nigerian Council by Lord Lugard after the amalgamation of the Southern and Northern Protectorates in 1914. The evolution of the Nigerian Council marked the beginning of constitutional development in Nigeria. The council was however dissolved in 1922 following the adoption of the Clifford Constitution. Between 1922 and 1954, four different notable constitutions were operated in Nigeria. These are the Clifford Constitution (1922), the Richard Constitution (1946), the Macpherson Constitution (1951) and the Lyttleton Constitution (1954).

The Richard Constitution gave birth to the idea of regionalism, which enabled the different regions: East, West and North to develop at their own pace. The 1951 constitution introduced a quasi-federal model into the administration of the regions. This

allowed for power to be shared between the central and the regional governments but the central government was empowered

to have control over the regional governments in some matters.

The Lyttleton constitution of 1954 re-arranged the whole system and introduced a federal system of government. The constitution marked the beginning of the operation of federal system in Nigeria. In 1957 and 1958 constitutional conferences were held for the purpose of resolving some issues such as the minority problem and charting the way forward for the granting of self- government in 1960. Between 1960 and 1979, three constitutions were put in place in the country. These are the 1960 Independence, the 1963 Republican and the 1979 Presidential constitutions. The amended 1999 constitutions is an improvement of the 1979 constitution.

#### **4.0 CONCLUSION**

The territory that later became Nigeria comprised different empires, Kingdoms, Chieftains and emirates. The amalgamation of Nigeria brought about two giant territories of Northern and Southern Protectorates together in 1914.

The reason for the amalgamation of Nigeria was to serve the interest of the imperial government especially in the areas of cheap raw materials and market for their manufactured goods.

The British colonial master's rule through the traditional rule is called indirect rule. The responsibility of the traditional rulers was to carry out colonial policies and tax collection under the supervision of the British officers. The process of constitutional development passed through recommendations of the following colonial leaders:

Clifford Constitution 1922

Richard Constitution 1946

Macpherson Constitution 1951

#### **5.0 SUMMARY**

We learnt in this unit that the territory that was later given the name Nigeria was made up of different tribes or empires which included the following: Kingdoms, Chieftains and emirates. Then through the amalgamation of the Northern and Southern protectorates in 1914, a single unit called Nigeria was formed.

The reason for the amalgamation of Nigeria was to serve the interest of the imperial government especially in the areas of cheap raw materials supply and the creation of a wider market for their manufactured goods.





## 6.0 TUTOR-MARKED ASSIGNMENT

- Identify three independent states as it was in the polity of the country before colonial rule.
- Identify and mention some of these reasons for the British amalgamation of Nigeria.

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## **MODULE 3**

Unit 1 The Economy and National Development

Unit 2 Citizenship Education

Unit 3 Nigerian Environmental Problems

Unit 4 Business and Marketing Plan in Entrepreneurship

Unit 5 Business Growth and the Entrepreneur

Unit 6 Law and its Relevance to Business Operations

## **UNIT 1 THE ECONOMY AND NATIONAL DEVELOPMENT**

### **CONTENTS**

1.0 Introduction

2.0 Objectives

3.0 Main Content

3.1 Nigerian Economic System Pre-Independence and Post-Independence Era

3.2 The Structure of Economic Activities in Nigeria

3.3 Major Problems of the Nigerian Economy

3.4 Some Solutions to the Problems of the Nigerian Economy

4.0 Conclusions

5.0 Summary

6.0 Tutor-Marked Assignment

7.0 Reference/Further Reading

### **1.0 Introduction**

You have earlier studied some notable cultures and peoples of Nigeria. You need to know about the economy of the Nigerian people as economy is part of their lives. Nigeria is an economically powerful nation. Here is a country made up of land covering 98.321 million hectares of which about 74.036 million hectares are arable. Nigeria was also one of the leading countries in agriculture, thanks to the good quality of its soil, good heat and adequate moisture. But what is of immense importance to the Nigerian economy is the large size of her population. The Nigerian population is noted to have been increasing astronomically. Between 1952 and 1991, the Nigerian population increased from 31.1 million to 88.5 million. Currently, population estimates put Nigeria's figure at 167 million (2012). In 1990 the World Bank ranked Nigeria the seventh most populous country in the world, after China, India, USA, Indonesia, Brazil and Japan.

## **2.0 OBJECTIVES**

After studying this unit, you should be able to do the following:

1. Outline the Nigerian economic system before and after independence
3. Evaluate the economic activity in Nigeria
4. Trace the problems of Nigerian Economy.

## **3.0 MAIN CONTENT**

### **3.1 Nigerian Economic System Pre-Independence and post-Independence Era**

Before independence, agriculture accounted for over fifty percent of the Gross Domestic Product (GDP) of Nigeria. Again, about three quarters of the Nigerian population were engaged either in agriculture or agriculture-related activities. Cedar, iroko and walnut are very much found in the mangrove and rain forest while within the Savannah, cocoa, rubber, palm produce, kola nut and gum-Arabic flourish. Crops such as yam, cassava, maize and citrus are generated. It is also easier in the Nigeria's grassland to raise cattle and obtain other dairy products. This is also true with the cultivation of grains such as guinea corn, millet, rice, cotton, groundnuts, beans and other leguminous crops.

### **3.2 The Structure of Economic Activities in Nigeria**

Though most Nigerians engage in agriculture or agriculture- related activities, economists say there are at least eighteen activity sectors of the Nigerian economy. These include agriculture, livestock, forestry, fishing, crude petroleum, mining and quarrying, manufacturing, utilities, building and construction, transport, communication, wholesale and retail trade, hotels and restaurants, finance and insurance, real estate and business service, housing, producers of government services, and community, social and personal services. As already mentioned, agricultural activities are spread all over the federation. In 1960 agriculture absorbed over 75 percent of the work force while industry and other sectors together employed the rest. Therefore in contributing to the Nigerian GDP, agriculture was the leading sector. With respect to that, Nigeria enjoyed the modest tag of a middle-income country. However, from 1980 to the present, GNP per capita dropped. This situation, coupled with the deteriorating social services, continuous high rates of inflation, declining productivity and high rates of unemployment, have made the average Nigerian poor by all standards.

Besides agriculture, there are some very important mineral deposits as well. These deposits are scattered in almost all parts the country. In the West, for instance, we have the alluvial gold deposits, while there is tin in the North. The East is the centre of coal. Edo/Delta, Rivers, Imo/Abia and Cross River/Akwa-Ibom States share the lion's part of petroleum products. Iron, brass and bronze are found in Lokoja. Although scattered, limestone, kaolin, diatomite and clay are found in abundance in Nigeria. A nation is said to be self-reliant when her citizens depend largely on her human and material resources for most of their basic needs. In other words, self-reliance as a national development strategy usually refers to a nation's determination to rely on the utilization of domestic resources to produce most of her required goods and services.

As far as Nigeria is concerned, it is very difficult, if not impossible, to claim that she is economically self-reliant. Here is a country where the economic underdevelopment is so obvious. Almost all the economic indicators are on the negative side: low capacity utilization in industries, primitive and abandoned agriculture, debt problems, inflation, balance of payments crisis, unemployment and underemployment, malnutrition and misdirection of resources. Also, the over-dependence on oil and other imported inputs are serious problems in the Nigerian economy. This simply shows that Nigeria for now is not economically self-reliant.

On the contrary, a nation is said to be economically self-reliant when there are: heavy reliance on domestic resources for the production of required goods and services; reduced dependence on outsiders for the supply of required goods and services; active use of international trade policy instrument for controlling imports and domestic prices that are relatively higher than they would otherwise have been in the absence of development strategies of self-reliance. However, you should always remember that achieving self-reliance is a perpetual task. Self-reliance is a process that needs to be sustained. That is why even when a country is called self-reliant it is always very necessary to identify and examine likely factors which enhance a country's economic self-reliance capabilities on a consistent basis. For instance, in Nigeria's case, agriculture, capital, technology, energy and industrialization are the key aspects of the economy.

### **3.3 Major Problems of the Nigerian Economy**

Nigeria is a country of paradox: Nigeria is regarded as a poor country despite the abundance of human and natural resources. This is obvious when we look at the standard

of living index as mentioned earlier. The economic situation of Nigeria today is negatively different from that of the past. In the year 1970, for instance, Nigeria was self-sufficient in food production and the economy was somehow balanced. But the relegation of agriculture to the second rank to the benefit of the so-called oil boom has put Nigerian economy in a very precarious situation. The consequence is that almost all the non-oil sectors of the economy have become stagnant. Worst still, revenues accruing from crude oil sales are mismanaged. This situation has led to some serious problems facing the Nigerian economy today. Some of these problems are as follows:

- Slow growth of the industrial sector with capacity utilization averaging about 3%
- High and growing rate of unemployment
- Slow growth of the agricultural sector
- High internal and external debt burden

### **3.4 Some Solutions to the Problems of the Nigerian Economy**

There is no doubt that, over the years many attempts have been made to address the problems of the Nigerian economy, On agriculture, many policies have been put in place. The most important of these policies are:

Operation Feed the Nation (OFN) under the military regime of General Olusegun Obasanjo (rtd) and the Green Revolution programme under the civilian administration of Alhaji Shehu Shagari.

Also, many successive administrations have put in place fiscal and monetary policies to address Nigeria's economic problems. In respect of fiscal policy, various administrations have set the following objectives:

1. Reduction of the level of price inflation;
2. Provision of the necessary protection for local industries;
3. Provision of a suitable price incentive framework in favour of increased agricultural and industrial production
4. Expansion of agriculture and industry;
5. Encouragement of local production of import- substituting goods by encouraging local industries with heavy local content;
6. Encouragement of dispersal of industrial location;
7. Discouragement of importation of consumer goods which are available locally in order to curtail the out flow of foreign exchange;
8. Enhancement of government revenue
9. Moderation of the rate of price inflation,
10. Stimulation of industrial and agricultural production
11. High level of employment
12. Improvement of balance of payment positions,
13. Reduction of foreign indebtedness, and
14. Generation of more revenue, especially from the non-oil sector of the economy.

### **4.0 CONCLUSION**

The government of Nigerian has been making effort over the years to put the Nigerian economy in shape. Also to achieve fiscal and monetary objectives of the nation, governments over the years some measures in place such as:

Reduction of government expenditure with the intention of reducing offensive demand, and subsequently checking inflationary pressures.

Continuous reorganization and reformation of customs and excise tariff.

Encouragement of investment in agriculture through the abolition of duties on machinery for exclusive use in agriculture and subsidizing inputs employed in the sector;

Setting credit ceiling for banks and encouraging sectoral distribution of credit;

Regulation of the liquidity ratio and cash ratio of commercial banks;

Introduction of compulsory advance deposits scheme to restrict imports.

In 1986, the Babangida administration decided to modify and extend the previous fiscal and monetary objectives and measures. Consequently, the Structural Adjustment Programme (SAP) was introduced. It was mainly aimed at achieving the following objectives:

1. Restructuring and diversifying the productive base of the economy with a view to reducing dependence on the oil sector and imports
2. Achieving fiscal balance and ensuring balance of payments viability
3. Laying the basis for sustainable and non-inflationary growth;
4. Intensifying private sector growth potential.

## **5.0 SUMMARY**

From the study of this section we have learnt that there are certain policies introduced by certain administrators to revive the economy in Nigeria. These administrators introduced the policies with the aim of making the Nigerian country stable and viable. The position of the economy before independence was as follows:



1. Agriculture accounted for more than 50% of the country's GDP but after independence agricultural activities decline.
2. The economic activities largely include some of the following:
  - i. Agriculture
  - ii. Livestock
  - ii. Fishing
  - iii. Crude oil and Mining.
3. Nigerian economy is not self-reliant because of the following problems:
  - i. Domestic agricultural system
  - ii. Debt problems
  - iii. Unemployment and underdevelopment
  - iv. Malnutrition and misdirection of resources and over dependent on oil.
4. The consequences of problems of Nigerian economy lie on the fact that almost all the non-oil sectors of the economy have become stagnant.

## **6.0 TUTOR-MARKED ASSIGNMENT**

- How viable was the Nigerian economy during the pre-independence and post – independence era?

\* Based on what you studied on Nigerian economy, what are the problems confronting it?

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## **MODULE 3**

### **UNIT 2      CITIZENSHIP EDUCATION**

#### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 Rights, Duties and Obligations of a Citizen
    - 3.1.1 Patterns of Citizenship Acquisition
    - 3.1.2 Negative Attitude of Nigerian Youth
  - 3.2 Fighting Bribery and Corruption
  - 3.3 Cultism
  - 3.4 Indecent Dressing
  - 3.5 Thuggery
  - 3.6 Examination Malpractices
- 4.0 Conclusions
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
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#### **1.0 INTRODUCTION**

A citizen is an individual that has full political and legal rights in a state. It is a person that belongs to and gives his loyalty to a particular country and expects security and protection from the country.

The negative attitudes and conduct of some Nigerians have continued to pose serious problems to the nation's march towards industrial and technological development. The country is now faced with the problems of cultism, drug abuse, examination misconduct, armed robbery, sexual laxity, arson and so on.

Every individual has a role to play in a society. Whether each member gets more or less than he/she contributes depends on the way the society is organized and one's place in it. It is not difficult to point out the moral obligations of the citizens to the government.

With the emergence of modern state, virtually all rights which were prevalent in Europe in the 19th Century were lost and only obligations were obvious. Thus, the gradual and painful struggle for freedom was concentrated on identifying and enumerating the rights, and not the moral obligations. The cumulative result is that citizens of today are keenly aware of their rights and are quick to assert them, but are sadly lacking in the knowledge of their own side of the social contract: their duties as citizens.

## **2.0 OBJECTIVES**

After studying this unit, you should be able to do the following:

1. List the rights and obligations of a Nigerian Citizen
2. Outline the patterns of acquiring the Nigerian Citizenship
3. The negative attitudes of Nigerian youth.

## **3.0 MAIN CONTENT**

### **3.1 Rights, Duties and Obligations of a Citizen**

Citizens enjoy certain rights referred to as Fundamental Human Rights. A right is a privilege. When a privilege is contained in the constitution of a country, it is known as a civil right. Therefore, citizens' rights are those privileges enjoyed by citizens which are expressed within the legal framework and protected by the state. The fundamental human rights which citizens must enjoy are: right to life, right to possess' property, freedom of religion, freedom of assembly and association, freedom of movement, freedom of expression and rights to liberty and security. When these rights are violated, a person can seek redress in the law courts. Therefore, in guaranteeing these rights by the state, a person is expected to perform certain duties and obligations to the state.

Duties are those responsibilities a citizen performs in the state and to other citizens.

These are: obedience to the laws of the land, payment of taxes expected by the tax law of the country, non-interference with the rights of other citizens, defence of the country when called upon to do so and to be honest and loyal to the government. Obligation is the

performance of civil and political rights which directly or indirectly contributes to the success of the government. These include: exercising voting rights; contributing to the smooth running of the lawful government; resisting the reign or the ruling of an unpopular government by constitutional means, and every citizen owes it as an obligation to obey the government, provided that the government is legitimate and productive.

### **3.1.1 Patterns of Citizenship Acquisition**

Citizenship can be acquired through the following ways:

**Citizenship by Birth:** When one is born into a country of which both parents are members, automatically one becomes a member of that country.

**Citizenship by Registration:** A person can become a citizen of another country by registration by going through the guidelines stipulated by the law of the land. For example, in Nigeria any woman who is married to a Nigerian, those born outside Nigeria but whose grandparents are Nigerians and any person born outside Nigeria but whose parents are Nigerians can apply for citizenship through registration. This, however, is predicated on government's approval of such an application.

**Citizenship by Naturalization:** One can become a citizen of another country through naturalization. Before this can happen, there are certain conditions that one must have fulfilled in that country before applying to naturalize.

**Honorary Citizenship:** The government of a country can honour distinguished eminent personalities with the rights of citizenship.

### **3.1.2 Negative Attitudes of Nigerian Youth**

Many Nigerian youths have ruined their lives by taking to excessive partying, obscenity, armed robbery, sexual immorality, participating in secret cults and other social vices inimical to the well being of the society. Bribery and corruption are the two deadly

unwholesome practices that have disturbed the conscience of many Nigerian patriots. Bribery and corruption take place in the process of obtaining a legitimate official service or right. Many Nigerians have been made to offer bribe along the line because a deliberate obstacle has been placed on the path of rendering normal service or right without delay. Indeed, both the demand for a bribe and the offer of a bribe are regarded as corrupt practices. As Oladumi (1991) rightly observes, “it is the joint responsibility of all citizens to fight these evil elements”. Bribery and corruption are workers and students’ enemies.

In order to overcome the negative attitudes of Nigerians, several governments have come up with different programmes: President Shehu Shagari’s policy of Ethical Revolution, General Buhari’s War Against Indiscipline and General Babangida’s National Orientation Agency.

### **3.2 Fighting Bribery and Corruption**

We must therefore fight corruption and bribery from all fronts. We must refuse to give or demand bribe. The Federal Government is currently fighting corruption through the Economic and Financial Crimes Commission (EFCC), Independent and Corrupt Practices and other Related Offences Commission (ICPC) and other similar agencies of government.

We must join hands with EFCC to fight corruption and bribery. It is important to realize that the main causes of bribery and corruption include:

- a) Government official bureaucracy
- b) Undue influence
- c) Unnecessary delay
- d) False style of living
- e) Artificial scarcity.

Nigerians must therefore try to avoid bribery and corruption. Students, lecturers, police, soldiers, friends, families etc. should cooperate with relevant government agencies to tackle these ugly practices in the Nigerian society.

### **3.3 Cultism**

Some Nigerians are members of secret cults. General Yakubu Gowon, one time Nigeria’s Head of State, on one occasion remarked that cultism in our tertiary institutions is a threat

to peace and national security (Gowon, 1998). There are many cases of cultism in Nigerian higher institutions.

We should be aware that cultism, is an evil association engaged in negative activities that can destroy one's career and can also ruin one's life. Not only that, cultism can be a stumbling block to Nigeria's quest for peace and prosperity. Besides, the idea of a secret cult is falsehood, evil and an anathema in our society.

### **3.4 Indecent Dressing**

Another area that calls for our attention is our mode of dressing. There is no doubt that there is a moral bankruptcy in Nigeria as a result of cultural imperialism manifesting in wearing dresses that do not belong to Nigerian culture. Today, many Nigerians have abandoned their traditional ways of dressing. Instead, they have adopted western style of dressing. Many Nigerians want to dress like the Americans, i.e. in jeans patched up all over. Some even dress as if they are naked. In general, they pretend to be 'westernized'.

It is this negative dressing that entices some fraudulent youngsters to develop the taste for illicit sex and other forms of immorality. The dress code which is currently being enforced in our educational institutions should be supported. All religions, especially Islam and Christianity, encourage decent dressing. It is even considered a sin before God for one to expose any part of one's body that is considered sacred. We need to know the dangers inherent in western cultural imperialism which threatens the existence of Nigeria's national culture and counter such.

Sexual laxity is also harmful to the moral well-being of any nation. Besides, the people who are engaged in illegitimate and reckless sexual acts stand the risk of contracting all kinds of sexually transmitted diseases such as HIV/AIDS, Syphilis, etc. In addition to this, nobody wants to marry a harlot or a way-ward lady..

### **3.5 Thuggery**

Political thuggery and gangsterism are becoming a fashion in Nigerian politics. The Nigerian politicians recruit, train and arm our teeming youth and then use them as thugs in their political campaigns. In the 2003 Federal elections, for instance, thugs were used to intimidate political opponents, in the process of which many lives were lost. But those who survived are now turning around to intimidate their former masters, i.e. those they assisted during the 2003 elections. Thugs who have been trained in the art of using modern weapons are now using the weapons at their disposal negatively. To put it in another way, they have become armed robbers on highways and villages, towns and cities.

### **3.6 Examination Malpractices**

In another vein, examination misconduct has become endemic in our nation's institutions. Many students have perfected ways of cheating in examinations. Some students now use modern technology like the GSM handsets, calculators, etc. to cheat in examinations. This makes governments at all levels to come out with various laws and penalties to curb examination misconducts. Students should know that cheating in examinations may be a disgrace to parents, friends, relations and even the person who is involved in the acts. There are various penalties which the Nigerian universities have spelt out for examination offenders. The penalties depend on the nature of the examination offence committed. Some of these penalties include the following:

a) Expulsion from the University system

- b) Repeating a session
- c) Repeating two academic sessions
- d) Warning
- e) Carrying over the paper in which the candidate cheated.

#### **4.0 CONCLUSION**

The major negative attitudes of Nigerian youth are cultism, indecent dressing, political thuggery and examination misconduct. The pattern of citizenship acquisition includes the following: Citizenship by birth, registration, naturalization, and honorary citizenship. The moral obligations of a citizen are diverse. Some of these obligations include: the duty of political participation, economic productivity, paying of tax, and other sundry duties.

#### **5.0 SUMMARY**

In this unit we studied about the negative attitudes of Nigerian youth such as; cultism, indecent dressing, political thuggery and examination misconduct. We also studied how an individual can acquire citizenship status in Nigeria. Citizenship can be acquired by birth, registration, naturalization, and honorary citizenship. Every citizen of Nigeria has some moral obligations to discharge and these include; the duty of political participation, economic productivity, paying of tax to the state.

#### **6.0 TUTOR-MARKED ASSIGNMENT**

- What are the specific government policies aimed at strengthening the citizenship education in Nigeria?
- Enumerate some of the rights and obligations of a Nigerian citizen.

#### **7.0 REFERENCES**

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## **MODULE 3**

### **UNIT 3 NIGERIAN ENVIRONMENTAL PROBLEMS**

#### **CONTENTS**

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3.1.1 Pollution

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3.2.1 Population Explosion

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3.3.1 Promotion of Environmental Education and Awareness

3.3.2 Provision of Suitable Waste Bins/Dumps

3.4 Provision and Implementation of Legal Policy

4.0 Conclusions

5.0 Summary

6.0 Tutor-Marked Assignment

7.0 Reference/Further Reading

## **1.0 Introduction**

The environment is an important element in the preservation of life on earth. Man's activities are centred on exploiting it for survival. The expanding manner in which man is exploiting its environment has brought about environmental problems. These problems manifest in various ways and equally impact adversely on the development of man and his environment. Hence, the need to examine what constitutes environmental problems and how they can be managed for sustainability.

## **2.0 Objectives**

After studying this unit, you should be able to do the following:

1. Identify the major components of the natural environments
2. Enumerate the causes of environmental problems
3. Outline the possible solutions to environmental problems

## **3.0 MAIN CONTENT**

### **3.1 Major Components of the Natural Environment**

Environment is human beings' immediate surrounding including fauna and flora. The environment is made up of two major components, namely, the natural and social environment.

The major components of the natural environment are: the atmosphere, the hydrosphere, the lithosphere and the biosphere. The atmosphere is the medium above the surface of the earth extending for about 170 kilometers consisting mainly of a mixture of gases. The hydrosphere is the water medium of the surface of the earth, oceans, seas, lakes and rivers; the lithosphere is the hard, rigid upper crust of the earth extending for about 80 kilometers. It is the inner core of the earth, the atmosphere, being less rigid in form. And the biosphere is the zone of the earth's planet that contains living organisms.

The social environment or man-made environment is the system which man has instituted in order to organize himself to satisfy his needs. The social environment consists of the physical and social structures, systems or institutions created by man to meet his needs, which includes food, education, clothing, shelter, health, companies, etc. The idea is that the social environment influences the natural environment. The exploitative venture of man in the social environment over time is what has resulted in environmental problems. Environmental problems are due to man's exploitation of the environment. Due partly to

increase in population and the level of advancement in technology, the environment has been heavily abused giving rise to various types of problems in the environment, which now constitutes a problem to man.

There are various forms of environmental problems that human activities have caused. Some of these are discussed below.

**3.1.1 Pollution:** Pollution is the end result of the unfavourable exploitation of the environment

by man. The types of pollution that can result due to man's undue manipulation of the environment are: air pollution, noise pollution, water pollution, and land pollution. GST

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**3.1.2 Poor Drainage System:** The improper planning of towns and cities, has led to the emergence of poor drainage system. These drainages often cause serious environmental problem.

**3.1.3 Deforestation:** This is the act of cutting down or burning trees in the environment. This may be due to overgrazing, unsustainable farming methods or cutting firewood for local usage.

Fig. 8.3: Savannah plain

**3.1.4 Improper Waste Disposal:** Improper disposal of waste has become a serious environmental problem. This is the result of rising level of population of the country.

**3.1.5 Ecological Problems:** Ecological problems arising from excessive rainfall which culminate in flooding and erosion thereby causing havoc in the environment.

### **3.2 Causes of Environmental Problems**

The following are some of the factors responsible for environmental problems.

**3.2.1 Population Explosion:** The geometric increase in population around the world is a major cause of environmental problems. This increase has given rise to undue pressure on the environment.

**3.2.2 Advancement in Technology:** This is equally one of the factors that have contributed to environmental problems in great measure. The growth and the consequent wastes emitted in the course of technological exploration are danger to the environment and human beings.

**3.2.3 Poverty and Environmental Problems:** It prevents the provision of quality and adequate social amenities which are required for the improvement of life. Poverty promotes underdevelopment and this easily attracts environmental problems.

**3.2.4 Unplanned Urbanization:** This has to do with improper planning of the environment. Unplanned urbanization leads to environmental abuses, which in a large scale deface the environment causing environmental problems.

**3.2.5 Government Negligence:** When government fails to live up to expectation in the discharge of its responsibilities, it reflects in the environment. For example, when environmental agencies refuse to execute their responsibilities, the consequences are environmental problems.

### **3.3. Solutions to Environmental Problems**

These environmental problems can be solved in the following ways:

### **3.3.1 Promotion of environmental education and awareness:**

The Nigerian Government is making concerted efforts to create awareness on environmental abuse, challenges and management. When awareness is created on how to utilize the environment, the orientation of people will change concerning conservation and proper utilization of the environment.

**3.3.2 Provision of Suitable Waste bins/dumps:** Waste dumps are usually in the form of incineration or simple dump sites. The provision of these facilities at the right places will help to check the abuse of the environment. However, dump sites or bins should be regularly cleared to make the site functional, effective, clean and free from stinking.

### **3.4 Provision and Implementation of Legal Policy Framework**

Government should promulgate laws or policies that will help to curb abuses of the environment and make sure those violators of such policies are severely punished to encourage proper use of the environment.

The recycling of materials, improving mining methods, devising more efficient engines that consume less fuel, and recovering minor minerals during processing or mining will go a long way in protecting the environment.

## **4.0 CONCLUSION**

The various forms of environmental problems that are induced by human activities are pollution, poor drainage system, deforestation and waste disposal.

Some of the factors that are responsible for environmental problems include:

- Population explosion,
- Advancement in technology
- Poverty
- Unplanned urbanization, and
- Government negligence
- \* Ecological problems

Environmental problems could be solved in the following ways:

- i. Promotion of environment education and awareness.
- ii. Building of waste and dump sites in strategic places,
- iii. Provision and implementation of legal policy framework on environment.

## **5.0 SUMMARY**

In this unit we looked at the various forms of environmental problems that are induced by human activities and they include; pollution, poor drainage system, deforestation and waste disposal.

Some of the factors that are responsible for environmental problems ecological problems, unplanned urbanization and government negligence over some of the poor environmental manifestations.



## **6.0 TUTOR-MARKED ASSIGNMENT**

- Based on your study of this unit, identify the major components of natural environment.
- Outline the possible solutions to the environmental problems raised in this unit

## **7.0 REFERENCES**

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## **MODULE 3:**

### **UNIT 4 BUSINESS AND MARKETING PLAN IN ENTREPRENEURSHIP**

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## **1.0 INTRODUCTION**

You are welcomed to Module 3, Unit 4 titled “Business and Marketing Plan in Entrepreneurship”. This unit introduces students to the topic of Business Plan. This is a very important topic because no entrepreneur can start a business and hope to make progress without preparing good plan for his/her business proposal. We shall examine business plan, its preliminaries as well as its components. We shall also discuss marketing plan and its components.

## **2.0 OBJECTIVES**

After studying this unit, you should be able to do the following:

- Define a business plan
- Differentiate between the plans for an existing business and a start-up
- List and explain elements in the body of a business plan
- Describe the content of an executive summary, mission statement and business environment
- Define marketing plan
- Enumerate and describe the various components of a marketing plan

## **3.0 MAIN CONTENT**

Entrepreneurs have their purpose anchored on returns creation or profit making or realization of benefits from business operation. A prospective businessman or woman must therefore have a good business plan. The business plan is the foundation for every success in a business and anyone who avoids planning has deliberately planned to fail. Experience has shown that business environments

are full of risks and uncertainties. These variables determine, to a great extent, the outcome of a venture in terms of results and rewards. The seriousness with which entrepreneurs handle their businesses, irrespective of whether it is an existing or a new/start-up, will determine how successful it will be. There is therefore the need to plan the day-to-day activities of a business in order to avoid disappointing and painful results. It is against this background that you are advised to study this material over and over again in order to assimilate and digest the contents which are vital for successful entrepreneurship.

### **3.1 The Meaning of Business Plan**

Bature (2009) described a business plan as the road map on the journey to an entrepreneur's success. According to him, it is the key to the successful take-off and execution of the business.

Ndebbio (2007) stated that a business plan is a document showing where a business is going,

how to get there, through what means and what you will get when you get there.

To Lambing and Kuehl (2007), a business plan is a comprehensive document that helps an

entrepreneur to analyse the market and plan a business strategy. According to them, a business

plan is often prepared by an existing company to ensure that future growth is properly managed.

However, if the plan is prepared for a start-up, it helps the entrepreneurs to avoid pitfalls or

costly mistakes which could adversely affect the success of a business.

In addition to being useful as a planning document, the business plan often is necessary for

obtaining financing. Banks, venture capitalists and investors usually require a business plan in

order to help them make their investment decisions. To that extent, a well-written business plan

provides evidence of the entrepreneur's ability to plan and manage the enterprise.

#### **3.1.1 Nature of the Business Plan**

The nature of a business plan is that, as a mental process, it decides the direction that a business

organization intend to follow, in order to achieve its set goals and objectives. It starts with questions about who carries which task, when, where and how is the task carried out. In doing this, it requires minimizing incremental costs and maximizing output ratios.

A business plan as a document shows work-in progress. In this case, you are reminded that even successful investors are expected to maintain current business plans. In order to persuade a potential or prospective buyer to buy your product or service, it is necessary for an entrepreneur to have a good knowledge of his business plan at all times in his finger-tips.

As a matter of fact, the entrepreneur acts as one of the salespersons and as such the product should be his business. Because the potential inventors, suppliers, and buyers are regarded as your customers, there is need for an entrepreneur to convince them about his knowledge of the business.

### **3.1.2 Objectives of the Business Plan**

The main aim of a business is not to simply maximize profit, but to commit the entrepreneur in various ways aimed at satisfying the community's basic needs and in particular, render a service to the whole society. This is why it is said that the art of enterprise called business is a morally serious calling. By these reasons, an entrepreneur should understand that the business is set up for many reasons. Though, profit may be important, but certainly it is not the only objective, hence many people are ready to accept a reduction in their earnings in order to get the satisfaction for the work they do. In a nutshell, the objectives of the business plan are as follows:

1. To make as much profit as possible;
2. To maximize sales;
3. To grow quickly i.e. make reasonable returns on funds entrusted to the business by its Investors.

4. To produce the best product in a given market i.e. satisfy customers with goods and services of real value;
5. To provide owners the freedom to express themselves in the work they enjoy
6. To create new jobs and new wealth
7. To diversify the interest of the public.

### **3.1.3 Scope of the Business Plan**

The scope of a business plan defines the boundary or limits of a business that is to be chosen and undertaken by an investor. It includes all elements of a business plan that are recognized in the business. This vital business document includes the following:

- (i) The description of the business from its idea to operation
- (ii) Its marketing strategies
- (iii) The competitors in the conceived business plan
- (iv) Its operating procedures
- (v) The type of personnel's
- (vi) The business insurance
- (vii) The business financiers or investors/lenders
- (viii) The customers who patronize the business

### **3.1.4 Value of Business Plan**

Because the world is full of uncertainties and these uncertainties also affect the business world, it is important for entrepreneurs to prepare for such unforeseen situations. In doing this, they must gird their loins to take appropriate risks. In other words, the business plan should be prepared in such a manner that all potential grey areas are seriously considered so that it can give the plan a value that will stand the test of time ( Adeniyi, 2008). It should be noted that, without a business plan an enterprise is vulnerable to following booby traps:

1. Poor planning and research
2. Negative competitors' reaction;
3. Serious weakness in marketing;
4. Weaknesses in production and management;
5. Changes in technology and other advancement.

The business plan must give value to the entrepreneur by avoiding and responding squarely to the above issues. In fact, a good business plan can add value to your proposal, by attracting providers of funds through capturing their attention and interest. This is so because when you take time to create an extensive business plan, it will provide you with insights into your business. This document therefore, has this kind of value that can serve as a powerful financing proposal. This can be summarized as a process of minimizing cost and negative effects by replacing them with incentives that will give you confidence in what you have chosen as a business idea or proposal.

There is therefore the need for an entrepreneur to embark on proper and effective planning and research in order to generate good answers to questions raised on the business. It is not just having the business, but knowing the business environment in which the enterprise operates.

The entrepreneur must work on the negative effects from reactions of its competitors by putting concrete strategies in place. Some of their reactions can be unpleasant and harsh enough to destroy one's business if proper care is not taken.

The entrepreneur must work on the laxity or weakness in the process of marketing the products and services of the enterprise. You cannot just be producing your goods without a good plan to market

them through sound advertising to a large number of people or customers. Other weaknesses

include those of poor management and lack of technological advancement. It is important to know

that you need to go with the technological changes in the economy and the politics of the nation.

With effective response to these changes, things will be better for your business and the economy at large.

### **3.2 Value Analysis**

The value analysis is a planned scientific approach to cost reduction, which reviews the material composition of a product and production designs that modification and improvements can be made which do not necessarily reduce the value of a product to the customer or user (Bature, 2009). In other words, value analysis is a cost reduction process in production of a product or in the rendering of service. The value analysis encourages a radical innovation towards reducing cost. Value analysis covers the following: cost elimination or cost prevention, cost reduction and improvement in the product quality.

**Cost elimination or cost prevention:** Here, the entrepreneur must try to eliminate unnecessary additional cost which may deplete the anticipated benefits or profits.

**Cost reduction:** The process of minimizing costs is also important for the business to realize higher benefits on a daily or monthly basis. Most businessmen and women have used this approach to make better returns on their business plan analysis.

**Improvement in the product quality:** This process of improving the quality of the business product is another way of raising the enterprise business portfolio. It is important for the entrepreneur to exploit all the avenues to ensure progress of the business. Hence you can sell more at the same price with more benefits.

**Improvement in the product quality that enables you to increase your sales price:**

When the above objectives are achieved, the additional benefits according to David and Nicolas (2006), Lewis (1966), will include the followings:

1. Improved product quality. The value of the product will now be highly acceptable because of the improvement made on its content during production.
2. Increase product life as a result of No.1 above. When the product or service is of good quality, its life quality will improve, thereby making possible for the product to live long.
3. Improved product reliability and performance. The product can only be reliable and equally perform well when it has a very good quality and is therefore well accepted.
4. Increased standard will lead to lower costs for customers. Customers will equally enjoy high standard material or goods and services. This will also lead to low cost.

5. Better economic use of scarce resources. The use of resources is another important thing to note. Individuals are expected to understand the real resource situation on ground.
6. Encourage employees to show innovation and creative ideas. Most of the employees are encouraged to improve themselves in any area of training that they can avail themselves of.

### 3.2.1 Stages in Value Analysis of a Product

The value analysis is carried out by experts with varying backgrounds, with blends of experience, skills and imagination (Novak, 2003). They enumerated the stages in the value analysis of a product as follows:

1. **Selection of a product or service for investigation:** The choice of the product should have regard for expected future life of the product and must have a cost saving ability. This cost saving ability is what adds value to the product or service. For this reason, all businessmen and women are advised to always try to embark on cost saving and cost minimization.

2. **Obtain and record information:** For instance what is the product or service suppose to do? What are the costs of the product or service? Are there alternative ways of producing the same product or rendering the same service? What are these alternative cost?

3. **Analyze the information and evaluate the product:** You have to analyze every aspects of the product or service information. Understand the product's value. Know its life expectancy and all that are required to make the product marketable in such a business environment. Hence, questions to ask and be answered according to Dave and Rob (1996) include the following:

- (i) Are all parts necessary?
- (ii) Can the parts be obtained or made at lower cost?
- (iii) Can standardized parts be used?
- (iv) Are all the features of the product or service necessary?
- (v) Can any of the features be incorporated at lower cost?
- (vi) Does the value of each product justify the cost?
- (vii) Can the product be made at lower cost?

4. **Consider other alternatives:** This is better started at the idea generation stage of the product. When you consider other alternatives, you will have the opportunity to select the best option

that will yield greater reward.

5. **Select the least cost alternative:** You can select the least cost alternative as another way of embarking on cost management strategy. You should not hesitate to apply this in your business plan analysis. Many investors have enjoyed this approach and have achieved their objectives in terms of rewards, returns or profits (Kotler, 1991, McDonald, 1989).
6. **Make a recommendation:** You recommend the preferred alternative. When the recommended alternative is taken seriously, the business flourishes and the business owners enjoy.
7. **Implemented the recommendation and follow-up the value analysis:** The team reviews the implementation and improve the product method of production for productive value purpose.

### 3.2.2 Plans for Existing Businesses and Start-ups

Although the plan for an existing business and the plan for a start-up examine the same factors, the focus varies slightly. With the existing business, the plan states the current situation, where the company wants to be in three to five years, and what it will take to reach those goals. For a start-up, more emphasis is often placed on the first few years, with less emphasis placed on the future years. For example, an existing business plan may state:

*The current location of Kaura Enterprises Limited includes 5,000 square feet of selling space, a 2,000-square-foot warehouse, and an 800-square-foot office. In order to reach the projected sales figures, the company will need at least 8,000 square feet of selling space plus a 3,000-square-foot warehouse and 1,000 square feet of office space. The company will therefore move within the next year to a larger location within the same community.*

A new business, though, may state:

*Kaura Enterprises Limited has leased space in the new extension area of Dilimi Street, Jos. This location has 5,000 square feet of selling space in addition to a 2,000-squarefoot warehouse and an 800-square-foot office. The company has signed a three-year lease for this location.*

### 3.2.3 Components of Business Plan

In this section, the business plan format is outlined and helpful checklists are provided. Common

mistakes are also listed for some topics. This information is designed to prevent an entrepreneur from making some of the costly errors that entrepreneurs often make. If this format or steps is religiously followed, the entrepreneur would come out with a comprehensive planning document that can also be used to obtain financing. A good business plan usually includes the following major topic headings (Lambing and Kuehl, 2007):

- Executive Summary
- Mission Statement
- Business Environment
- Marketing Plan
- Management Team
- Financial Data
- Legal Considerations
- Insurance Requirements
- Suppliers
- Risks

In this segment, only the first four (i.e. executive summary, mission statement, business environment and marketing plan) would be discussed. The others would form the discussion in subsequent units.

### **3.2.4 Executive Summary**

In this section, we shall be discussing these three sub-topics separately. Because the business plan is usually a lengthy document, an executive summary is necessary. The executive summary, which is approximately two pages long, provides the reader with an overview of all of the most important facts contained in the plan. Although the executive summary is placed in the front of the business plan, it is actually easier to write it after an entrepreneur must have written the entire business plan. Then portions of each section can be used to write a paragraph or two about each of the major topics.

### **3.2.5 Mission Statement**

The mission statement is a concise, well-defined explanation of the purpose of the business and the management's philosophy. Many experts suggest that the mission statement should be

words or less because that restriction on length forces the entrepreneur to be focused (Goldhirsh, 1994). Although mission statements vary, common elements include a description of the products or services offered and the management philosophy of the company's owner. Nonprofit organizations also have mission statements to guide the activities of the members. The mission statement provides direction for the company and prevents the company owners from diversifying into areas that do not serve the original purpose of company. For this reason, the mission statement should be written as the first step in developing the business plan.

### **3.2.6 Business Environment**

Successful entrepreneurs constantly analyze the business environment and its impact on the company. This analysis is an important first step in determining whether a business can survive and grow. The business environment is composed of three factors – national trends, industry trends and local trends.

#### **(1) What national trends will affect your business?**

National trends often have a dramatic impact on the consumer's buying habits. Although small changes occur all the time, major shifts in the market will affect the survival of the company. Each business will be affected by different trends, so the entrepreneur must decide which trends will have the greatest impact on the business. Changes that may affect a company's survival would include the following:

*Demographic shifts.* Changes in the demographic composition of the country have a huge impact on many businesses. These changes create increased demand for some products and services while at the same time greatly reducing the demand for others. Two of the major trends that will affect companies in the future are the aging population and the increasing minority population.

*An increase in the number of women working outside the home and an increase in the number of stay-at-home fathers.* This will definitely affect the daycare facilities for the children whose mothers have joined the group of working class people.

*Legislative trends.* The federal government, as well as state and local governments, passes laws that have a major impact on businesses. For instance, the recent removal of fuel subsidy by the federal government on January 1, 2012 has had multiple side

effects leading to a nationwide strike action which began on Monday, January 9, 2012. This type of decision taken by the federal government affected every sector of the economy at that time.

Demographic changes, lifestyle changes, and legislative trends are just a few of the many trends that may affect a company. Each entrepreneur must decide which trends will affect his or her business most.

## **(2) What industry trends will affect your business?**

It is also important to research the trends in the industry you are entering. It is common to see industries with large increases or decreases in sales, major shifts in how the businesses operate, or upheavals caused by technological changes. The following are examples of other industry trends:

An entrepreneur thinking of starting a waste-hauling business should consider the number of landfills that are closing and the higher costs for insurance and dumping fees. These trends could have a negative impact on the company's profitability. The decision of the government to close certain borders around the country would have negative effect on the business of auto car sellers in Nigeria.

An optometrist who is thinking about opening a private practice should consider the trend for franchised outlets that promise glasses in an hour. For most other businesses, however, this trend would not be important.

For a mechanic who is planning to open an auto repair shop, the trend toward computerized cars and the need for high-technology diagnostic equipment affect the amount of money needed up front. Not only will start-up costs be higher than in the past, but additional equipment will be necessary once the business is in operation. One of the best sources of industry information is national trade associations. These organizations often compile data regarding trends and risks of industries.

## **(3) What local trends will affect your business?**

It is also important to consider trends in the community in which the business will locate. Local trends often have more of an impact on a business than national trends. Factors that may be considered include the following:

The economy of the community.

The attitude of the community toward the type of business proposed.

The increase or decrease of the community's population, etc.

#### **(4) Industry Information**

Is this industry dominated by large or small firms?  
What is the failure rate in this industry?  
Is this a new industry or one that is well established?  
What is the typical profitability in this industry?  
What are the trends in this industry?

#### **(5) Community Information**

Is the population in the community increasing or decreasing?  
What is the attitude of the community toward your business?  
Is it positive, negative, or neutral?  
Will the community help provide any financing for your business or help in getting it started?  
Is the local economy strong or in a recession?  
Sources of local information may include the local chamber of commerce, the local economic development office, city hall, and other government agencies.

### **3.3 Marketing Plan**

The business plan covering marketing activities show detailed description of how a company will compete in the marketplace, its products and services and competitor analysis as well as a developed competitive advantage for the enterprise.

#### **3.3.1 Components of Marketing Plan**

The mission already developed briefly describes the products or services the company will offer.

The marketing section of the business plan provides a detailed description of how the company will compete in the marketplace as it sells those products and services. The marketing section includes the following:

- A more detailed description of the products produced or services rendered
- An analysis of the competition
- An examination of the pricing structure
- An explanation of the company's credit policy

An explanation of the competitive advantage  
A profile of the target market  
A site analysis  
A promotional plan

### **3.3.2 Description of Product or Service**

A detailed description of the company's products and services is important for two reasons. First, it helps you thoroughly develop the concept, requiring you to move from the idea stage to something more tangible. Second, it helps the reader of your business plan better understand your business. If you plan to sell a product the description should include the size, weight, shape, packaging, and quality. If you plan to sell a service, describe all of the services you will offer and explain the typical procedures you will follow.

### **3.3.3 Identification of your Competitors**

Almost every small business faces competition from both large and small companies. It is important to know the competition thoroughly in order to develop your competitive strategy.

An analysis of the competition can be completed by determining their strengths and weaknesses and examining specific aspects of their operation. Do they have a large product line? Do they have poor service? Are they strong or weak financially? Do they have a stable workforce or is there a high turnover? It is important to consider both direct and indirect competition, since many entrepreneurs underestimate their competition.

### **3.3.4 Pricing**

Under this section, the following questions will assist you to provide information for the plan.

#### **(1) What is your Pricing Objective?**

It is important to determine what you want to accomplish with your pricing structure. The goals to be achieved with your pricing structure are known as your *pricing objectives*.

Typical pricing objectives may be as follows:  
To achieve a specific Naira amount of profit

To achieve a profit level as a percentage of sales (profit should be 5 percent of sales)  
To capture a specific share of the market (5 percent of total market potential)  
To reach a certain sales volume  
Pricing objectives should be specific and quantifiable so that at the end of the year, you can determine if the goals were met.

## (2) What are your Pricing Policies?

Once pricing objectives have been established, you should then determine your *pricing policies*. Pricing policies are general pricing guidelines that you will follow to achieve your goals. Typical pricing policies may include the following:

Will you run sales to take advantage of the different seasons or to eliminate seasonal merchandise?

Will you try to match competitors' prices?

Will you use coupons to attract customers?

Will you give employees discounts on merchandise they purchase?

## (3) How will you determine your Prices?

Entrepreneurs often use a simplified approach to pricing without realizing that pricing is an important part of the marketing strategy. Many factors must be considered before prices are established. Some of the considerations are as follows:

**Costs.** The pricing structure must cover all costs and provide an acceptable profit margin. If you are selling a product, you must consider your costs to purchase the product from your suppliers. If you provide a service, you must determine the labour costs. The costs to purchase the product and the costs of wages to perform a service are known as *direct costs*.

All other costs incurred in running the business such as rent, utilities other wages, and supplies must be considered. These are your *indirect costs*. The pricing structure must be designed to cover direct and indirect costs and provide a profit.

**Competitors' prices.** The competitors' prices cannot be ignored, since customers will consider prices when making their purchase decision. In the previous section of the marketing plan, we provided a method to analyze the competitors. When setting prices, this analysis must be considered. If your competitor has poor service, a smaller product

selection, and so on, you will be justified in charging a higher price than that competitor. Conversely, if the competitor has many advantages compared to your business, you may have to offer a lower price in order to compete effectively.

**Effect on demand.** The demand for a product is often affected by the price. If customers demand less as the price increases and demand more as the price decreases, this is known as an *elastic demand*. For some products and services, however, the demand does not change much if prices change. This is known as *inelastic demand*. Clothing has an elastic demand, whereas the demand for salt is somewhat inelastic.

Most of us would buy more clothes if prices decreased, but we would not buy more salt just because the price was lowered. Small businesses must find a way to differentiate their products so that customers are willing to pay a high price. If you talk about quality, you can usually drive profit up.

**Image.** For many products, a higher price actually results in higher sales, since customers often equate quality and price. If you want customers to perceive your product or service as a high-quality item, a higher price is best. One self-employed photographer found that demand for his services increased after he raised his prices. When his prices were too low, customers assumed that the quality of his work was equally poor.

**Channels of distribution.** If you sell through intermediaries – wholesalers, manufacturers' representatives, and so forth – they will affect your pricing in two ways. First, your product has to be priced so that their margins will motivate them to sell your product. Second, the effect of the intermediary's markups on the final selling price must be considered. Often this analysis helps determine which channels of distribution will be viable and which will not.

**Compatibility.** Pricing should work in conjunction with everything else you are trying to achieve as a company. It must be compatible with the marketing objectives, sales goals, image, production goals, and so forth. This decision should not be made in a vacuum.

### 3.3.5 Industry Markups

It is common in many industries to calculate an average markup or gross margin; although the method for calculating these varies from one industry to another. There are many sources for obtaining industry markups.

**Wholesale** Price competition by wholesalers is often intense, and therefore pricing must be considered carefully. Wholesalers use a system of markups similar to that of retailers, except that the wholesaler buys in large quantities and the prices of each shipment may vary widely. Some wholesalers average the cost of items, while others use a last-in/first-out or first-in/first-out method.

### **3.3.6 Credit Terms to Customers**

In many industries, it is common to extend credit to customers, allowing them a specified time to pay for the goods and services they have received. The main purpose in extending credit is to increase sales. Therefore, it is often an important part of a company's marketing strategy. There are two general categories of credit – consumer credit and trade credit. Consumer credit is extended from retail stores to the final consumer. Trade credit is extended from one business to another. Typical terms of trade credit is Net 30, 2/10 net 30, 2/10 net 30 EOM etc. The consumer credit types are: installment accounts, open charge accounts and revolving charge accounts. Even companies that do not offer typical credit must make decisions regarding how customer payments will be made.

### **3.3.7 Competitive Advantage**

Every business must have a competitive advantage, something that differentiates it from similar

businesses. The competitive advantage must be carefully developed because it is the reason why customers will buy from you instead of buying from your competitors. Typical competitive advantage may include the following:

**Quality** – if you can provide a better product or service than that which is currently offered, customers will often buy it even if it costs more. Many small businesses have become successful by following this strategy.

**Price** – if you can offer a product or service at a lower price, your business will appeal to bargain hunters who want to keep their costs low.

**Location** – many small businesses are successful because they are more conveniently located than their competitors.

**Selection** – a wide selection is often successful in attracting customers. A wide product selection may allow you to serve several groups of customers.

**Service** – small businesses can often provide more personalized service than large businesses. Particularly when a business is small, the owner can work directly with the customers and ensure customer satisfaction.

**Speed/turnaround time** – the pace of life continually increases and yesterday's standards are soon outdated.

You should also consider combining several competitive advantages. Many entrepreneurs build their businesses on only one competitive advantage and are successful. However, if you can combine them (for example, excellent quality and large selection), you will have an even better chance of beating your competitors.

### 3.3.8 Market Segmentation

No business can serve everyone, and small businesses with limited resources usually concentrate on a specific customer base. You can identify your target markets by separating the customers into groups with similar needs. This is known as market segmentation or niche marketing. Your target market(s) can be segmented in several ways: some of the more common ways are listed below:

**Geographic.** Often customers can be described in terms of their residence or place of work.

**Demographic.** Often customers are described by demographic characteristics such as age, income or gender.

**Benefit.** Entrepreneurs will often find that different groups of customers buy their product or service for different reasons. Grouping customers according to their reasons for purchasing the product or service is known as benefit segmentation.

**Usage rate.** In many industries, a small group of customers buys the largest amount of a product or service. Grouping customers by how often they use a product or service is known as usage-rate segmentation.

**Psychographic.** Psychographic segmentation is a method of grouping customers based on values and/or lifestyle.

Entrepreneurs should carefully define their target market because this will ensure that marketing

efforts are targeted to potential customers and will not be wasted. It also helps the business owner focus all of his or her efforts in the proper direction.

### ***Common Marketing Mistakes***

1. Failing to develop a sustainable competitive advantage.
2. Focusing on the product or service instead of the benefit.
3. Failing to clearly define the target market.
4. Underestimating the competition.
5. Planning based on excessive optimism.
6. Establishing prices without knowing the effect on demand.

### **3.3.9 Location**

One of the first steps in choosing a site is to describe the ideal location by developing two lists – required criteria and desirable criteria. Required criteria are those that must exist if the location does not have all of the required criteria, it should not be considered as an option. The desirable criteria, however, are those that you would like to have but are not essential for the success of the business.

Each industry has unique location factors. Factors that are important for a retail site are often irrelevant to a manufacturing firm. Each piece of property is zoned in one of four ways:

- Residential (homes, apartments)
- Commercial (office space, retail, and so on)
- Industrial (manufacturing)
- Agricultural (farming).

Within each category, there are additional classifications. Many entrepreneurs choose to operate their businesses from home. If the business will be home-based, this should be explained in the location section of the business plan. Information should also be given concerning insurance coverage that will be needed, planned renovations, or upgrading of utilities.

Retail businesses and service businesses that have customers come to them, such as auto repair

and dry cleaners, should consider the same factors when comparing sites for a business. For these businesses, an excellent location is essential for success. However, service businesses that go to their customers do not always need to be concerned about their location.

Trading area is a geographically defined area in which your target market is located. This will be affected by a number of factors, including type of business, the number of competitors, and the type of facility.

Once the trading area has been established, the demographics of the population within the trading area should be determined.

The automobile traffic count (the number of cars passing the site each day) is available from the city or local government office. Traffic counts of several sites should be compared, however, as this is not sufficient to determine whether it is a positive or negative factor.

The speed of the traffic may be positive or negative factor. In general, within an urban area, a slower traffic speed is better because it gives the motorists more of a chance to slow down and stop if they wish to make purchases.

### ***Is your business a manufacturing firm?***

A site analysis for a manufacturing firm is just as important as for a retail firm, but the criteria are very different. The factors discussed in this section are often considered when completing a site analysis for a manufacturing firm.

What is the labour climate?

Does the company need to be near raw materials or customers?

Have you investigated utility access and rates?

Is transportation adequate?

What are the tax rates?

What are the environmental regulations?

Have you considered the quality of life.

### ***Is your Business a Wholesaling Operation?***

Wholesalers serve retail outlets and are therefore affected by economic factors that would

decrease retail activity. Within a community, however, there may be several possible locations since the business does not rely on its customers coming to the site. Some of the factors that should be considered are as follows:

- Is the community financially stable?
- Are the retail stores financially strong?
- Do other wholesalers serve your industry?
- Should the business be in the city or in an outlying area?

Business incubators are facilities that provide start-up firms with affordable rent and services.

Incubators are large facilities subdivided into smaller spaces, each occupied by a different business. The rent is often below market rates, and services may include financing assistance, shared use of equipment such as copiers and fax machines, shared use of a conference room and loading-dock facilities and even management consulting services.

Common location mistakes include the following:

Choosing a location because it is close to home.

Choosing a location because it is the cheapest.

Choosing a location because it is the only one available.

Students are requested to draw a checklist for credit terms to customers using the earlier examples.

### **3.3.10 Promotion and Sales**

One of the biggest mistakes an entrepreneur can make is to underestimate the amount of promotion that is necessary for success. A business with the best products and services will still fail if the customers are not informed and persuaded. For this reason, a promotional plan is crucial to the success of the business.

Promotion may take many forms, including the following:

Direct marketing which includes direct mail; mail-order catalogues; direct selling; telemarketing;

direct-response advertisements through mail, broadcast and print media, and the Internet.

Sales promotion consists of marketing activities that provide extra value or incentives to the sales force, distributors, or the ultimate consumer. Sales promotions are developed to increase sales.

Publicity is company information released as news on radio, on television, or in newspapers.

Publicity is designed to create an awareness of the company and its products. Public relations consist of community activities of a company designed to create a favourable impression with the public.

Advertising consists of non-personal messages directed at a large number of people.

Advertising

is carried out through media such radio, television and newspapers.

The combination of direct marketing, advertising, sales promotion, publicity and public relations

is called the promotional mix.

The entrepreneur must decide what type of promotion will work best for the business.

The first

step in this process is to develop promotional goals. Some of the most common promotional

goals would be to increase sales (or, for a new business, it may be to reach a specific level of

sales the first year), to generate customer awareness, to differentiate the product or service by

showing how it is better than the competition, and to eliminate seasonal merchandise. In order to

be effective, these goals should be specific and measurable.

It is also important to determine the advertising budget. Many entrepreneurs use a method known

as “all you can afford”, in which they pay all of their other bills and then advertise if there is

money left over. This will not produce good results since advertising will be sporadic and will

not necessarily be enough to achieve the advertising goals. The best approach is to determine the

goals and then estimate how much advertising will be needed to reach those goals. This is known

as the objective and task method.

## **Sales Promotion**

The best salesperson for a business is often the entrepreneur who knows the product or service better and is more committed to the company. However, in many cases, additional sales people are needed for the company to grow. In fact, the entrepreneur should think of every employee who interacts with customers as a sales person, since that employee's actions will affect customer's opinion of the company. Employees who are hired specifically for the sales function, however, must be trained in sales techniques and product knowledge. Inside sales people help customers who come to the business or who call the business. Outside sales people make personal calls to the customers businesses or homes. If a sales force exists, the entrepreneur will have several functions as a sales manager, including recruiting, training, allocating customer accounts among the sales force, supervising, compensating, and evaluating their efforts. The entrepreneur must decide whether to hire experienced sales people or hire inexperienced employees and train them. The type of person hired should depend on the product or service to be sold and the length of the sales cycle. A technical product or service may require a sales person who can serve as a consultant as well as a sales person. In addition, some products with a short sales cycle are sold and delivered almost immediately. Other products with a short sales cycle are sold after many sales calls. A sales person who likes immediate feedback should be hired for the short sales cycle product or service, since that type of person would become frustrated with a long cycle.

The entrepreneur must also decide how to allocate customer accounts among the sales force.

Some of the more common ways of allocating accounts are as follows:

Geographically by assigning each sales person a territory that has equal sales potential.  
By industry dividing accounts into groups such as retailers, wholesalers and manufacturers.

By company size, assigning smaller customer accounts to one sales person and larger accounts to another.

The allocation method used should be one that results in an efficient use of the sales person's time while also providing an equitable distribution of accounts.

### **3.3.11 Advertising**

Advertising is usually an essential part of the promotional plan for a new business.

Informative

advertising which explains the company's products and services is helpful building the initial

customer base. Persuasive advertising often compares the new company to the competition and is

used to convince the customer that the new company is superior to the competition. Once the

company is well established, reminder or maintenance advertising is used to sustain an awareness of the company.

Print media include newspapers, magazines, directories, direct mail, and flyers, whereas broadcast media include radio and television. Outdoor advertising is also a popular medium for

many companies. Billboards may be purchased in two forms – poster panels, which are preprinted panels that are affixed to billboards and painted bulletins which are billboards on

which advertising is directly painted. Painted bulletins are generally more expensive than poster

panels but may generate a greater response. Outdoor advertising also includes transit advertising

on buses, cabs, and subways. Other types of advertising, such as local and national trade shows,

are the main promotional method in many industries, and companies can reach many potential

buyers by having a booth at a show.

In choosing media, entrepreneurs should choose those that will reach a large number of people in

the target market for a reasonable cost without wasting advertising fund on people who are not

potential customers.

The number of people who will see or hear the advertisement is referred to as the reach of the

medium. Television, radio, newspapers, national magazines, and outdoor advertising all have

excellent reach. The reach of each medium can be determined as follows: television, radio,

newspapers and magazines, outdoor advertising and trade shows, direct mail and flyers, directories.

The number of times a customer sees or hears an advertisement is referred to as the frequency.

The frequency for various media varies. For newspapers, radio and television more than one

advertisement, magazine the same as the newspapers, the frequency of direct mail and flyers can

also be controlled by the entrepreneur, an advertisement in a directory may be seen several times

by a customer or not at all, depending on the number of times the customer refers to that section

of the directory, trade shows frequency is very limited as most customers who attend the show

would see the booth only once or twice. Outdoor advertising, billboards and transit advertising

have an excellent frequency because people will see the advertisement many times while travelling around the city.

Delivery refers to where the customer is when the advertising message is heard. This is important

because the customer may be distracted and advertising will be ineffective.

Every entrepreneur should develop an advertising plan for each year in advance. This results in

more consistent advertising and should result in more effective advertising.

### **3.3.12 Publicity and Public Relations**

Public relations and publicity can be used to promote a business even if a company has a very

limited advertising budget. Public relations consist of company activities designed to create a

favourable impression with the public. Public relations include activities such as sponsoring

youth sports teams, joining the local chamber of commerce, and donating time (or money) to

charitable organizations. Publicity refers to activities that are designed to increase the awareness

of a company and present company information as news. Publicity often includes feature stories

in local newspapers, interviews on local radios, and spot features on local or cable television

stations. Many entrepreneurs have built a successful business by creatively using publicity and public relations as their primary promotional strategy.

#### **4.0 CONCLUSION**

We note from the discussion so far that a business plan is useful as a planning document, and often facilitates proposal for obtaining financing. Banks, venture capitalists and investors usually require a business plan in order to help them make their investment decisions. To that extent, a well-written business plan provides evidence of the entrepreneur's ability to plan and manage the enterprise.

A business plan includes the following major topic headings:

Executive Summary

Mission Statement

Business Environment

Marketing Plan

Management Team

Financial Data

Legal Considerations

Insurance Requirements

Suppliers

Risks

#### **5.0 SUMMARY**

In this unit, we defined a business plan and explained the difference between the plans for an existing business and a start-up, listed and explained elements in the body of a business plan, described the content executive summary, mission statement and business environment, defined marketing plan, enumerated and described the various components of a marketing plan.

#### **6.0 TUTOR MARKED ASSIGNMENT**

- Suppose an entrepreneur tells you that he has been successful and has never written a business plan. He asks you why he should write one. How would you respond?
- When entrepreneurs seek financing, financial institutions often require a business plan before making a decision. Why is this, a requirement?

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## **MODULE 3**

### **UNIT 5 BUSINESS GROWTH AND THE ENTREPRENEUR**

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- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 Business Growth and Management Skills
  - 3.2 Personnel Management
  - 3.3 Financial Management
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  - 3.5 Matching the Company and the Entrepreneur
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- 4.0 Conclusions
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
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## **CONTENTS**

### **1.0 INTRODUCTION**

In this unit, we shall be looking at an interesting topic titled ‘business growth and the entrepreneur’. We shall discuss the contribution of management skills to the attainment of business growth and business success. We shall also throw light on the importance of functional areas of business such as, personnel management, financial management and marketing management functions in an enterprise. We shall conclude this unit by analyzing the challenges facing a new business.

### **2.0 OBJECTIVES**

After studying this unit, you should be able to do the following:

- Discuss business growth and management skills;
- Describe how to match the company and the entrepreneur;
- Highlight and explain the challenges of a new business;
- Discuss the changing role of the entrepreneur;
- Enumerate the options for growth; and
- Discuss growth of a business in relation to the business plan.

### **3.0 MAIN CONTENT**

Morrison, Breen and Ali (2003) observed that rapidly growing companies have been the subject of studies for many years. Researchers have tried to identify the factors that cause some businesses to grow rapidly while others remain small or grow slowly. Most researchers agree that growth is not automatic and is not the result of chance or luck. Growth is the result of “positively motivated business intentions and actions on the part of the owner-manager”. They posited that entrepreneur’s characteristics, educational level, knowledge of business, and continued learning all affect the growth potential of the business. A company’s growth, according to them, is also affected by internal company factors, the resources available, and external factors. Therefore, if poor market conditions

exist or if government regulation limits growth, the entrepreneur's efforts may not be very successful.

### **3.1 Business Growth and Management Skills**

Eggers and Leahy (1995) stated that, although it is commonly believed that company growth follows a simple linear progression with sales and company size consistently expanding, often it is not that smooth. According to them, some firms grow and then decline while some skip growth stages that others experience. They felt that though it was not always smooth, business growth stages can nevertheless be categories. One study by them identified six stages of business development, namely: conception, survival, stabilization, growth orientation, rapid growth, and maturity. Eggers and Leahy also found that within each stage, the entrepreneur's leadership style and necessary skills were forced to change. This is because the problems faced during the start-up phase are not always the same ones the entrepreneur must tackle when the business has grown. Some of the biggest problem areas include; personnel management, financial management and marketing management (Lambing and Kuehi, 2007).

Back home in Nigeria, this findings became manifest when the writer was invited to team up with an indigenous growing medium size press as the Executive Assistant to the Chairman. On studying the set up, the writer discovered that the whole activities in the press revolved around the Chairman and Chief Executive of the Organization. As such, whenever the Chairman is not around, operations get stalled. The writer also discovered that though the entrepreneur owner of the firm started very many years back as a small printing outfit but with progressive and persistent drive the firm had experienced phenomenal growth employing over 200 employees. You will certainly agree with me that the business has outgrown the strength, ability, capability and character of the prime mover, that is the Chairman. Along the line the Chairman made some administrative decisions which impacted negatively on the day to day running of the firm and he was finding it difficult to cope with the situation. By the time, the writer studied the operational set up, he discovered that all that was needed was to divest some of the powers and activities of the chairman. The writer also recommended that t chairman would need to reverse those administrative decisions that led to the quagmire. Recommendations were made and a lot of positive changes had taken place in the firm. Thanks to the listening ears of the entrepreneur and the readiness in him to accept and work with the recommendations. The discussion in this section will centre on personnel management, financial management and marketing management.

### **3.2 Personnel Management**

The management problems of small businesses change greatly as the company grows. One study found that in the early years of the business, the entrepreneur's management problems focused on the entrepreneur's time management, goal setting, and performance

measurement. As the business grew, time management continued to be an issue but finding, retaining, and motivating qualified employees became a major concern. Control in a small business is usually informal (Fuller-Love and Scapens, 1997). When there are only a few employees, job descriptions and rules and regulations are often not written down because the entrepreneur is closely involved in every aspect of the company and he or she can easily oversee everything. However, if the company grows, the entrepreneur must move from direct supervision of a few employees to indirect management when the number of employees increases. Although this may appear to be a simple process, it is often a difficult transition for the entrepreneur and the employees. Small businesses require employees to wear many different hats, but as the business grows this often changes. As additional personnel are added, loss or anxiety may occur among the original group of employees because someone else is now taking care of “their” issues. In some cases, employees may not be able to adjust to the growth and changes experienced by restructuring job functions. They not only lose control of tasks, they lose a sense of importance (Atherton, 2000).

Many entrepreneurs tend to *micromanage* their businesses, trying to remain involved in every aspect of the company’s operations even as it grows, but this can inhibit growth because it does not allow employees room for advancement and may result in high turnover. Micromanaging means involvement in all aspects of the company even as it grows. Sometimes, micromanagement occurs because the entrepreneur, believing that the company cannot afford top-quality personnel, hires people at a lower level and constantly manages them. Hiring someone with aptitude costs a bit more but can make your company to earn more money in the end (Formichelli, 1997). Small companies must also realize the need for training their employees. Often it is informal, on-the-job learn-as-you-work training. However, as the company grows, the entrepreneur must anticipate what skills the employees will need to do their jobs and plan for training needs. If training is not provided, the jobs will outgrow the skills of the employees and it becomes something near to operational disaster and frustrating experience to the employees (Obi, 2015).

### **3.3 Financial Management**

Cash flow problems are likely in rapidly growing businesses. To generate more sales, the company has to produce more inventories, spend more on labour, and possibly increase overhead expenses. When a company incurs short-term costs that it cannot meet while in the pursuit of growth, this is known as *overtrading*. The lack of working capital can cause profit margins to drop. The entrepreneur must therefore carefully watch the cash flow, or growth will not be sustained.

Because of the need for cash to fuel the growth, raising capital becomes an issue in the growth phase. Often this cash is needed in the form of equity since the company cannot

borrow the large amount of cash that is necessary. Surrendering equity in a company becomes a personal issue for the entrepreneur. It turns the “hands-on” owner/entrepreneur into someone who is no longer the sole decision maker and full financial risk holder. The entrepreneur now answers to a group of investors and potentially a board of directors (Outram, 1997).

Managing accounts receivable is also an issue. When companies are small, the entrepreneur often focuses on sales, without good controls on collecting payments in a timely manner. As the company generates more business, entrepreneurs often find that the sales volume is great but accounts receivable collection is not. At that point, it becomes obvious that it may be better to forgo a sale than to make one that will not result in payment.

### **3.4 Marketing and Marketing Management**

Marketing is also an ongoing concern for entrepreneurs, but as with management and finance, the specific issues may change. One study found that cost-effective advertising was a problem for start-ups and for mature businesses, but the mature businesses were also concerned about competition from big businesses and needed to find new opportunities (Lambing and Kuehi, 2007).

Entrepreneurs often start businesses in growing industries and the industry growth helps to propel the growth of the individual businesses. But as more businesses enter the industry, competition becomes intense. Demand for the product may also slow, and the company’s sales may reach a plateau. Efforts must then be made to find new products and new markets or the business will stagnate.

### **3.5 Matching the Company and the Entrepreneur**

The entrepreneur needs different skills in different phases of the company’s life cycle, and there are several options for addressing these needs. The entrepreneur can develop all of the skills that are necessary (personnel management, financial management, and so on), train existing employees, or bring in professionally qualified managers (Fuller-Love and Scapens, 1997). But many entrepreneurs find that their personalities can never allow them to feel comfortable delegating much responsibility. Merrill and Sedgwick (1994) therefore recommend tailoring the size of the company to the entrepreneur’s personality. Some of their recommendations are described below:

- (i) Craftsperson;
- (ii) Coordinator;
- (iii) Classic entrepreneurial management;
- (iv) Employee teams

### **(i) Craftsperson**

If the entrepreneur does not trust people easily or prefers not to delegate, then a one-person business should be considered. Although this will limit the size of the business, it may be the best choice.

### **(ii) Coordinator**

Outsourcing, or subcontracting, many functions may also allow the entrepreneur to have a large business without many employees. Yaliam Press Limited in Abuja practices this policy very much, especially when there are lots of job orders on hand with short timeline. They therefore outsource work to the best candidates available whenever projects with short timeframe are received. This has proved helpful because it allow the business to cope with the increased patronage from their clients.

### **(iii) Classic entrepreneurial management;**

Another technique often used by entrepreneurs is to hire employees but monitor and supervise everything closely. This style, known as the classic style, works only if the entrepreneur admits that he or she controls everything and makes that clear to the employees.

### **(iv) Employee teams**

If the entrepreneur feels comfortable with delegating substantial responsibility to other people, the company may grow by hiring an employee team, by bringing in a few other partners, or by bringing in partners for a big-team venture.

The key to success is to match the style of management with the entrepreneur's personality. If the preferred style is craftsperson, coordinator, or classic, the company should not be too complex. If the business is simple enough, the company can grow with these styles. If the business becomes too complex, it will grow successfully only if the entrepreneur is comfortable with giving up some control (Merrill and Sedgwick, 1994).

## **3.6 Challenge of a New Business**

One of the most exciting times for an entrepreneur is the start-up or early ownership phase. Building a company from the idea stage takes creativity and vision and is a great challenge. Even for the entrepreneur who buys an existing business with plans to improve it, the early ownership phase requires innovation and presents the entrepreneur with exciting goals to be accomplished. For these reasons, the early years of ownership are usually very rewarding. However, once the start-up phase is over and the company is past the survival stage, the level of challenge may seem to decrease. Despite the constant problems to be solved, this is often not as enjoyable as developing for the company.

### **3.6.1 The Loss of the Family Atmosphere**

If the company is small, in the first few years, the family atmosphere is an enjoyable experience for both the entrepreneur and employees. The entrepreneur knows the employees, works directly with each of them, and closely manages the daily company operations. His or her direct involvement is usually crucial for the survival of the business. As the company grows, however, the atmosphere of the company changes. The entrepreneur no longer works directly with all of the employees, and it may be more difficult to maintain the “family atmosphere”. This is often a source of discontent for both the company founder and the original group of employees.

### **3.6.2 The Changing Role of the Entrepreneur**

As stated earlier, the skills the entrepreneur needs will change as the business grows. He or she should no longer be involved in daily tasks but instead should concentrate on management and motivation. Despite the need for strong leadership and management skills, however, the entrepreneur often feels trapped in a less important role. Once other managers and salespeople are hired, the entrepreneur’s job is less well defined.

A common complaint at this point is, “I don’t know what my job is any more. I used to be the head salesperson and chairman of my company, but now I have gotten a sales manager who does that. What is actually my job now?” (Barrier, 1995).

Another problem that often occurs is that a business grows much larger and faster than the entrepreneur expected which conflicts with personal goals. For example, Carolyn Blakeslee founded Art Calendar Company, a publication that lists grants, art shows, and other articles of interest to artists. She began the company believing that it would be a part-time venture that she could operate from her home while raising her new baby. For the first few years, the company experienced a growth rate of more than 100 percent per year, and the business consumed much more of her time than expected. She felt torn between a desire to grow the company and a desire to spend more time with her child. She admits that she “has a perfectionist streak” and “can see what the magazine ultimately could be”. On the other hand, balancing both a full-time, demanding job and a child was not what she wanted when she started the business. In such a situation, crucial decisions regarding personal and company goals need to be made (Brokaw, 1991).

## **3.7 Options for Growth**

If the entrepreneur becomes unhappy with growth or finds that outside management skills are needed, he or she has several options, some of which are discussed below.

### **3.7.1 Keep the Company Small**

When faced with a growing company, the entrepreneur often makes a conscious decision to limit company growth or even reduce the company size. Although the potential exists to own a large business, the entrepreneur forgoes the financial rewards in favour of a smaller, simpler one. By limiting the customer base, the number of hours of operation, the number of outlets, and so on, the business remains at a given level for the entrepreneur's entire career.

### **3.7.2 Rediscover the Entrepreneurial Spirit**

Some entrepreneurs adjust to the growing business and use their skills to build a company that is strong enough to let the founder be entrepreneurial again. This may be accomplished with the same company. Entrepreneurs may develop a company to a mature phase and then hire a good team of managers to run the business on a daily basis. The entrepreneur can then use his or her skills to decide where the company is going next and what opportunities should be pursued. One entrepreneur says she believes that entrepreneurs should know their own strengths and build on them (Barrier, 1995). Mary Kay Ash, founder of Mary Kay Cosmetics (Lambing and Kuehi, 2007), gave similar advice to entrepreneurs. Her advice was to "stay in the area that you do best" and find qualified people to handle the other tasks".

The entrepreneurial spirit can also be rediscovered by keeping the larger business and starting a second one. This allows the founder to experience the challenge of a start-up while maintaining the larger, more profitable business. In one small study of entrepreneurs who had been self-employed for more than six years, 44 percent indicated that they owned more than one company (Ronstadt, 1984).

### **3.7.3 Cash-in Option**

Other entrepreneurs at the same stage may have different reactions. Cash-in is always an option (that is, selling the business or part of it for cash) but even then there are several alternatives available in cash-in business practice.

Some entrepreneurs realize that they do not want sole responsibility for the company's management but they still want to be involved. For many, the solution is to sell a portion of the company to a key employee. One entrepreneur who started an auto repair firm sold a portion of the company to an employee when the business became too large and time-consuming for one person to handle. This provided additional management expertise and also gave the entrepreneur more time for family and leisure activities. Others decide to sell the business to an outsider and take a break from self-employment. One owner of a rapidly growing automotive equipment company found the business overwhelming. He chose to sell to another entrepreneur and then accepted a job at an engineering firm. Still others sell one business and start another. One veterinarian's successful animal hospital became too demanding. His solution was to sell the practice to another veterinarian and start a muffler repair shop instead.

### **3.7.4 Growth and the Business Plan**

The growth of the company is shown in the business plan through the financial projections. The entrepreneur must project future sales, expenses, and profit, and this is closely tied to growth plans. The projected growth of the company must seem achievable to bankers and investors or they will think the entrepreneur is being overly optimistic. Many entrepreneurs have failed after expanding too rapidly, so the business must show consistent but manageable growth.

## **4.0 CONCLUSION**

As a business grows, the skills the entrepreneur needs will change. The move will be from direct to more indirect management as the number of employees increases. Both personnel management and financial management are critical factors for a growing business. Many entrepreneurs become dissatisfied when a company grows because the family atmosphere no longer exists, the challenge of the start-up is gone, and the entrepreneur's role becomes less well-defined. One recommendation is to match the size of the company with the personality of the entrepreneur. If the company becomes too large, he or she may choose to make the company smaller, start other ventures or cash in.

## **5.0 SUMMARY**

In this unit, we have, discussed business growth and management skills, described how to match the company and the entrepreneur, highlighted and explained the challenges of a new business, discussed the changing role of the entrepreneur, enumerated the options for growth, and discussed growth of a business in relation to the business plan.

In the next unit, we shall examine another interesting topic titled 'law and its relevance to

business operations'. It is particularly useful to entrepreneurs who are bound to encounter challenges during interaction with other people, businesses and government.

## 6.0 TUTOR MARKED ASSIGNMENT

- What is outsourcing? How does it lower start-up costs? How does it make management of the business simpler?
- Do you think it is possible for a small business to grow quickly and still retain the family atmosphere?
  - \* How does the entrepreneur's role change as a company grows?

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## MODULE 3

### **UNIT 6 LAW AND ITS RELEVANCE TO BUSINESS OPERATIONS**

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## **1.0 INTRODUCTION**

In the last unit, we discussed business growth and management skills, described how to match the company and the entrepreneur, highlighted and explained the challenges of a new business, discussed the changing role of the entrepreneur, enumerated the options for growth, and discussed growth of a business in relation to the business plan.

In this unit, we shall examine another interesting topic in business titled ‘law and its relevance to business operations’. It is particularly useful to entrepreneurs who are bound to encounter challenges during interaction with other people, other businesses and government.

## **2.0 OBJECTIVES**

After studying this unit, you should be able to do the following:

- Have a grasp of laws relating to business operations
- Appreciate the impact of law between one individual and another
- Discuss some of the rules governing sale of goods and contract
- Understand the legal relationship between a principal and an agent
- Describe the methods by which agency can be created and terminated.

### **3.0 MAIN CONTENT**

#### **3.1 Impact of Law**

The study of law and its impact on business operations is designed to indicate how law impacts our daily lives and the businesses people do. The law controls and regulates, enforces and punishes offenders. Some important aspects of the law as they affect individuals in the society and business operations are discussed below.

#### **3.2 Legal Issues in Business – Sale of Goods**

Sales of goods is one of the legal issues in business. This section therefore introduces you specifically to those agreements to sell, the importance of warranty to sales of goods and also discuss those breaches of contract in terms of sales and how they can be addressed. This section shows that the business of sales has its legal implication for you as a buyer and the seller. Once you agree to sell and buy you are under some legal obligations. In case of failure you can face legal implication.

##### **3.2.1 Sales and Agreement to Sell Goods**

Kurfi (2005 quoted in Ige, 2007) defined contract “as a condition where by the seller transfers or agrees to transfer the property to the buyer for money consideration, called price”. If you are into a business and you have an item to sell or willing to sell, it is either:

- (i) When you transfer the title of the goods to a buyer this contract is called sales.
- (ii) In a situation where an agreement is to pass on the possession of an item in a future date, with some conditions attached, it is called agreement to sale.

In a situation where the conditions are fulfilling, sales has taken place. If you sell and deliver well then, contract of sales has taken place and the first owner will cease to be the owner and the second party takes possession. Goods that can be sold under contract of sales include:

Motor vehicles  
Ships  
Aero planes etc.

### 3.2.2 Sales and Other Contracts Distinguished

Contract of sales is different from the following:

- (a) **Bailment** – This is an agreement between two parties that goods should be delivered to another party or that goods should be transfer from second party to the third party based on the instruction given by the first party.
- (b) **Hire Purchase** – It is an agreement between two parties for the second party to have an item under some conditions, until such conditions are fulfill, the item is still that of the first party.
- (c) **Exchange** – It is a transfer of goods from one party to another. There may not be exchange of money. It could lead to contract where price of money is partly involved.

### 3.2.3 Conditions and Warranty

These are terms commonly found in sales of goods: Conditions is a term use to indicate that the contract can be cancelled if such conditions are not met or fulfilled. Warranty, on the other hand, is a condition of sales signifying that if a defect or damage to the goods is occurs within a specified time, the seller has the responsibility to replace the goods with new products. Some conditions of warranty are:

- (i) **Stipulation as to the Time** – In a commercial contract, time of delivery is necessary especially where perishable items are involved. If the time stipulated is breached, it means that the contract has been breached, the injured party can ask for refund. In other words, if a damage or spoilage occurs to the item bought within the warranty period, the seller will replace such item sold.
- (ii) **Undertaking as to Title** – Once a contract of sales is entered into, it is agreed that: You have a right to sales, subject to any agency agreement or sale by the holder of power of attorney. There is implied warranty from the seller that the buyer will enjoy “a quite possession of the goods”. Warranty as to freedom of encumbrances that the goods bought shall be free from any disturbances by the third party that was not declared by the seller.
- (iii) **Sales by Description** – If you sold goods through description, the physical nature of the goods must agree with the description given upon delivery otherwise there will be a breach of contract.

**(iv) Sales by Samples** – It states that:

There is an implied condition that the bulk shall correspond with the sample in quality and quantity when delivered. That the buyer should have an opportunity to compare the bulk with the sample. There is an assumed condition that the goods shall be free from any defect rendering them unmarketable which will not be apparent in the sample.

### **3.2.4 Transfer of Property**

Once goods are sold they are to be transferred especially from one party to another. One of the reasons for doing this is to know the rights, duties or liabilities of the parties involved. Who is to pay for damages, destruction or loss of the goods? Because of this difficulty, the difference between the following is necessary.

**(1) Specific or Ascertain Goods** – Kurfi (2005 quoted in Ige, 2007) says specific goods are goods identified and agreed upon at the time of the sale. Under this condition goods are to be transferred to the buyer at the time the parties intend it to be transferred. In this contract intention of the parties must be known. Kurfi (2005) stated the form of the condition thus. Where there is an unconditional contract from the sale of specific goods in a deliverable stage the property in the goods passes to the buyer when the contract is made and it is immaterial whether the time of payment or of delivery or both is postponed. If a seller is bound to do something for the purpose of putting them into a deliverable state, the property does not pass until such thing is done and the buyer

has nothing thereof. If goods sold are to be weighed or measured for the purpose of ascertain price, it must be done before it is passed to the other party. If not, the buyer has nothing there-of. If all condition are fulfilled the goods must be passed on to the buyer. It is established that:

If the buyer signify approval  
If they do not singly approve

**(2) Unascertained Goods** – Kurfi (2005) stated that unascertained goods is “where there is a contract for the sales of unascertained goods, no property in the goods is transferred to the buyer unless and until the goods are ascertained.

### **3.2.5 Transfer of Title**

In business law, it is believed that “no one is legally capable of giving what he does not have. It means that you can’t sell what you do not have, where there is an agreement to sell, you should have the right to sell at the time when the property or goods is to pass. It is only the owner of goods that has the right to transfer the title of such goods to another person. Sometime it may not always be so. In such cases we have:

**(a) Sales by Agent** – You can sell goods to another person with the consent of the original owner, you are now the agent. If you sell without his consent, he (the owner) can recover his goods. “However, the owner is liable to compensate the purchaser for any improvement he had affected on the goods while they are on his possession”.

**(b) Estoppels** – Kurfi (2005) Say a person by his conduct or acquiescence allows others to believe in a state of things and they acted to his detriment. Such a person will be excluded or denied the state things. He went further to say it is a situation whereby the owner of the goods by his conduct is precluded from denying the sellers authority to sell, and it applies in cases of agency by estoppels based upon the general representations made by the principal i.e. the seller has his authority to sell.

**(c) Sale under Special Power** – Goods can be sold under some special common law or any statutory power e.g:

Liquidator of a company  
Unpaid seller of goods

**(d) Sales in Market** – Where goods are bought in a market place, you can buy from the market provided you buy in good faith.

**(e) Sale by a Factor** – Kurfi (2005) a factor is a type of mercantile agent entrusted with a sale of goods for sale only, and it is allowed by law to sell in his own name.

### **3.2.6 Performance of Contract of Spice**

This involves delivery of goods sold, either on behalf of the seller and their acceptances and payment of the price on behalf of the buyer.

**Delivery:** Kurfi (2005) says it is the voluntary transfer of possession from one person to another, this transfer may be actual or constructive”.

Constructive delivery may be any of the following form:

By affirmation i.e. the third party acknowledges to the buyer he holds the goods on his behalf. Transferring to the buyer. Possession passes to the buyer without actual delivery;

Transfer of document of title.

### **3.2.7 Place and Time of Delivery of Goods**

When an agreement is reach for delivery of goods, the time and place must be stated. If not stated, you deliver to his place of business, if he has more than one place of business,

where the transaction took place, which is where to deliver. In case where time is not stated, you will deliver at a reasonable time.

### **3.2.8 Delivery of Wrong Qualities**

It is expected that the seller will deliver the exact goods agreed upon in good quality. If the goods are

Of poor quality or insufficient quantity, the buyer has the right to accept or reject such goods.

### **3.2.9 Breach of Contract of Sale and Remedies**

Contract between a seller and a buyer may be breached. Disagreement may arise i.e. the form of refusal or rejection of goods and refusal to pay. In such situation the law will prevail.

#### **Breach by the Seller**

The seller can breach a contract and you can react to such a breach in one of the following ways:

- (a) Right to reject the goods
- (b) You have the right to bring an action for damages as well as for specific performance.
- (c) Bring an action to recover the money paid for the goods in the contract.

#### **Breach by the buyer**

The following remedies are available to him:

- (a) Failure to take delivery
- (b) Failure to accept goods
- (c) Failure to pay for the goods
- (d) The seller has the right to resell the goods

### **3.3 Legal Issues in Business Law - Contract**

This section will help you to find out what contracts are in business. If you are doing business, contract is a serious agreement between two parties. Different types of contracts exist. This unit teaches you what constitute a contract. The unit will also enlighten you on how to handle the issue of violated contracts.

#### **3.3.1 Definition of Contract**

Kurfi (2005) defines a contract as a promise or a set of promises. In the event of a breach of contract, the law gives a remedy. The law recognizes the performance of a contract as a duty.

Contract is classified into two:

- (1) Contract under seal
- (2) Simple contract

Contract under seal is a written form of contract that, is signed by both parties and a seal is put on it. .

Simple contract is an informal contract. This contract may be written, oral or mere conduct of the parties.

### 3.3.2 Classification of Contract

Kurfi(2005) Identified nine classes of contract, they are as follows:

- 1. Expressed contract** – A contract is expressed when the parties manifest their agreement by words. Contract that is written, oral or under seal is called expressed contract.
- 2. An Implied Contract** – It is implied by the act or conducts of the parties and it is sanctioned by the law.
- 3. Quasi-Contract** – Quasi means something looking or resembling something. A Quasi contract can best be described by an example of a doctor who treats an accident patient brought in by a passerby. The doctor will recover his cost of services from the patient. In this case, it is to discourage one party from unjustly benefiting from a contract that was not expressed.
- 4. Bilateral Contract** – A contract where two parties are making a mutual promise.
- 5. Unilateral Contract** – It's a situation where an offer is made and acceptance is subject to legal obligation. For instance if you find my lost GSM Handset I will give you five hundred Naira (N500). If found, you are bound to give the finder N500.
- 6. Joint Contract** – It's a contract where two or more people are involved and jointly bound to fulfill the obligation.
- 7. Joint and Several Contracts** – It is a contract where by two or more people are not only equally bound together in a contract also individually bound.
- 8. Entire Contract** - It is a contract where the contract in question must be hundred percent completed before, the contract sum is given in full.
- 9. Several Contracts** – Contracts where the contract can be executed in pieces.

### 3.3.3 Essential Element in a Contract

Kurfi (2005) says there must be seven conditions fulfilled in a contract before it can be enforceable. The conditions are given below:

**1. Offer** – It is a promise or a commitment to do or refrain from doing some specified thing or things in the future. An offer has also been defined as a proposition made by one party called the offeror to another party called the offeree. Three conditions must be fulfilled for an offer to be legal:

Offer must be definite and certain. Proposition must come from the person, liable to be bound should the said terms be accepted. The offer must be communicated to the offeree.

The following are invitations to treat; as such, they do not amount to an offer:

- (i) Exhibition of goods for sales in a shop
- (ii) Advertisement of sales in catalogue or mass media
- (iii) An auctioneer's request for bids
- (iv) An invitation to tender
- (v) Negotiating for sales of land and or other complicated contracts.
- (vi) A fine woman dressing gorgeously and exposing strategic parts of her body

Offer can be terminated by:

Rejection

Counter offer

Revocation

Lapse of time.

Occurrence – a non-occurrence of a condition

Death

**2. Acceptance** – If an offer is made, a reply to it is referred to as acceptance. The acceptance must not attach any other condition to accept the offer, if not, it will be regarded as a counter offer. Acceptance is genuine, if the following are present:

You must display an intention to accept,

You must communicate the acceptance to the offeror.

In terms of communicating an offer, the following condition must prevail:

- Silence is not an acceptance
- In a special case you can waive an acceptance
- Communication will depend on the type of offer

**3. Consideration** – Kurfi (2005) defined consideration as the price for which the promise is bought. All contracts must be supported by a consideration. A bare promise is not legally binding. The following four rules governing consideration must be observed:

It must be sufficient and need not to be adequate.

It must move from the promisee though not necessarily to the promisor.

Consideration may be executory or executed but must not be past.

It must not be illegal; immoral or contrary to public policy

**4. Intention to Create Legal Relation** – In business any contract should have an intention to have a legal implication. If not it will not be a contract. When there is an agreement that relates to commercial or business, it means, there is an intention to create legal relationship. Where the parties to a contract expressly exclude an intention to create legal relationship. Domestic, family or social affairs have no intention to create a legal relationship.

**5. Legal Capacity of the Parties** – To enter into any legal contract with anybody, you must access that person's capacity to do so. The following may have a limited capacity:

- Infants
- Persons of unsound mind or lunatic
- Drunkard persons
- Illiterate etc.

**6. Formalities Required by the Law** – The following formalities are required by law in respect of contract:

Contract must be under seal

Contract must be in writing

Contract must be evident in working

**7. Legality of the Object of the Contract** – When and if a contract entered into is illegal, the entire contract becomes null and void. A contract is illegal if any of the following happen:

If it violates the law of the land

If it is contrary to public policy

### **3.3.4 Contractual Terms**

#### ***Terms vs. Misrepresentation***

Terms dictate the rights and obligations of the parties to the contract. Misrepresentations are statements that are not part of the contract and not binding on any of the party.

**Condition and Warranties** – Kurfi (2005) says condition is a very important contractual term and if breached, the whole contract may be canceled. If a warranty just like condition is breached, damages might be paid. It does not lead to cancellation of contract.

### 3.3.5 Violating Elements in a Contract

A contract may be null and void depending on any of the following reasons:

(a) **Mistake** – it could come as a different mistake from both parties, ignorance by two parties on a contract agreement.

(b) **Misrepresentation** – Contract can be violated if there is misrepresentation. Because of that, buyers must be aware and the sellers must deal with the buyers in utmost good faith.

(c) **Undue Influence** – A contract is valid when it is discovered that there was no special relationship between the parties. However, when and if you enter into any contract with your master and you can't fulfill it, the law could assume that it has been so because of undue influence.

Other examples of undue influence are as follows:  
Lecturer and student, Doctor and patient etc.

(d) **Illegality** – Any contract that is not based on rule of law, is void.

### 3.3.6 Remedies for Breach of Contract

The following remedies are expected to take place if there is a breach of contract between parties:

(i) **Damages may be paid** – If it is established as to who breach the contract, either the buyer or the seller.

(ii) **Quantum meruit** (as much as he desires) it could be claimed in a variety of circumstances e.g.

Where the defendant has abandoned or repudiated the contract.

Contract done under a void contract.

Where the parties have agreed to terminate the contract

Where one party has obtained a benefit.

(iii) **Specific Performance** – Kurfi (2005) says it is a specific performance; it is an equitable remedy for breach of contract. It is a decree issued by the court ordering

a defendant to perform a promise that he has made under the contract. It may be awarded in addition to or instead of damages.

(iv) *Injunction* – It is a decree by the court ordering a person to do or not to do a certain act.

### **3.3.7 Privity of Contract**

It means here that a person, who is not a party to a contract cannot suffer or enjoy the privilege of a contract. There are exceptions to these:

Agent-an agent can be brought into a contract  
Assignment of contractual obligations  
Certain comments concerning land.  
Statutory exception.

### **3.3.8 Discharge of a Contract**

A contract may be discharged by the following way:

Performance  
Express agreement  
Breach of contract  
Frustration  
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## **3.4 Principal and Agent**

The law of agency deals with the consensual relationship that arises when one person (called Agent) is used by another (Called Principal) to perform certain tasks on his/her behalf. Agency is a representative relationship. It is different from those of employment or independent contractors. In the contract law, two parties are directly connected in with each other either by the unilateral act of one or the mutual acts of both.

In Agency Law, the Agent introduces a third party with whom he deals and whose conduct can affect the legal position of his principal. The use of a representative or agent enables one person to conduct multiple business operation and the problem and complication arising from the introduction of a third party that the special law of agency is directed to regulate and this is the subject matter of this section.

### **3.4.1 Principal and Agent – The Agency Relationship**

Countless transactions in the commercial world are carried out through agents. Any decision to buy real estate, shares, commodities, goods, plant. Etc will almost invariably involve the use of agents by either the vendor or purchaser or both. Even in our personal lives agents are important, such as when we arrange a holiday through a travel agent, the agent will act on our behalf to make such bookings for hotels, airlines and tour operators, as we desire.

Agency can be defined as fiduciary relationship which exists between two persons, one of whom expressly or impliedly consents that the other should act on his behalf, and the other of whom similarly consents so to acts. The person on whose behalf the acts is to be done is called the principal. The one who is to act is called the agent. Any person other than the principal and agent is referred to as a third party.

With regard to the acts which Principal consents that Agent shall do on behalf of principal, agent is said to have authority to act and this authority constitutes a power that affects the principal's legal relations with the third party. (e.g. bring about a contract between Principal and third party). Once this is accomplished, the Agent generally fades out of the picture.

However, if the agent has acted improperly (e.g. by exceeding his authority or otherwise breaching a duty owed to the principal), the agent may be involved in subsequent litigation. The agency agreement between principal and agent need not be contractual (e.g. there may be no provision for commission). Thus, the agent can act gratuitously. However, as we are studying agencies in a business law context we shall be concerned mostly with contractual agency.

### **3.4.2 Terminology**

Often a true agent, legally speaking, might be described by another term such as 'broker', 'factor' or 'representative. Conversely, some persons described as 'agents' are not really agents in the legal sense of the word but are rather dealers, consultants or intermediaries. For example, a car dealer is often referred to as the 'agent' or 'sole agent' for the maker of a particular model of car. However, usually the dealer is not an agent in the legal sense because if he sells a car to a buyer, no legal relationship is thereby established between the buyer and car maker. Rather, the dealer buys the car from the maker and then sells it on to the buyer: the dealer does not sell the car on behalf of the maker. This is the substance of the relationship which is the determining factor as to whether or not one is an agent.

Such a situation exists in:

B had purchased from S a hay baler manufactured by T. Earlier, B had discussed about the hay baler at the Sydney Easter Show with a representative of T who suggested B discuss the matter further with T's local 'agent'. After further enquiries for S, B signed an order form for S to supply the hay baler. The order form made no reference to T. The baler proved unsatisfactory and B made repeated complaints to S but S went into liquidation before B could obtain redress. B then sued T alleging inter alia that S had acted as T's agent in selling the baler to B.

Held – the High Court rejecting this – it was clear on the facts that S purchased T's equipment and resold it as principal to S's own customers. T's references to S as 'agent' were of no effect because, as the joint judgment observed for 'almost a century cases have appeared in the law reports illustrating the fact that the word 'agent' is often used in business as meaning one who has no principal but who, on his own account, offers for sale some particular article having a special name. No one supposes that the 'distribution agent' or 'exclusive agent' in a particular territory' for a commodity or specific kind of article or machine is there to put a 'consumer into contractual relations with the manufacturer'. Thus, it is the substance of the relationship which is the determining factor as to whether or not one is an agent.

### **3.4.3 Creation of Agency**

The relationship of Principal and Agent may be created by:

- (i) Express Agreement:
- (ii) By deed or 'under seal'
- (iii) By writing
- (iv) By word of mouth
- (v) Implied Agreement
- (vi) Holding Out or Estoppel
- (vii) Ratification

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#### **1. Express Agreement**

By deed or 'under seal' – This formal form of appointment is termed a 'power of attorney'. Appointment by deed is necessary if P wishes to empower A to execute a deed on P's behalf. If A is to deal with land on P's behalf then the power of attorney is required

#### **In Writing**

While generally there is no legal requirement that agency agreement be in writing, it is clearly preferable that they are, so that disputes can be reduced. Also should statute requires that some agency agreements be in writing for example appointment of all auctioneers real estate agents and motor dealers must be appointed in writing before those agents may sue for their commission.

## **By Word of Mouth**

For whatever purpose A, may, in general, be appointed orally subject to statutory exceptions such as those referred to above.

## **Implied Agreement**

Agency agreements, whether contractual or otherwise, may be inferred by the court from the circumstances. The test is whether a reasonable man, when assessing the conduct of the parties have agreed to act in relation to one another upon a basis that can be characterized as an agency.

*While agency must ultimately derive from consent, the consent need not necessarily be to the relationship of principal and agent itself (indeed the existence of it may be denied) but it may be to a state of fact upon which the law imposes the consequences which result from agency. (Source: Lord Wilberforce).*

in *Branwhite v Worcester Work Finance Ltd* [1969] 1 AC 552 at 587.)  
*Morgans v Launchbury* [1973] AC 127

A family car was registered in the wife's (W's) name although the husband (H) often drove it to work. H assured W that when he stayed out late drinking, he would not drive the car, but would arrange for a friend to drive. On such an occasion, the car was involved in an accident and both H and K, the friend who was driving, were killed. The three survivors sued W, alleging that K had acted as her agent in driving the car. Held: by the House of Lords that on the facts, K was acting on behalf of H but not of W. But there was general agreement that a request from the owner of a car to do something on the owner's behalf (not being something the driver should do in any case, e.g. return a car borrowed without permission) would be sufficient to create an agency relationship. Lord Pearson observed that for 'creation of the agency relationship it is not necessary that there should be a legally binding contract of agency, but it is necessary there should be an instruction or request from the owner and the undertaking of the duty or task by the agent. In addition to the general principles mentioned above there are three specific uses where agency will be implied.

## **Cases of Emergency**

See *Great Northern Railway Co. v Swaffield* (1874) LR 9 Ex 132. *Sachs v Miklos* [1984] 2 KB 23 where the plaintiff had been allowed by the defendant to store some furniture in a room belonging to the defendant. The plaintiff was not seen again for a long time. Wishing to let the premises, the defendant made repeated, but unsuccessful, attempts to contact the plaintiff by telephone and letter. The defendant then sold the furniture by auction. In answer to an action for conversion, the defendant attempted to claim a power to act as agent of necessity. This defence failed. Clearly there was no emergency threatening the safety of the furniture.

### **Married women**

This is an agency of necessity which applies to the position of a wife living apart from her husband as a result of his misconduct. She has implied authority to pledge his credit for necessities.

### **Cohabitation**

A wife, either legal or de facto, is presumed to have authority during cohabitation to pledge her husband's credit for household necessities suitable to her husband's style of living for such dependants in the household as the wife usually has under her control.

### **By 'Holding Out' or 'Estoppel'**

Where a person, by words or conduct represents or permits him/herself to be represented, that other person is his agent, he will not be permitted to deny the agency as against any third party dealing, on the faith of such representation, with the person held out as agent. The representation must come from the alleged Principal. Third party is not entitled to rely on a representation of authority from the alleged agent only. Thus, by operation of the doctrine of 'estoppel' or 'holding out', third party is entitled to assume from the conduct of the alleged principal that the supposed agent has authority even when this is not really so. Most cases concern persons who already have some authority to act as agent but who are allowed by principal to appear to have even more authority than they actually have. Another common instance is where principal and third party have been dealing with each other in the past through an agent. Principal dismisses agent but, in the **absence of notice** of the dismissal, third party may still deal with agent and bind principal to the deal even though agent no longer has any real authority at all. Cases do arise where a person not hitherto an agent for principal may bind principal under the doctrine of estoppel. They are comparatively rare in contract situations.

However in one American case, *Lucken v Buckeye Parking Corp* 68 NE 2d 217 (1945) a company was held responsible to a car owner who left her car with a person standing on a parking lot which the company had recently vacated, but over the entrance to which the company's sign was still displayed. Although the defendant had never authorized the person at the car park to act on their behalf, the fact that they had for some time operated the car park, coupled with their failure to remove the sign, constituted a representation to the plaintiff that they still operated there, and that anyone apparently working there was employed on their behalf.

### **Ratification**

Where agent has acted **without the principal's authority**, but has nevertheless **purported to act as principal's agent**, it is open to principal subsequently ratifying the transaction. Ratification operates **retrospectively**, thus ratification relates back to the moment agent and third party entered into the contract so that principal is entitled to enforce the contract against third party. Note the requirements of ratification concerning

both agent and principal and note the interrelationship between this principle and that of non-disclosed principals.

### 3.4.4 Nature and Scope of Agent's Authority

After deciding that agency has been created by one or more of the above modes of creation, it is now important to consider the nature of A's authority and the scope or extent of that authority. Being appointed, A now has power to affect P's legal position in relation to TP. However, P will only be bound by those acts of A which fall within the scope of A's authority. P will not be affected by what A does in excess of A's authority, unless P subsequently ratifies A's unauthorized act. Furthermore, if A acts outside his or her authority, A may be liable to P for breach of the agency contract, or to TP for breach of implied warranty of authority. Thus, it is of vital importance to be able to determine the nature and extent of A's authority.

#### 1. Nature of Agent's Authority

The type or nature of agent's authority may be:

Actual Authority, ie either:

Express actual authority; or

Implied actual authority; or

Apparent or Ostensible Authority

**Actual Authority** – arises from the agency agreement between principal and agent. It is termed **express actual authority** where P has given the authority to A expressly, that is, by word of mouth, deed or otherwise in writing. Thus, the same process by which principal appoints agent as agent, e.g. by power of attorney, will also delineate much or all of agent's express actual authority. However, in addition to the express actual authority contained in the agency agreement, A may also have **implied actual authority**.

*Bowstead on Agency* (1985) states that the most obvious cases of implied authority arises as incidental authority (to do whatever is necessarily or normally incidental to the activity expressly authorized), usual authority (to do whatever that type of agent would usually have authority to do), customary authority (to act in accordance with such applicable business customs as are reasonable) and an implied authority arising from the course of dealings between the parties and the circumstances of the case. Thus, implied actual authority is often said to arise to give 'business efficacy' where a contract may be silent. For instance, P may give A (a real estate agent) express actual authority to find a purchaser for P's house at \$X. A will also have implied actual authority to describe the property and state any fact which may affect the value of the property so as to bind P.

**Apparent or Ostensible Authority** (the two expressions are synonymous) is 'the authority of an agent as it appears to others': *Hely- Hutchinson v Brayhead Ltd*

[1967] 3 ALL ER 98 at 102 per Lord Denning MR. It comes not from the internal aspect of the relationship between P and A as does actual authority, but is an external matter affecting principal and third party. Thus agent may affect the legal position of principal because principal's conduct has made agent appear to have authority which in fact agent lacks.

As third party is generally unaware of the terms of the agency agreement, third party will usually rely on agent's apparent or ostensible authority in order to bind the principal.

## **2. Scope of Agent's Authority**

With **actual authority**, the **scope** or extent of agent's authority is ascertained by applying ordinary principles of construction of contracts, including any proper implications from the express words used, the usages of the trade, or the course of business between the parties. With **ostensible authority**, agent is taken to have as much authority as agents of that type **usually** have. Also see *Freeman & Lockyer v Buckhurst Park Properties (Mangal) Ltd* (1964) 2 QB 480 and *Panorama Developments (Guilford) v Fidelis Furnishin Fabrics* (1971) 2 QB 711.

Although actual authority and apparent authority are independent of each other, in certain circumstances they may co-exist. In such a case, agent's ostensible authority is likely to be wider than agent's actual authority which may be limited by the terms of the agency agreement. Nonetheless, principal is bound by those acts of agent which fall

within the scope of agent's apparent authority even if agent has acted outside the terms of agent's actual authority.

### **3.4.5 Rights and Duties between Principal and Agent**

#### **1. Agent's Duties to Principal**

These duties may be expressly enumerated in the agency agreement (as in a standard form of power of attorney) or they may be implied into the agency agreement. They may vary according to the nature of the agency and the terms of the agreement. Breach of the terms of an agency contract will lead to A being liable to principal for breach of contract. agent's major duties include: A duty to follow principal's instructions. Failure to comply with principal's instructions, except where they are illegal, will render agent liable for the loss suffered by principal as a result of the breach. Gratuitous agents would not be liable under this head. A duty not to exceed his/her authority If agent has exceeded his/her actual authority having apparent authority only, agent will be liable to principal for any loss caused thereby. A duty to exercise reasonable care, skill and diligence. If agent breaches this duty, principal may recover the loss by suing agent for breach of contract if there is an agency contract, or for negligence. If a duty is imposed by statute, principal might also sue agent for breach of statutory duty. For example CAMA, 1990 provides that directors and other executive officers of corporations shall at all times act

honesty and exercise a reasonable degree of care and diligence in the exercise of powers and discharge of duties.

**A Duty to Act in Good Faith** – The relationship between principal and agent is a **fiduciary** one. Because agent has bound him/her self to act in the interests of principal and because of the peculiar trust and confidence principal reposes in agent, equity has seen fit to supervise this relationship basically to prevent agent from misusing agent's position for agent's own advantage. There is also authority that fiduciary duties are based on terms implied into all agency contracts. Thus is imposed on agent a duty to act in good faith or honesty, loyally and single mindedly in Principal's interest.

**Not Make a Secret Profit or Take a Bribe** – A gain made by agent whilst carrying out principal's work which gain is kept from principal, is a secret profit and recoverable by principal. Agent will also lose his right to commission. However, if agent has acted bone fide, agent may retain his commission. In *Hovenden & Sons v Millhaff* (1990) 83 LT 41 at 43, Romer LJ said, 'If a gift be made to a confidential agent with a view to inducing the agent to act in favour of the donor in relation to transactions between the donor and the agent's principal and that gift is secret as between the donor and the agent – that is to say, without the knowledge and consent of the principal – then the gift is a bribe in view of the law.'

A payment by third party to agent still, a bribe although it does not succeed in inducing agent to show any preference to third party. If principal's agent has been bribed principal may recover the bribe or sue agent and third party for damages in the tort of deceit; dismiss agent without notice; refuse to pay A commission or recover any paid; repudiate the contract with third party who has paid the bribe. The taking and giving of a bribe by agent and third party may also amount to a criminal offence under statutes Criminal Code or other State.

**Not Allow Agent's Own Interest to Conflict with Pincipal's** If there is a risk of conflict agent must make full disclosure to principal and obtain principal's informed consent, otherwise agent should decline to act as agent. Agent's duty is to disclose only material facts – those which a reasonable business person would consider material in the ordinary course of business. Breach of this duty may again render agent liable to disgorge the profit as an alternative to paying damages for breach of contract. Alternatively, principal may rescind any contract with agent. Agent also loses his/her right to commission on the transaction.

If agent breaches this duty agent may be liable in an action for damages or an action for an account of the profits and/or subject to injunction. In *Robb v Green* [1895] 2QB 315 the court granted an injunction against a former manager of a business to prevent him

using, for his own purposes, a list of customers of a business obtained whilst he was manager of the business. After leaving the business, he used the list to set up his own business.

**A Duty to Act in Person and not to Delegate Authority** – Exceptions include accepted trade or business usage, ministerial duties not involving the exercise of agent's discretion or skill. If agent delegated authority without principal's permission, agent will not be entitled to commission for the delegated acts and may be liable for any loss suffered through breach of contract. Principal will not be obliged to accept the contract.

**A Duty to Keep Accounts** – Agent must accurately and properly account to principal for any money received or spent on behalf of principal and must have any books of account available for inspection. With professional agents, legislation often reinforces this duty.

### **Principal's Duties to Agent**

The principals duties to the agent include the following:

**A Duty to Remunerate for his/her Services** – This duty only arises pursuant to the express or implied terms of the agency contract. Otherwise the agency is gratuitous. Before agent is entitled to receive remuneration, there must be at least substantial performance of all work agent undertook to do. Failure to pay will give rise to an action for breach of contract by agent against principal. As stated, some agents are statute barred from suing for commission if their appointment is not in writing.

**A Duty to Indemnify and Reimburse Agent** – While acting for principal, agent may incur certain liabilities or may certain payments on behalf of principal. In these circumstances, principal is obliged to indemnify agent against such liabilities and reimburse agent for any payments made. Unless otherwise agreed, principal is not liable to indemnify or reimburse agent where agent has acted outside the scope of his/her actual authority, where agent has suffered loss through his/her own negligence or default or where the transaction is obviously or to agent's knowledge, unlawful. Breach of this duty will usually render principal liable for breach of contract or, if there is no agency contract, then the law of quasi – contract where agent's claim is for restitution. Agent may exercise a lien over such Property owned by the principal which is in agent's Possession. For recovery of remuneration due and reimbursement of expenses.

### **3.4.6 Liabilities of Agent and Liabilities of Principal**

Agent's purpose is to bring Principal into legal relations with third party. Once this is achieved, agent retires from the transaction and, at that stage, the only parties with rights under the transaction

are principal and third party. However, there are occasions when agent may not simply retire from the transaction and the agency (after collecting his/her commission if any) but may find liability attach either towards third party or principal.

### **1. Liability of Agent and Liabilities of Principal to Third Party Acting with Authority**

This will depend on agent's method of contracting. Where agent has authority and: Agent discloses the name of principal. Normally only principal and not agent may sue and be sued on the contract.

Agent discloses the existence but not the name of principal. Agent's liability is the same as above provided agent contracts as an agent.

Agent does not disclose the existence of Principal, i.e. where agent acts as if he were principal. In this event, agent becomes personally liable on the contract – **but** when third party discovers that third party has really contracted with agent acting for an **undisclosed principal**, third party may elect to hold either agent or principal liable on the contract – although principal is not liable if principal has paid agent. Third party is bound by his/her election. Where third party sues and recovers judgment from agent, that is taken conclusively as an election. Merely commencing an action is evidence of election but not conclusive. Undisclosed principal may sue third party unless the transaction is entirely inconsistent with agency. The doctrine of undisclosed principal only operates where agent has **actual** authority.

**Breach of Warranty of Authority** – This applies only where agent acts in excess of, or otherwise without, actual or apparent authority. It follows that third party cannot sue principal on the contract but only agent for breach of warranty of authority. In *Collen v Wright* (1857) 8 E&B; 647 the court found that where a purported agent represents either expressly or impliedly, that he or she has authority to enter into a particular transaction and third party relies on that representation of authority, the 'agent' is taken to warranty that such representation is true. Whether the representation is made innocently or knowingly. Agent will be liable to third party.

### **3.4.7 Termination of Agency**

The appointment of an agent may be terminated through the following ways:

- (i) By act of the parties – by express revocation of authority by the principal
- (ii) By death, unsoundness of mind, or bankruptcy of principal or agent.
- (iii) By supervening illegality eg principal becomes an enemy alien;
- (iv) Where appointment was for a specific period of time.
- (v) By agent becoming 'functus officio' i.e. having completed the assignment agent was

- engaged to perform
- (vi) By destruction of the subject matter of the agency rendering performance impossible.

#### 4.0 CONCLUSION

Ige (2007) has stated that “Simple buying and selling of any article which you regularly do has legal implications”. It may involve different classes of law, e.g. law of contract, tort law or even criminal law and other miscellaneous laws. So also is the common landlord and tenant relationship, partnership or other commercial transactions and business associations. A little understanding of the law therefore is important to every citizen.

Sales of good in business in particular as such it helps in areas of sales of goods, and agreement to sales. A sale of goods is a general guide to business men so that they can be ethical in their day to day business of selling. Once you are at fault as a buyer or seller you will know which action and how to rectify such a problem.

This unit gives you more or less a first aid when you have a problem with contract that you have entered into or you are about to enter into before any other action is taken. No business will ever progress without contract; this will assist in guiding your day to days activities in business so, that you will not waste your finances on contracts that are not legal in the sight of law.

Principal/Agent relationship is fiduciary wherein an agent acts on behalf of and instead of a principal in a contract or other multiple business transactions. In such a process, the agent may bind his/her Principal with a third party. It is important that the principal must have capacity, but the agent needn't. Agency may be created by agreement, ratification or by operation of the law. In the same way it may come to an end by the action of the parties (provided that notice is given by the party seeking to terminate it) and by operation of law. Principal may expressly or impliedly confer authority on her Agent (Actual Authority) or hold out his agent as possessing certain authority (ostensible authority). Duties, as to rights and liabilities are as per agreement or implied. The principal is entitled to every material information, loyalty (and there must be no secret profit), reasonable skill and diligence and any special skill his agent possesses. On the other hand, he must cooperate with the Agent and provide him with safe working condition. The agent may or may not disclose the existence or identity of his principal where there is breach, remedies lie in remedies for breach of contract, indemnification and ratification. You have come to the end of the course “Introduction to Law”. Have you enjoyed it? We hope you did. Well done. Now attempt the following questions.

## 5.0 SUMMARY

In this unit, we have examined the laws relating to business operations, impact of law between one individual and another, rules governing sale of goods and contract, rules governing the relationship between a principal and an agency.

## 6.0 TUTOR MARKED ASSIGNMENT

- Write short notes on each of the following.

Hire purchase

Delivery of wrong quantity

Warranty

Sales by description

- Discuss all the essentials of a contract.

## 7.0 REFERENCES AND FURTHER READINGS

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## **MODULE 4:**

Unit 1 Role of Support Institutions and National Associations

Unit 2 Role of Support Associations in Product Selection Process

Unit 3 Contributions of National Associations to Entrepreneurship

Unit 4 Government Support Agencies for Development of SMEs.

## **UNIT 1: ROLE OF SUPPORT INSTITUTIONS IN ENTREPRENEURSHIP DEVELOPMENT**

**(NEPC, NERF AND NDE)**

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## **1.0 INTRODUCTION**

In this unit, we shall be examining the role of support institutions in the development of entrepreneurial activities. This unit will also evaluate entrepreneurs and their ideas in product selection process.

## **2.0 OBJECTIVES**

After studying this unit, you should be able to do the following:

- List the institutions established by the government to support entrepreneurs in product selection process;
- Discuss the role of NEPC to entrepreneurship development in Nigeria;
- Describe the role of NERF to entrepreneurship development in Nigeria;
- Explain the role of NDE to entrepreneurship development in Nigeria.

### **3.0 MAIN CONTENT**

#### **3.1 Nigerian Export Promotion Council (NEPC)**

The Nigerian Export Promotion Council (NEPC) is the main government organ directly sponsored to promote export trade in Nigeria. According to its pamphlet titled “Why Exports?”, it offers the following services to Nigerian entrepreneurs/exporters:

- (i) Provides information on domestic and foreign markets and undertakes the development of markets for made-in Nigeria products;
- (ii) Advises on product design, quality, packaging and packing;
- (iii) Undertakes human resource training and development;
- (iv) Plans and organizes Nigeria’s participation in international trade fairs exhibitions;
- (v) Liaises with other international agencies on export matters.

It was established by Decree No. 26 of 1976 and was formally inaugurated in March, 1977 (quoted in Esezobor, 2009). Decree No. 41 of 1988 refined its functional Responsibilities as discussed in this unit.

##### **3.1.1 New Manufacture-in-Bond Scheme (NMIBS)**

This scheme was a decision of World Trade Organization (WTO) of which Nigeria is an active member, to consciously replace cash incentives with non-cash incentives in the promotion of exports among member countries. Nigeria adopted this scheme as was conveyed in the annual budget of 1999. To qualify for this scheme, an exporter is required to obtain a Bond from either a bank, an insurance company or Nigeria Export-Import Bank which would be held by the NMIBDS Committee until the Central Bank of Nigeria confirms that the goods manufactured had been exported and the foreign exchange proceeds repatriated to Nigeria.

Where an exporter qualifies under any of the four sub-schemes we shall treat shortly, a Negotiable Duty Credit Certificate (NDCC) would be issued by the NMIBS Committee which could be utilized by the exporter in the payment of import duties on imported raw materials inputs or completely knocked down

spare parts whether prohibited or not, for the production of export goods as stated or in the alternative, transferred to another exporter if the benefiting exporter has no use for it. Once again, no cash incentive is given.

The following four component schemes have their respective Committee with secretariat in the office of NEPC:

- (i) Manufacture-in-Bond Scheme
- (ii) Duty Drawback Scheme
- (iii) Export Expansion Grant Scheme (EEGS)
- (iv) Export Development Fund (EDF)

### **3.1.2 Manufacture-in-Bond Scheme for Encouraging Manufacturers**

The Manufacture-in-Bond Scheme is designed to encourage manufacturers to import duty-free raw material inputs and other immediate products whether prohibited or not for the production of exportable goods, backed by a Bond issued by any recognized Commercial Bank, Merchant Bank, Insurance Company or NEXIM. The Bond will be discharged after evidence of exportation and repatriation of foreign exchange has been produced.

#### **Guidelines:**

The Manufacture-in-Bond Scheme (MIBS) shall be applicable to export manufacturers only.

Interested manufacturers should apply to the Federal Ministry of Finance using the prescribed forms.

For a manufacturer to enjoy the scheme, the factory premises must be approved for that purpose by the Nigeria Customs Service.

Approval including the Import Requirement Certificate (IRS) should be obtained within a period of two months and transmitted to the Nigeria Customs Service for implementation.

The Nigeria Customs Service will determine acceptable guarantee Bond issued by Commercial or Merchant Banks or NEXIM or Insurance Companies covering not less than 110 percent customs duty payable on each consignment.

Under this scheme, manufacturers of export commodities will be entitled to import duty-free raw material inputs, CKDS and intermediate inputs whether prohibited or not for the manufacture of export commodities.

The Manufacture-in-Bond Scheme shall operate on an annual (12 calendar months) importation basis as the export prohibited items. However, the scheme shall operate on Import by Import basis. The Bond which shall be effective from the date of its issuance

by the Bank shall be discharged when the conditions stipulated therein have been fulfilled.

The Nigeria Customs Service will periodically monitor the utilizations of raw materials imported under this scheme until the Bond is fully executed. In the event of inability of any manufacturer to fulfill the conditions stipulated in the Bond, the manufacturer shall apply to the Nigeria Customs Service through its approved dealer Bank, for an extension of the Bond particularly when the life of the Bond has expired. The extension of the Bond shall not exceed three months. Repatriation of the foreign exchange realized from the transaction shall be confirmed by the Central Bank of Nigeria before the Bond is discharged.

Bill of Entry marked “Manufacture-in-Bond Scheme” shall be used for the clearance of goods under the Scheme.

A Committee comprising the Ministry of Finance, representatives of the Nigeria Customs Service, Nigerian Export Promotion Council, Standards Organisation of Nigeria and the Central Bank of Nigeria shall monitor the scheme. The Monitoring Body shall render a quarterly report to the NMIBS Committee.

In the event of default by the Manufacturer, the Nigeria Customs Service shall redeem the Bond by calling on the guarantor to pay up the appropriate customs duties and other associated charges. In case of “Force Majeure”, the Company may be allowed to sell the goods in the local market with the approval of the Honourable Minister of Finance on condition that the appropriate customs duty and other associated charges have been paid.

A manufacturer participating in the Manufacture-in-Bond Scheme is expected to designate a warehouse or store in his factory premises for the storage of inputs and finished goods; and Import Duty Report (IDR), Clean Report of Findings (CRF), shall be clearly marked “MIB Scheme”. It is meant only for manufacturers of export goods to encourage exporters to boost their export market by issuing them NDCC if qualified for the payment of import duties on raw materials or parts whether prohibited or not but required for the manufacturing cycle of the export commodities. In order to prevent abuse by exporters, they are required to be bonded by their bank or an insurance company or NEXIM to the tune of 110 percent of the customs duty payable on each consignment.

### **3.1.3 Duty Drawback Scheme**

The Duty Drawback Scheme provide duties/surcharges on raw materials including packing and packaging materials used for the manufacture of products upon effective exportation of the final product. The new Duty Drawback Scheme shall give automatic refunds (60 percent) on initial screening by the Duty Drawback Committee and upon the presentation of a Bond from a recognized Bank, Insurance Company or any other financial institution. The Bond will cover 60 percent of

the refund to be made to the exporter and will only be discharged after the final processing of the application has been made. At the end of the processing of exporters claims, the Duty Drawback Committee shall grant any balance where applicable or request for refunds for any overpayment made.

### **3.1.4 Duty Drawback Facilities**

The Scheme provides for fixed drawback and individual drawback facilities. The fixed drawback facility is for those exporters/producers whose export products are listed in the Fixed Drawback Schedule to be issued from time to time by the Committee. When the import content of the export products is more or less constant, and import prices (including exchange rate), tariff rates and technology used are relatively stable or “fixed”, it is possible to calculate a standard Input-Output Coefficient Schedule (ICS) for these category of products on the basis of which a fixed drawback rate can be computed to be rebated per unit of export product. Whereas the individual drawback is for producers/exporters who do not qualify under the fixed drawback facilities, it is therefore a straight forward traditional drawback mechanism under which duty is paid on all imported inputs. The duties are subsequently, rebated on inputs used for export production. As a general rule, the final exporter/producer can apply for the Scheme.

### **3.1.5 Eligibility**

A trading company which collects industrial products from one or more manufacturers as well as a trading Company which imports raw materials inputs including packing and packaging materials used for the production of goods exported by him could also apply for the production of goods exported by him could also apply for the Scheme. Such trading Company must have entered into a contract with the final producer of the product in such a way that the Duty Drawback Committee can obtain necessary information and documents to enable the Committee act appropriately. Applicants must be Companies incorporated in Nigeria.

### **3.1.6 Time Limit**

Duty Drawback application must be filled within a maximum of two years from the date of exportation. In order to qualify for the drawback payment (both individual and fixed drawback) exportation of the product which was produced with imported inputs must be completed 18 months after the importation of the inputs.

### **3.1.7 Application Procedures**

Applicants for either Fixed or Individual Drawback Facilities should file the following documents to the Duty Drawback Committee.

1. Completed new application form for Duty Drawback Rate /Refund obtainable from the Duty Drawback Secretariat and all Zonal Offices of the Nigeria Export Promotion Council.

2. Attach clear photocopies of the following documents in triplicates:

a. Import Bill of Entry for Home use (Customs and Excise Form C 188) for the respective raw material inputs used for the export production.

b. Import Bill of Lading for the raw material inputs used for the export production.

c. Letter of Contract agreement between the Trading Company and producer in cases where the Trading Company is applying for the facility.

d. Current Registration Certificate with NEPC.

3. In addition to the above documents, all applications for refunds should be filed with the following in triplicates:

(i) Export Bill of Entry for Non-Domestic Goods (Customs and Excise Form Sale 98); and

(ii) Form NXP.

4. Bank Bond to be issued by a recognized Bank or Insurance Company to the tune of 60 percent upfront payment approved by the Committee as duty drawback refund and to guarantee the refund of any overpayment made to the exporter.

### **3.2 Rules for Duty Drawback Application and Processing**

The following rules have to be observed to simplify the processing procedures:

i. For the same export product defined in an export entry document, all inputs used to produce a given export article should be treated as part of a single application and therefore cannot be divided into separate duty drawback applications.

ii. If imported inputs, registered in a single import entry document are subdivided and used for production of more than one export consignment, the import entry document should include information on the production of inputs and the balance remaining to be used.

From the above, you will note that the facility is in two states and it also provides for refunds where an export company collects locally (without importing), necessary raw materials including packing and packaging and tenders evidence of an export order. The refund shall only be for the duties/surcharges content of the cost of the local purchases in prosecuting an export order. The Duty Drawback Scheme ceased in year 2003 since, according to the Committee, enough incentives already exist in the Export Expansion Grant Scheme.

### **3.2.1 Export Expansion Grant Scheme (EEGS)**

The Export Expansion Grant Scheme provides for cash inducement to exporters who have exported a minimum of five hundred thousand Naira (N500,000) worth of processed products.

#### **Objective**

The objective of this Scheme is to stimulate exporters to expand the volume of their exports and diversify export product and market coverage.

#### **Eligibility**

Exporters of duly processed products are entitled to 4 percent grant on their total annual export turnover subject to the receipt of confirmation of repatriation of export proceeds from the Central Bank of Nigeria and subject to the presentation of a Performance Bond from any of the recognized Banks, Insurance Company, NEXIM or Financial institution.

#### **Procedure**

1. Application Forms for the Scheme could be obtained from the Headquarters of the Nigeria Export Promotion Council (NEPC) or any of its Zonal Offices at Lagos, Port Harcourt, Enugu, Jos and Kano. All forms should be accompanied with the sum of N5,000 (Five thousand Naira) in bank drafts payable to the Nigeria Export Promotion Council, Headquarters, Abuja, as non-refundable fees for the application forms.
2. The NEPC Committee on Export Expansion Grant reserves the right to approve or reject an application and could subject a Company for inspection to confirm the status of the export product(s).
3. Please note that, to facilitate the administration of the scheme, Government has approved the deduction of a ten percent (10%) processing fee on each grant approved,

subject to tendering of the mandatory bond, evidence of repatriation of export proceeds by CBN and an application fee of N25,000, the EEGS Committee would process the application form for the refund of 4 percent of the exporter's annual turnover in NDCC. The following is the new guideline for submission and processing of application under the scheme published by NEPC on 17th November, 2003 in the Guardian newspaper (Esezobor, 2009):

### **3.2.2 New Guidelines:**

1. All applications must be on prescribed application form not later than 6 months from the date of repatriation of export proceeds.
  2. Completed applications to be supported with:
    - i. NXP form duly certified by processing bank and NCS;
    - ii. Single Goods Declaration (SGD) form, duly signed by NCS (both at front and back);
    - iii. Final commercial invoices;
    - iv. Bill of Lading;
    - v. Evidence of current registration with NEPC as an exporter;
    - vi. Evidence of incorporation with Corporate Affairs Commission.
  3. Applicants are to pay a non-refundable processing fee of N25,000 per application in bank draft payable to NEPC.
  4. To avoid delays, applicants are advised to ensure that their applications are vetted by the Schedule Officer at NEPC when application is being submitted.
  5. Only accredited employees of the benefiting companies will be allowed to collect the Negotiable Duty Credit Certificate. The annual accreditation of a maximum of 2 employees of a company is put at a sum of N100,000. As from 1st January, 2004, only duly accredited employees of the benefiting companies will be allowed to collect NDCC from the Council.
  6. Applicants are to submit video clips of their production process, production lines, packaging and export prices.
  7. These guidelines are with immediate effect.
- On Tuesday, 17th August, 2004, the Secretary to the Federal Government announced the suspension of the scheme on the ground that since inception in 1986, \$30 billion had been spent on it without any impact on the volume of exports. The suspension was lifted in 2006.

### **3.2.3 Export Development Fund Scheme (EDFS)**

Export Development Fund Scheme is a scheme set up by the Federal Government of Nigeria to provide financial assistance to private sector exporting companies to cover part of their initial expenses in respect of the following export promotion activities.

(a) Participation in training courses, symposia, seminars and workshops in all aspect of export promotion. All local and overseas courses, study tours, including symposia, seminars, workshops, conferences, etc. in all aspects of export promotion organized by NEPC for the benefit of government agencies who have bearing with export promotion as well as exporting companies will be sponsored from the Fund.

(b) Advertising and publicity campaigns in foreign markets including Press Radio/Television, Catalogue, Brochures, etc. Grants may be made to exporting firms in the context of the total marketing plans towards the cost of advertising/promotional campaigns in overseas market, brand promotion, joint export market group promotion, point of sale materials and in store demonstration subject to the general conditions set out about and the regulations below:

(1) The scheme applies only to promotional campaigns.

(2) The Scheme applies to markets in which the brand products have not previously been advertised and promoted.

(3) A draft of the proposed advertisement must be submitted to NEPC in advance for approval and also the report on the results of the campaign must be submitted as soon as the project is completed.

(4) The maximum grant to any company will be 50 percent of the total direct costs approved subject to a N200,000 (Two hundred thousand Naira).

(c) Export market research and studies.

(d) Product design and consultancy.

(e) Participation in trade missions, buyer-oriented activities, cost of collecting trade information.

(f) Cost of collecting trade information, and

(g) Backing up the development of export oriented industries.

### **3.2.4 Conditions for Financial Assistance**

For any exporting Company to benefit, the following conditions must be satisfied:

- (i) The Company must be registered as an exporter with the NEPC.
- (ii) It must be an exporter of any product of Nigerian origin or services e.g. Engineering, Consultancy, Shipping, Communications, etc.
- (iii) It must have its marketing control in Nigeria.
- (iv) All applications for EDF assistance must be made in the prescribed application forms and must be accompanied with a detailed work plan of the project and a project document.
- (v) The Committee on EDF shall communicate to the exporter the amount of assistance that has been approved for the Company out of which 50 percent shall be paid on presentation of a bond covering that amount by the Company.
- (vi) Exporters should submit a detailed report of their undertaken activities which should contain among other things evidence of expenditure related to the Company and arrange for the discharge of the Bond.

### **3.2.5 Export Market Research and Studies**

Grants may be made to exporting firms towards the cost of undertaking market research studies in foreign markets and other studies related to export promotion subject to the general conditions set out above, and the regulations below:

- (1) The research proposal must be approved well in advance by NEPC.
- (2) A copy of the report of the research must be submitted to NEPC on return.
- (3) Grants up to 50 percent of the approved direct costs incurred or a maximum of N200,000.00 (Two hundred thousand Naira).
- (4) Where NEPC carried out the research/studies on behalf of the Company / groups of companies, the total cost of such research will be met from the fund.

### **3.2.6 Products Design and Consultancy Grants**

Grants may be for exporters towards the cost of engaging experts for product adaptation and designing. (Size weight, composition, packaging, labeling) of the products depending on the demand of the export market. Apart from the general conditions listed earlier on, the exporter must:

- i. Submit to NEPC the project proposal well in advance for approval.
- ii. Submit to NEPC a copy of the consultant's report of the project.
- iii. Grants payable will be 50 percent of the approved consultant's fees and expenses subject to a maximum grant of N200,000 (Two hundred thousand Naira).

Participation in Trade Missions, Buyer Oriented Activities, Overseas Trade Fairs, Exhibitions and Store Promotion.

Grants to the maximum of N200,000 (Two hundred thousand Naira) may be made to exporting companies towards the cost of undertaking approved fairs or exhibitions, etc. subject to the general conditions set out earlier on and the regulations below:

- i. The activities must be manned by officials or agents of the company.
- ii. All products to be exhibited and promoted must be an exportable product. The cost of NEPC participation in any of these activities will be borne by the Fund. In case of buyer-oriented activities, the cost of sponsoring buyer from overseas to participate in local buyer-oriented activities will be borne by NEPC.

### **3.3 Backing up the Development of Export-Oriented Industries**

The cost of undertaking studies in respect of setting up export-oriented industries will be covered from the fund. If NEPC is carrying out the studies, grant of 50 percent of the approved cost of studies or N200,000 (Two hundred thousand Naira) will be paid to exporting companies for the purpose of the studies.

#### **3.3.1 Trade Procedures and Documentation.**

The documentation aspect of exports which until recently, was handled solely by CBN, is now full-time job for an agent of NEPC called Nigeria Committee for Trade Procedures and Documentation (NITPRO). It is a committee comprised of representatives of NEPC, Customs and Excise, CBN and NEXIM with secretariat in the premises of NEPC. NITPRO serves the following functions:

- (i) To simplify trade procedures and documentation not only for exports but imports as well. In other words, they take stock of the direction of exports in particular, the companies into it, the amount involved and the record of the overseas buyers. Expectedly, their main form of operation is the NXP (the non-crude oil export form) which is sent to them from Customs and Excise for documentary analysis.
- (ii) To educate Nigerian merchants on recent developments in the international markets.
- (iii) To guide Nigerian merchants through seminars, workshops and other training programs on trade information.
- (iv) To serve as an important link between merchants and government regulatory agencies.

(v) To also serve as a link and in the process, smoothen relationship between foreign trade agencies, merchants and the government.

(vi) To help Nigerian traders source dependable buyers for their products. In performing the above-stated functions, the Nigerian economy gains in the following ways:

(a) Diversification of the export base from petroleum products. There are yawning markets for natural products which richly abound in Nigeria like palm products, cocoa, cassava, gum Arabic, ginger, soya beans etc. as well as manufactured products like insecticides, leather products, body creams, homemade videos, medicines, plastic products, fanciful attires and many other products.

(b) The public enlightenment program of Committee exposes traders to the requirements of foreign trade and how to go about it.

(c) If more serious hands can be put into the export sector, the economy will witness improved employment and increased volume of trade.

(d) Exports bring in foreign exchange; a scarce commodity needed to balance the equation of international payments.

(e) That the Committee's Officers in Apapa and Abuja are open to the public is a good omen for the future of the Nigerian economy because under-employed persons in full-time employment and workers looking for alternative jobs in self-employment throng in for information especially as the banks now seem to soften on credit to the export sector with the hope to be considered in the annual award of the "Best Bank in Export Financing" of the Merit Award Committee of the Bankers Committee.

(f) Their activities help to improve adherence to good ethical culture in international trade for Nigerian merchants which gradually will win for Nigeria, the respect it deserves in the international market.

### **3.3.2 National Economic Reconstruction Fund (NERF)**

As part of the economic reconstruction under the Structural Adjustment Programme, the NERFUND was established by Decree No. 25 of 1988. The primary aim of this fund is to provide soft medium and long-term finance to small and medium scale enterprises that are 100 per cent owned by Nigerians. As a financial intermediary, NERFUND sources its funds through the Federal Government, the Central Bank of Nigeria and Foreign Government, The Central Bank of Nigeria and Foreign Government and International Development Finance Institutions like the African Development Bank. The fund so mobilized both from local and foreign sources are made available to small and medium scale industries provided they are 100% Nigerian owned.

### **3.3.3 National Directorate of Employment (NDE) Charter**

In conformity with its mandate of job creation and in effect tackling the problems of unemployment in Nigeria, the National Directorate of Employment (NDE) trains unemployed youths and retired persons for Vocational Skills Acquisition, Entrepreneurship or Business Development, Labour Based Works, Rural Employment Promotion and Job placement guidance and counseling.

### **3.3.4 Purpose of the Charter**

The NDE Charter is to ensure that NDE is committed to employment generation, poverty reduction, wealth creation and attitudinal change to enable Nigerian Youths to be selfemployed and contribute to the economic growth and development of the Nation.

#### **Mission**

The NDE mission is derived from its mandate as follows:

- (1) To design and implement programmes to combat mass unemployment;
- (2) To articulate policies aimed at developing work programmes with labour intensive potentials;
- (3) To obtain and maintain a data Bank on unemployment and vacancies in the country with a view to acting as a clearing house to link job seekers with vacancies in collaboration with other government agencies; and
- (4) To implement any other policies as may be laid down from time to time by the Board established under sections of its enabling Act.

#### **Vision**

Job for all. To create pool of artisans and entrepreneurs among the unemployed through skills acquisition of youths who will promote economic development of the nation.

### **3.3.5 NDE Customers**

The customers of the National Directorate of Employment are:

- (a) School Leavers
- (b) School Drop outs
- (c) Youths with little or no education
- (d) Artisans
- (e) Graduates of tertiary Institutions
- (f) Retired Public/Private workers (Mature Persons)

(g) Women Groups

### **3.3.6 Service Provision**

Unemployed Nigerian Youths or retired persons who require the services of the NDE are assured of at least being trained in their chosen vocations. However, due to financial constraints only very few of them would benefit from NDE resettlement packages for them to start their own micro business.

Under the Vocational Skills development Programmes, the NDE will train 1,000 unemployed youths per state every year for the next 5 years. Under Small Scale Enterprises through Start Your Own Business (SYOB), 500 graduates will be trained every year for the next 5 years.

Also, 500 Unemployed youths will be recruited under Rural Employment Promotion and Special Public Work every year for 5 years respectively. However, due to fund constraint, between 1% and 4% of those trained will be resettled with tools and cash to start their own business (Micro Credit)

### **3.3.7 Service Delivery**

The NDE customers would be well equipped with marketable skills that would enable them to be self-employed (i.e.) to establish their own business or get wage employment if need be. This will involve:

- (1) Recruitment
- (2) Selection
- (3) Posting/attachment
- (4) Counseling
- (5) Training
- (6) Assistance to prepare feasibility studies
- (7) Graduation
- (8) Linkage to financial Institutions

### **3.3.8 Monitoring and Publishing**

The NDE training programmes and projects sponsored would be monitored periodically at least once in three months (3 months) to ensure good performance. The activities would involve:

- (1) Monitoring
- (2) Verification
- (3) Inspection and reports prepared and submitted promptly for management consideration.

(4) All observations and clientele complaints would be taken note of and prompt action initiated for management attention.

### **3.3.9 Grievance Redress Mechanism**

The customer complains to Inspection Officers who will channel the complaints to complaints designated Officer. The complaint can also be one on one basis. Written complaints will also be sent to the complaint desk officer to the NODAL Officer and the Chief Executive for prompt action. It is expected that within 48 hours action must be taken. The complainant will be informed officially of the action taken either in writing or invited personally through his/her address or telephone number.

### **3.3.10 Obligations/Expectations**

Members of the NDE Staff and management at all times should be:

- (1) Polite, attentive and friendly to customer;
- (2) Recognize the need to preserve the privacy and dignity of customers
- (3) Staff should treat customers with sensitivity; and
- (4) Consideration should be given to the actual needs of customers rather than staff convenience and routine.
- (5) No Office of any staff should be classified as out of bound to customers.
- (6) Information on NDE should be made available to customers without prohibition.

### **3.3.11 Existing Limitations**

(1) Macro – Economic Policy Problem. The unstable macro-economic policy environment in Nigeria has made the business of employment generation a more difficult task. For instance, various policies of government on exchange rate, deregulation of the economy, globalization and commercialization have had impact directly or indirectly on the labour market.

(2) Large number of unemployed persons: the number of unemployed persons in the labour market is rising astronomically every year due to a combination of factors which include the large turn-out from the school system and some economic policies like right-sizing, down-sizing, commercialization and privatization. The number to be catered for apparently out-weights resource support.

(3) Attitudinal change: NDE Job Creation programmes principally focus on the informal sector for self-employment creation. However, poverty and other social factors are responsible for lukewarm attitude of unemployed school leavers and graduates in particular to embrace skill acquisition training for self-employment. Some are still insisting on wage employment to meet their immediate needs.

### **3.3.12 NDE Collaboration with Stakeholders**

#### **1. NDE/UNDP/ ILO Collaboration**

The NDE, since its establishment in 1986, has received technical assistance/support from the United Nations Development Programme (UNDP) and International Labour Organisation ILO for capacity building and training in Labour based light equipment road projects.

#### **2. NDE/GTZ Collaboration**

The German Government through its aid agency GTZ has been providing technical assistance to the NDE since July 1991. The assistance is aimed at strengthening the National Open Apprenticeship Scheme (NOAS)

#### **3. NDE/NACRDB Collaboration**

In an attempt to link beneficiaries of NDE training Programmes to credit facilities for enterprise creation, the NDE signed a memorandum of understanding with the Nigerian Agriculture Cooperative and Rural Development Bank. Therefore, the graduates of vocational skills and entrepreneurial training programmes of the NDE are being assisted by the Bank to set up their own enterprises

#### **4. NDE/ NEXIM Collaboration**

NDE/ NEXIM entered into memorandum of understanding (MOU) with the aim of training unemployed graduates on export management and entrepreneurial skills for engaging in non oil export business for job and wealth creation.

#### **5. NDE/Nigerian Export Promotion Council (NEPC) Collaboration**

The collaboration with NEPC is to compliment that which the NDE has established with NEXIM to ensure that our graduates have adequate knowledge of the non-oil export sector of the economy.

#### **6. NDE/NYSC Collaboration**

NDE in collaboration with NYSC provides training in entrepreneurship Development at NYSC orientation camps. The EDP is given to corps member at the orientation camps nationwide as a sensitization exercise to present self – employment as a viable option.

#### **7. NDE/NIPC Collaboration**

By this collaboration, the NIPC links up graduates of the NDE skills acquisition programme to foreign investors to take advantage of the job opportunities available in the new industries

### **8. NDE/Nigerian Railway Corporation Collaboration**

The Nigerian Railway Training Schools at Ebute–Meta, Lagos and Enugu have been involved in the training of the NDE’s youths under the National Open Apprenticeship Scheme (NOAS) since 1987.

### **9. NDE/SPDC Youth Training for the Niger Delta**

The Shell Petroleum Development Company of Nigeria SPDC Collaborates with the NDE in the training of youths in the Niger Delta Area. This training programme is instituted by SPDC to develop the youths in the area especially amongst the host communities.

The NDE provides training in the following: Vocational trades, Welding, Fabrication, Auto-Mechanic, Electrical Installation, Computer Operation, Secretarial Studies, Catering and Confectioneries, Fashion Designing, Hairdressing etc.

### **3.3.13 NDE/Nigerian Building and Road Research Institute**

The Nigerian Building and Road Research Institute (NBRRI) has been an NDE partner since 1998. The Collaboration is aimed at exploiting the employment potentials in the production of stabilized Soil Bricks (SSB) and Fiber Cement Roofing tiles. The arrangement provides sources of employment for youths and cheap materials for housing construction.

### **3.3.14 NDE/IITA Collaboration**

The NDE collaborates with the International Institute for Tropical Agriculture in the acquisition of agricultural skills and empowerment of young farmers as well as Capacity-Building for NDE Staff.

### **3.3.15 NDE/Local Government Councils**

The School – On- Wheels Scheme is an integral – part of the NDE’s Vocational Skills Development Programme. It is designed to carry out training of school leavers and unemployed youths in rural areas. In achieving this objective, the NDE takes fully equipped Mobile Training Workshops (MTWs) to rural areas. In order to reduce the funding demands, the NDE collaborates with LGAs in such a manner that the LGAs bear

some costs, especially consumables, and allowances for trainees while the NDE provides, the equipment and training facilities and anchor men,

### **3.3.16 NDE/NAPEP Collaboration**

The National Poverty Eradication Programme (NAPEP) was designed to fund, coordinate and monitor activities of all agencies involved in combating poverty which includes NDE. To this end, NDE and NAPEP collaborated in the Vocational Skills acquisition training of 25,000 youths.

## **4.0 CONCLUSION**

We have discussed in detail the structure and roles of NEPC, NERF and NDE in the development of entrepreneurship. We learnt that the contribution of these agencies is helping the growth of entrepreneurial activities in the country.

## **5.0 SUMMARY**

In this unit, we provided the list of institutions established by the government to support entrepreneurs in product selection process. We discussed the role of NEPC, NERF and NDE. In the next unit, we shall continue with discussion in respect of institutions that support the development of entrepreneurship.

## **6.0 TUTOR-MARKED ASSIGNMENT**

Write short notes on the following:

- (a) Nigeria Export Promotion Council (NEPC)
- (b) National Economic Reconstruction Fund (NERF)
- (c) National Directorate of Employment (NDE)

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## **MODULE 4**

### **UNIT 2: ROLE OF SUPPORT ASSOCIATIONS IN PRODUCT SELECTION PROCESS (RMRDC AND IDC)**

#### CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 Raw Material Research and Development Council (RMRDC)
    - 3.1.1 Preamble
    - 3.1.2 Mandate
    - 3.1.3 The Mission
    - 3.1.4 Expectations from Clients
    - 3.1.5 Services to Clients
  - 3.2 Industrial Development Centres (IDCs)
  - 3.3 Establishment of More Industrial Development Centres (IDCs)
    - 3.3.1 Ceramics Department
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- 4.0 Conclusions

- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 Reference/Further Reading

## **1.0 INTRODUCTION**

In this unit, we shall continue with our discussion on the role of support institutions for entrepreneurship development. We shall touch on Raw Materials Research and Development Council (RMRDC) as well as Industrial Development Centres (IDCs).

## **2.0 OBJECTIVES**

After studying this unit, you should be able to do the following:

- Discuss the role of RMRDC and IDC in the development of Entrepreneurship in Nigeria.

## **3.0 MAIN CONTENT**

### **3.1 Raw Materials Research and Development Council (RMRDC)**

#### **3.1.1 Preamble**

The Service Charter of RMRDC is tailored towards assisting in the exploitation and utilization of raw materials, development and survival of Nigerian's industries and consequently improves the standard of living of its citizens. The Council was established in 1987 through the recommendations of a workshop on Industrial Matters organized by the Manufacturers Association of Nigerian (MAN) and the Nigerian Institute of Social and Economic Research (NISER) held in 1983.

RMRDC was envisioned by the organizers of the workshop to be Nigeria's focal point for the development and utilization of the nation's vast industrial raw materials that facilitate the establishment of the new resource-based industries thus providing new job opportunities and contributes to the nation's gross domestic product (GDP). The clarion call of these quick thinking Nigerians informed the development of a corporate vision and mission for the council as well as its service charter.

### **3.1.2 Mandate**

RMRDC was established by Decree No. 39 of 1987 though it commenced operation on February 10, 1988 and the primary mandate includes:

- To draw up policy guidelines and action programmes on raw material acquisition, exploitation and development.
- To review from time to time, raw materials resource availability and utilization with a view to advising the Federal Government (FG) on the strategic implication of depletion, conservation, or stock piling of such resources.
- To advise on adaptation of machinery and process for raw materials utilization;
- To provide special research grants for specific objectives and design awards or systems for industries that achieve break-through or make innovations and inventions; and
- To encourage the publicity of research findings and other information relevant to local sourcing of raw material.
- To encourage growth of implant research and development capabilities
- To organize workshop, symposia and seminars from time to time designed to enlighten people on new developments and solutions discovered

### **3.1.3 The Mission**

The Council's mission is to promote value-added transformation to Nigeria's Raw Material Resources as a strategy for sustainable industrial Development.

#### **Vision**

To be an indispensable catalyst for industrial growth and development with a view to making Nigeria an internationally Competitive Economy.

#### **Our Clients**

Industrialists, Scientists, Engineers, Researchers and Technologists. Inventors and Innovators, Agricultural Development Project, Tertiary and Research Institutions. Others includes Federal, State and Local Governments and International communities

### **3.1.4 Expectations from Clients**

Clients should access and make use of the industrial support services and the promotion of new resource-based investments opportunities as occasionally identified by the council.

Clients should capitalize on the Council's research and development sponsoring policy to

research on raw materials that would add value and boost the economy of Nigeria generally.

Clients should tap the benefit of visiting the RMRDC Zonal and liaison offices in their locality for up-to-date information on;

- Raw materials availability and location
- Sourcing of process equipment
- Materials sourcing, development and utilization
- Investment opportunities
- Financial advice

Clients should capitalize on RMRDC's publicity and awareness campaign (Techno expositions, investment forum, seminars, workshops etc) in order to put machinery in place that will ensure the optimum harnessing, exploitation and utilization of the endowed raw material resources abundant in the country. Clients should critically appraise the services provided by the Council vis- a- vis its performance on projects, activities, plans, programmes and service delivery mechanism to the public (especially where such services provided do not meet standard). Clients are expected to draw meaningful suggestions for possible improvement. Staff expect that for effective and efficiency service delivery to thrive, management should provide conducive working environment and adequate facilities/tools that would enhance performance. Staff expect that adequate training programme should be packaged from time to time. Management expects that staff should be committed to discharge their duties diligently, timely, effectively and efficiently with all honesty and courteousness.

### **3.1.5 Services to Clients**

RMRDC's services to the clients are as follows: Provides industrial support services and promotes new resource-based investments through the net working of its liaison offices located in all the states of the federation.

Public policy advisory support

Upgrading of Research facilities and promoting science and Technology in Nigeria.

Serving as Nigeria's focal point for international collaboration on Raw Materials Development.

Promoting industrial Raw Materials, Research Innovations and utilization through merit awards.

Promoting investment in Research based Industries.

Promoting new resource based investments through joint venture projects and Technical support service.

Providing advisory and Technical support services to investors.

Promoting the Development of Indigenous Technology. Sponsoring Research and Development (R&D) activities For Raw Materials utilization and new products.

Promoting local Engineering capabilities in design and manufacture of plant machinery for raw materials processing.  
Reviewing from time to time, raw materials resources availability and utilization.  
Support Agro Industrial Raw Materials Production.  
Publicizing, creating awareness and sensitization on Raw Materials Resources Potential.

### **3.2 Industrial Development Centres (IDC)**

The Industrial Development Centers (IDCs) are established to provide extension service to SMEs in such areas as project appraisal for loan application, training of entrepreneurs, managerial assistance, product development as well as other extension services. The Industrial Development Centre in pursuance of its mandate of coordinating and monitoring all investment activities facilitate investments by maintenance of liaison between investors and Ministries, Government departments and agencies, institutional lenders and other authorities concerned with investments ;provision and dissemination of up-to-date information on incentives available to investors; and assisting incoming and existing investors by providing support services including assistance to procure authorities and permits required for the establishment and operation of enterprises; Hassan and Olaniran (2011) stated that the Industrial Development Centres (IDCs) were established by the Federal Government of Nigeria across the country with the aim of promoting small and medium enterprises. According to them, the IDCs were essentially established to provide extension services to the SMEs in such areas as project appraisal for loan application, training of entrepreneurs, managerial assistance, product development, production planning and control as well as other extension services.

The first IDC was established in Owerri in 1965 by the former Eastern Nigeria government, Ministry of Trade and Industry, and was taken over in 1970 by the Federal government including the one in Zaria, Northern Nigeria, which was established in 1969. The emergence of the Industrial Development Centres was as a result of the Nigerian government's yearning to strengthen small and medium enterprises (SMEs) in the country. Experts carried out feasibility studies and recommended that government concentrate on five (5) areas namely; wood work, metal work, automobile repair, textiles and leather work (Business Day, 21st December, 2009 quoted in Hassan and Olaniran, 2011).

### **3.3 Establishment of More IDCs**

Subsequently, more IDCs were established at Maiduguri, Abeokuta, Sokoto, Benin City, Uyo, Bauchi, Akure, Port Harcourt, Ilorin, Kano, Osogbo and Ikorodu. Through IDC, entrepreneurs are expected to learn about new production techniques, new types of machinery and their usage, how to develop a feasibility plan as well as establishing small scale businesses for self sufficiency and self reliance.

### **3.3.1 Ceramics Department**

Entrepreneurs are being trained on daily basis on how to make materials like tea-cup, pot, jug, interior decoration materials and so on. The major raw material is clay which must pass through various processes before it can be used for the aforementioned materials.

### **3.3.2 Food and Chemical Department**

This is where interested individuals and groups are trained on how to use chemical to produce various products like soap, pomade, candle, ice-cream, preservation of fruit juice, among others. This department also conducts training on food and chemical products for corporate organizations on consultation. The major raw materials being used here include caustic soda, palm kernel oil, salt, raw fruits, among others.

### **3.3.3 Metal Department**

In this department, various machines are being produced for industrial use. These machines include, soap making machine, candle making machine, welding machine, heat treatment machine, absor machine, Ticknessing machine, and Hydrolic press. People are also trained on how to use these machines to produce what they are meant to produce in industrial settings.

### **3.3.4 Wood-work Department**

This department has two broad sections: the machine section, where machines are being used to manipulate wood into various sizes and shapes in order to bring out materials like wooden hanger, wooden chair, and interior decorating materials. The second section is assembling where wooden materials already produced are being assembled together. This department as well trains people on how to use wood for furniture making and interior decorating materials as many outstanding furniture makers and interior decorators in Nigeria have their success traced to the centre.

### **3.3.5 Textiles Department**

This is where people are trained on how to produce textile materials of all sorts. This department also has two units. The first unit is where textile materials are being weaved together before taken into the second unit that is dyeing section for dyeing. Various African fabrics like campala, Adire, Batik are also produced in this section.

### **3.3.6 Leather Department**

This is one of the patronized sections of IDC. The reason is not far-fetched. Leather forms part of the materials that man uses every day. This department trains entrepreneurs on how to use animal skin to produce materials of all kinds such as leather bag, shoe, and belt, among others. The major raw material for leather production in this section is animal skin called “Hide” and “Skin”. Hide is the outer covering of large animals like elephant, cow, and lion while skin is derived from small animals like goat, sheep and the likes.

## **4.0 CONCLUSION**

We have discussed the role of raw materials research and development council as well as the industrial development council in the quest to support entrepreneurship development in Nigeria.

## **5.0 SUMMARY**

In this unit, we discussed the second part of the institutions established to support the development of entrepreneurship in Nigeria. In the next unit, we shall examine the role of national associations in the development of entrepreneurship, small and medium scale industrialists.

## **6.0 TUTOR-MARKED ASSIGNMENT**

- Discuss the roles of RMRDC and IDC in the development of entrepreneurship in Nigeria.

## **7.0 REFERENCES/FURTHER READINGS**

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## **MODULE 4**

### **UNIT 3: CONTRIBUTIONS OF NATIONAL ASSOCIATIONS TO ENTREPRENEURSHIP**

**(NASSI) - NASME, NACCIMA, MAN, NECA AND SMEDAN**

#### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 Definition of Industrial Association
  - 3.2 Industrial Associations and their Role in Entrepreneurship Development
  - 3.3 Nigerian Association of Small Scale Industrialists (NASSI)
  - 3.4 National Association of Small & Medium Scale Enterprises (NASME)
  - 3.5 Nigerian Association of Chambers of Commerce, Industry, Mines & Agric. (NACCIMA).
  - 3.6 Manufacturers Association of Nigeria
  - 3.7 Nigerian Employers Consultative Association (NECA)
  - 3.8 Small and Medium Scale Enterprises Agency of Nigeria (SMEDAN)
- 4.0 Conclusions
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 Reference/Further Reading

## **1.0 INTRODUCTION**

In this unit, we shall examine the role of national associations in the development of Entrepreneurship in Nigeria and the role of small and medium scale industrialists.

## **2.0 OBJECTIVES**

After studying this unit, you should be able to do the following:

- Define industrial associations;
- List and describe the role of the industrial associations in the development of entrepreneurship.

## **3.0 MAIN CONTENT**

### **3.1 Definition of Industrial Association**

An industrial association can be defined as an association that supports and protects the rights of a particular industry and the people who work in that industry. Industrial associations lobby and urge governments or its agencies to take stronger action on things affecting their members or their line of interests. Modern industrial associations were formed to provide the needed supports and enabling environment to promote the growth of entrepreneurship culture.

### **3.2 Industrial Associations and their Roles in Entrepreneurship Development**

The industrial associations include:

1. Nigerian Association of Small Scale Industrialists (NASSI)
2. National Association of Small and Medium -scale Enterprises (NASME)
3. Nigerian Association of Chamber of Commerce, Industries, Mines and Agriculture (NACCIMA)
4. Manufacturers' Association of Nigeria (MAN)
5. Nigerian Employers Consultative Association (NECA)
6. Small and Medium-scale Enterprises Development Association of Nigeria (SMEDAN)

### **3.3 Nigerian Association of Small Scale Industrialists (NASSI)**

This association was established in 1978 to cater for the needs of the Small Scale business industrialists through the provision of socio-politico economic support for the members. It has numerous functions which include: organizing workshops, conferences, exhibitions, trade-fairs, study tours and providing advisory services to the members; providing information on sources of raw materials, market situations, plants and equipments and the required manufacturing standard; granting micro credit facilities to members and sometimes standing as sureties for bona-fide small and medium enterprise (SME) in their relationship with development finance institutions; linking up its members with various opportunities and development assistance both at home and abroad; serving as the mouthpiece of members in advocacy capacity against unfavourable public policies.

### **3.4 National Association of Small and Medium Enterprises (NASME)**

NASME is a private sector organization in Nigeria which brings together Small and Medium Scale Enterprises (NASME) across the country. It was registered in 1996 as a *Business Membership Organization* (BMO) to coordinate and foster the promotion of Micro Small and Medium Enterprises (MSMEs) in Nigeria. It is devoted to networking, capacity building, policy advocacy and promotion of the performance of its member firms and operators. It works consistently to improve the welfare of its members.

### **3.5 Nigerian Association of Chambers of Commerce, Industry, Mines and Agriculture (NACCIMA)**

NACCIMA was founded in 1960 as a voluntary association of manufacturers, merchants, mines, farmers, financiers, industrialists, trade groups who network together for the principal objectives of promoting, protecting and improving business environment for micro and macro benefits. The body performs many functions which are as follows: it provides a network of national and international business contacts and opportunities; it promotes, protects and develops all matters affecting commerce, industry, mines and agriculture and other form of private economic activities by all lawful means; it promotes, supports and oppose legislative and other measures affecting commerce, industry, mines and agriculture in Nigeria; it encourages an orderly expansion and development of all segments of community; it contributes to the social political and economic development of Nigeria.

### **3.6 Manufacturers' Association of Nigeria (MAN)**

This was formed as a company limited by guarantee to perform important roles on behalf of its members as well as the development of the country. Its sector groups include food, beverages and tobacco, chemicals and pharmaceuticals, domestic and industrial plastic, rubber and foam, basic metal, iron and steel and fabricated metal products, pulp, paper and paper products, printing and publishing, electrical and electronics, textile, wearing apparel, carpet, leather and leather footwear, etc. The Manufacturers' Association of Nigeria (MAN) performs so many functions, among which are: it encourages a high standard of quality for members' products through the collection and circulation of useful information and the provision of advice; it encourages the patronage of Nigerian made products by Nigerians and by consumers in foreign countries; it develops and promotes the contribution of manufacturers to the national economy through government; it provides the manufacturers in the country with information on industrial, labour, social, legal, training and technical matters.

### **3.7 Nigerian Employers Consultative Association (NECA)**

It is the umbrella organization for employers association of Nigeria and was founded in 1959 with its memberships drawn from the private and public sector employers associations. It performs many roles in Nigeria. These roles include: it promotes and encourages any technical or other forms of education for the development of employees; it assists in the maintenance and promotion of good relations between members and their employees; it encourages the payment of equitable rates of

wages and salaries to the employees; it promotes, influences, modifies or seeks the repeal of legislative and other resources affecting or likely to affect the employers.

### **3.8 Small and Medium Enterprises Agency of Nigeria (SMEDAN)**

This is a “One stop shop” for micro small and medium enterprises development. SMEDAN was established by the SMEDAN Act of 2003 to promote the development of Micro Small and Medium Enterprises (MSME) Sector of the Nigeria economy. Its mission is to facilitate the access of micro, small and medium entrepreneurs/investors to all the resources required for their development.

It compiles; reviews and updates all existing economic policies, regulations, incentives and legislation affecting MSME operation within the state. Other institution established was the Industrial Development Centers (IDCs) which is to provide extension service to SMEs in such areas as project appraisal for loan application, training of entrepreneurs, managerial assistance, product development as well as other extension services. These industrial associations provide increased support for entrepreneurial development in the forms of training, logistics and funding for their members. *Emerging entrepreneurs* are therefore encouraged to join any of these associations in order to access the numerous benefits they provide.

## **4.0 CONCLUSION**

We have defined the various associations that support and protect the rights of industries and the people who work in that industries and listed the associations as:

- (b) Nigerian Association of Small Scale Industrialists (NASSI)
- (c) National Association of Small and Medium Enterprises (NASME)
- (d) Nigerian Association of Chamber of Commerce, Industries, Mines and Agriculture (NACCIMA)
- (e) Manufacturers’ Association of Nigeria (MAN)
- (f) Nigerian Employers Consultative Association (NECA)
- (g) Small and Medium Enterprises Development Association of Nigeria (SMEDAN).

## **5.0 SUMMARY**

In this unit, we defined industrial associations, listed and described their roles in entrepreneurship development in Nigeria.

In the next unit, we shall examine the role of government support agencies in the development of small and medium scale industries in Nigeria.

## **6.0 TUTOR-MARKED ASSIGNMENT**

1. What is an industrial association?
2. List and describe the role played by three of these associations to support entrepreneurship development in Nigeria.

## **7.0 REFERENCES/FURTHER READINGS**

Hassan, M.A. and Olaniran, S.O. (2011). Developing Small Business Entrepreneurs through Assistance Institutions: The Role of Industrial Development Centre,

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## **MODULE 4**

### **UNIT 4: GOVERNMENT SUPPORT AGENCIES FOR DEVELOPMENT OF SMALL AND MEDIUM SCALE ENTERPRISES (SMEs)**

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### **1.0 INTRODUCTION**

In this last unit, which brings us to the end of this course, we shall examine the role of government support agencies for the development of small and medium scale industrialists. We shall discuss the role of UNICEF Innocenti Research Centre and United Nations Industrial Organization (UNIDO).

### **2.0 OBJECTIVES**

After studying this unit, you should be able to do the following:

- Describe the role of government in entrepreneurship development in Nigeria
- List the support agencies for the development of small and medium industrialists
- Describe the role of these support agencies in the development of entrepreneurship.

### **3.0 MAIN CONTENT**

#### **3.1 Role of Government in Entrepreneurship Development in Nigeria**

The rate of economic growth in a nation is often attributed to the role of government and entrepreneurs which is usually complementary and not mutually exclusive. In Nigeria as in some

other economies, government helps to develop transportation, power, financial sector and provides subsidies and other utilities to encourage entrepreneurship development.

Furthermore, the government provides security to safe guard life and property; maintaining law and order and freedom to do business.

The role of government in entrepreneurship development in Nigeria became significant only after the Nigeria civil war (1967-70) (Esiomo, 2010). Since the mid 1980s there has been increased commitment of government to entrepreneurship development especially after the introduction of the Structural Adjustment economic Program (SAP) in 1986. Added to this, is the establishment of the National Directorate of Employment (NDE), National Open Apprenticeship Scheme (NOAS), Small and Medium-scale Enterprises Development Association of Nigeria (SMEDAN), SMEEIS, etc.

##### **3.1.1 Government and the Promotion of Entrepreneurship**

Fundamentally, Nigerian government promotes entrepreneurial culture through initiatives that builds business confidence, positive attitude, pride in success, support and encouragement of new ideas, social responsibility, providing technological supports, encouraging inter-firm linkages and promotion of research and development. Others are cheap financial resources, free access to market, prompt registration/advisory service to businesses, promotion of entrepreneurial skills acquisition through education and manpower development, production of infrastructure, export incentives, stable macro - economic environment, security of investment, stable political climate etc. In early 2000s, entrepreneurship studies have been introduced into the Nigerian educational system especially higher institutions as a mandatory course.

The Centre for Entrepreneurship Development (CED) was established in Nigeria with the aim of encouraging students of higher institutions (especially in science, engineering and technological fields) to acquire entrepreneurial, innovative, and management skills that would help them to establish their own business. The idea is to make the graduates self-employed, create job opportunities for others and

generates wealth. It is the aspiration of CED to make Nigerian graduates from higher institutions self-employed rather than being self-ready for employment. Graduates are encouraged to become job creators rather than job takers. In other words, the focus is to make graduates employers of labour rather than seeking to become employees of other organizations.

UNESCO-TVE Programmes in Nigeria are aimed at fostering linkage and cooperation between higher institutions and industries such that academic research findings can readily be taken up by industries for production and product development.

### **3.2 Support Agencies in Small and Medium Scale Industrial Development in Nigeria**

Some supportive agencies are established by the government at all levels to facilitate the promotion of entrepreneurship in Nigeria. These agencies are established to cope with the dynamics of the economy at a particular time. Their basic functions can be discussed under: participatory; regulatory; and facilitating roles.

#### **3.2.1 Participatory Agencies**

The agencies in this category aid in providing goods and services which are best produced by the government. They provide goods and services that are highly subsidized or goods produced below the average cost. The services provided by these agencies are essentially to encourage entrepreneurship. Examples are: Federal Road Maintenance Agency (FERMA), Public Corporations such as Power Holding Company of Nigeria (PHCN formerly known as National Electric Power Authority, NEPA), National Emergency Management Agency (NEMA), Federal Airports Authority of Nigeria (FAAN), etc.

Students may wish to visit the library and internet in order to familiarize themselves with the functions of the above-mentioned institutions.

#### **3.2.2 Regulatory Agencies**

These are agencies established for regulating business. They are involved in inspection facilities, laboratory test of products, approval of facilities and product, etc. They include:

Standard Organisations of Nigeria (SON);  
National Agency for Food and Drugs Administration and Control (NAFDAC);  
National Drug Law Enforcement Agency (NDLEA);  
Federal Environment Protection Agency (FEPA); and  
State Environmental Project Agency (SEPA).

Students are expected to visit the library and internet in order to familiarize themselves with the functions of the above listed agencies.

### **3.2.3 Facilitating Agencies**

These agencies are set up to facilitate the establishment and successful existence or sustenance of small scale industries. They are saddled with the responsibility of ensuring that there is conducive environment for SMEs. Their functions may include providing specialized fund for SMEs. In this category, we have such institutions as:

The Industrial Training Fund (ITF)  
Federal Institute of Industrial Research, Oshodi (FIIRO)  
Bank of Industry (BOI)  
The Industrial Development Centre (IDC)  
Universities and Polytechnics  
Nigerian Export Promotion Council (NEPC)  
The National Directorate of Employment (NDE)  
National Poverty Eradication Programme (NAPEP)  
Small and Medium-scale Enterprises Development Agency of Nigeria (SMEDAN).  
Students are expected to visit the library and internet in order to familiarize themselves with the functions of the above listed institutions.

### **3.2.4 Other Support Agencies**

Federal Government especially is in collaboration with some international bodies to promote small and medium scale industries. Just as they do in other sectors, their functions cover funding, research and development, etc. These bodies include:

The World Bank,  
United Nations Children's Fund (UNICEF)  
United Nations Industrial Organisation (UNIDO)

African Development Bank (ADB).

**(a) World Bank**

It is more popularly known as the World Bank. It stands as the parent body in the World Bank group of banks made up of IBRD, IFC and IDA. Membership is open to any sovereign state, which is already a member of the International Monetary Fund (IMF). The fundamental difference between IBRD and IMF is that while IBRD grants long-term project loans for core developments in construction, agriculture, water supply, electricity, mining, trade etc. essentially to fight poverty, IMF steps in to provide needed short-term and medium-term funds especially in the balance of payments (Ezesobor, 2009).

IBRD grants loans to governments or to organizations having their government's guarantee. Loans span over 20 years with 5 years of grace. Like some other banks, IBRD does not sponsor a project 100 percent but expects the borrower to provide some stake of up to 50 percent in the proposed project. Its assistance could also be in the form of consultancy or technical assistance in conducting economic survey or providing expertise. Some of the loans entail the provision of heavy duty equipment which provides juicy export market for American industrial equipment manufacturers. Largely, the bank's objectives are as follows:

- (i) to assist in the reconstruction and development in member countries through project-tied loans;
- (ii) to encourage international investments for long-term growth in international trade;
- (iii) to attend to the urgent sectoral needs of any country in its loan disbursement. The bank was designed to pool, borrow, and channel long-term funds from member nations and the major financial markets to the less developed countries.

**(b) United Nations Children's Fund (UNICEF)**

The United Nations Children's Fund (UNICEF) is the main UN organization defending, promoting and protecting children's rights. It also works towards protecting the world's most disadvantaged children. UNICEF believes that children have the following rights:

- Right to Adequate Nutrition,
- Right to Education,
- Right to Health,
- Right to Participate,
- Right to Protection, and
- Right to Clean Water.

UNICEF is the world's leading advocate for children, with strong presence in 190 countries. The heart of UNICEF's work is in the field. Each country office carries out UNICEF's mission through a unique programme of cooperation developed with the host government. The overall management and administration of UNICEF takes place at the New York headquarter, where global policy on children is shaped. In addition, UNICEF operates the Innocenti Research Centre in Florence, Italy. Specialized office such as the Supply Division in Copenhagen, and two Public-Sector Alliances and Resource Mobilization Offices (PARMO) in Brussels and Tokyo. Furthermore, UNICEF have 36 National Committees, that promote children's rights, raise funds, sell UNICEF greeting cards and products, create key partnerships, and provide other support.

### **3.3 The UNICEF Innocenti Research Centre**

UNICEF Innocenti Research Centre in Florence, Italy, was established in 1988, to strengthen the research capability of the United Nations Children's Fund (UNICEF) and to support its advocacy for children worldwide.

The Centre, formally known as the International Child Development Centre, has as its prime objectives to improve international understanding of the issues relating to children's rights, to promote economic policies that advance the cause of children, and to help facilitate the full implementation of the United Nations Convention on the Rights of the Child in industrialized and developing countries.

The programme for 2006–2008 was approved by UNICEF Executive Board in September 2005. It reaffirms the Centre's academic freedom and the focus of IRC's research on knowledge gaps, emerging questions and sensitive issues which are relevant to the realization of children's rights, in developing and industrialized countries. It capitalizes on IRC's role as an interface between UNICEF field experience, international experts, research networks and policy makers and is designed to strengthen the Centre's institutional collaboration with regional academic and policy institutions, pursuing the following four goals:

- (a) Generation and communication of strategic and influential knowledge on issues affecting children and the realization of their rights;
- (b) Knowledge exchange and brokering;
- (c) Support to UNICEF's advocacy, policy and programme development in support of the Millennium Agenda
- (d) Securing and strengthening the Centre's institutional and financial basis.

Three interrelated strategies will guide the achievement of these goals: Evidence-based analysis drawing on quantitative and qualitative information, the application of appropriate methodologies, and the development of recommendations to assess and

inform advocacy and policy action. Enhanced partnerships with research and policy institutions and development actors, globally and at regional level, in developing and industrialized countries.

Communication and leveraging of research findings and recommendations to support policy development and advocacy initiatives through strategic dissemination of studies and contribution to relevant events and for a (Horton, 2004).

### **3.3.1 United Nations Industrial Organisation (UNIDO)**

The United Nations Industrial Development Organization (UNIDO) is a specialized agency in the United Nations system, headquartered in Vienna, Austria. The Organization's primary objective is the promotion and acceleration of industrial development in developing countries and in countries with economies in transition and the promotion of international industrial cooperation. It is also a member of the United Nations Development Group. UNIDO believes that competitive and environmentally sustainable industry has a crucial role to play in accelerating economic growth, reducing poverty and achieving the Millennium Development Goals. The Organization therefore works towards improving the quality of life of the world's poor by drawing on its combined global resources and expertise in the following three interrelated thematic areas:

- (i) Poverty reduction through productive activities;
- (ii) Trade capacity-building; and
- (iii) Energy and environment.

Activities in these fields are strictly aligned with the priorities of the current United Nations Development Decade and related multilateral declarations, and reflected in the long-term vision statement, business plan and mid-term programme frameworks of UNIDO.

In order to fulfill these objectives, UNIDO assists developing countries in the formulation of development, institutional, scientific and technological policies and programmes in the field of industrial development; analyzes trends, disseminates information and coordinates activities in their industrial development; acts as a forum for consultations and negotiations directed towards the industrialization of developing countries; and provides technical cooperation to developing countries for implementing their development plans for sustainable industrialization in their public, cooperative and

private sectors.

UNIDO thus works largely in developing countries, with governments, business associations and individual companies. The Organization's "service modules" are Industrial Governance and Statistics, Investment and Technology Promotion, Industrial Competitiveness and Trade, Private Sector Development, Agro-Industries, Sustainable Energy and Climate Change, Montreal Protocol, and Environmental Management.

### **3.3.2 Thematic focus of UNIDO**

UNIDO explains its thematic focus areas as follows (UNIDO, 2010):

- (a) Poverty reduction through productive activities;
- (b) Trade capacity-building;
- (c) Energy and environment.

**(1) Poverty reduction through productive activities** As a primary driver of economic growth and employment creation, the private sector has a central role in poverty reduction and the achievement of the Millennium Development Goals. Private sector-led industrial development makes a significant contribution to bringing about the much needed structural changes that can set the economies of poor countries on a path of sustained economic growth. UNIDO's services therefore focus on encouraging the creation of decent employment and income to overcome poverty. These services are customized for developing countries and range from industrial policy advice to entrepreneurship and SME development, and from investment and technology promotion to the provision of rural energy for productive uses.

#### **(2) Trade capacity-building**

The technical ability of developing countries to produce competitive exportable products that comply with international standards is key to their successful participation in international trade. UNIDO is one of the largest providers of trade-related development services, offering focused and neutral advice and technical cooperation in the areas of competitiveness, industrial modernization and upgrading, compliance with international trade standards, testing methods and metrology.

#### **(3) Energy and environment**

Fundamental changes in the way societies produce and consume are indispensable for achieving global sustainable development and fighting climate change. UNIDO therefore promotes sustainable patterns of industrial consumption and production to de-link the processes of economic growth and environmental degradation. UNIDO is a leading provider of services for improved industrial energy efficiency and the promotion of renewable sources of energy. It also

assists developing countries in implementing multilateral environmental agreements and in simultaneously reaching their economic and environmental goals.

**(d) African Development Bank**

This bank was established on 10th September, 1964 after the meeting of Ministers of Finance in Africa took the recommendation of the United Nations Economic Commission for Africa (ECA) that such a bank was overdue in accelerating the economic development of the African continent.

It commenced operation in July, 1996 with head office in Abidjan, Cote d'Ivoire.

The bank's principal functions are as follows:

- (1) to make loans and equity investments for the economic and social advancement of the Regional Member Countries (RMC);
- (2) to provide technical assistance for the preparation and execution of development projects and programs;
- (3) to promote investment of public and private capital for development purposes;
- (4) to respond to requests for assistance in coordinating development policies and plans of RMCs.

In its operations, the bank is also required to give special attention to national and multinational projects and programs which promote regional integration. The Bank's loans are tied to specific projects in major sectors like agriculture, public utilities, transportation, electrification and poverty alleviation efforts. The maturity tenor for its loans ranges up to 20 years including 5 years grace period. Its interest rate is adjusted twice a year; in January and July to reflect the average cost of funds. The apex authority is the Board of Governors that approves all loans, guarantees, equity investments and borrowings. It also sets the operational and financial policies as well as the guidelines for borrowing. Egypt currently has the highest voting power as the highest subscriber of the bank's capital followed by Morocco and Nigeria. In 1982, membership was extended to non-African countries without compromising the "African-bias" of the bank, which is primarily to support the poor countries in Africa. The Presidency of the bank was still

retained for Africa while African members retained two thirds of the voting rights.

The bank pools its funds from the following sources:

- (i) Contributions in capital from member countries;
- (ii) Loans and floating of bonds in the international capital market;
- (iii) Loans from Bretton Woods Institutions like IBRD, IMF and IFC;
- (iv) Tenor placements by international institutions;

- (v) Proceeds of interest on loans granted;
- (vi) Proceeds of interest on investments in multilateral institutions at Central Banks of member states;
- (vii) Bad debts recovered; and
- (viii) Solidarity aids and gifts from members and other international bodies.

#### **4.0 CONCLUSION**

We traced and described the role of government in entrepreneurship development in Nigeria. We also listed the support agencies established by the government for the development of small and medium scale industries. Finally, we described the role of the support agencies with which the federal government collaborates in the development of entrepreneurship in Nigeria.

As stated at the beginning of this unit, we have come to the conclusion of this course. We congratulate you on the successful conclusion of the course and urge you to study your material thoroughly and try your hands in other materials in the library and internet to improve your knowledge and assist you in your preparation for your examination. We wish you all the best.

#### **5.0 SUMMARY**

In this unit, we described the role of government in entrepreneurship development in Nigeria; listed the support agencies for the development of small and medium-scale industrialists; described the role of these support agencies to the development of entrepreneurship.

#### **6.0 TUTOR-MARKED ASSIGNMENT**

1. List the agencies created by the government to support entrepreneurship development under regulatory, participatory and facilitating roles.
2. List the institutions to which the federal government collaborates to support entrepreneurship development in Nigeria and briefly discuss their roles.

#### **7.0 REFERENCES/FURTHER READINGS**

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