

# Challenges Associated with Entrepreneurship, Vocational Education and Self-Employment in Nigeria

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***Abstract- Entrepreneurship and self-employment have long been touted as pathways to economic growth and development. This study investigates the challenges associated with entrepreneurship, vocational education, and self-employment in Nigeria. Despite the purported benefits, aspiring entrepreneurs and self-employed individuals face considerable hurdles that stifle business creation and sustainability. Utilizing an analytical framework grounded in the Human Capital theory and the Institutional theory, this research elucidates the multifaceted obstacles endogenous to the Nigerian context, ranging from limitations in human capital development to poor enabling environment. Specifically, inadequate access to financing, infrastructure, and resources combines with suboptimal policies and regulations to create formidable barriers. Additionally, gaps in entrepreneurial knowledge and vocational skills undermine individual capacity to establish and expand enterprises. By delineating these challenges and their resultant adverse impacts on job creation and economic expansion, this study aims to highlight potential areas for reform and intervention to nurture entrepreneurship and self-employment as drivers of sustainable development in Nigeria.***

***Indexed Terms- Entrepreneurship, Vocational Education, Self-Employment, Training***

## I. INTRODUCTION

The importance of vocational education through entrepreneurship to self-employment in terms of nation building cannot be over-emphasized. Vocational training, and self-employment have been recognized as constituting a vital segment of the Nigerian educational system and human development initiative for producing a requisite skilled manpower needed (Gbesoevi, 2019). Entrepreneurship has

always been regarded as a medium for economic growth and development of any nation and is centered around improving not only the Nigerian GDP, but also a poverty alleviation means required for any country seeking sustainability. While vocational education and self-employment revolve around entrepreneurship, there exists not too clear a difference between them. Therefore, before going into an in-depth explanation of the subject topic, entrepreneurship, vocational education, and self-employment need to be explained. Vocational education is a form of education in which people are provided with practical skills that allow them to engage in careers that involve practical abilities (Peters, 2021). The term vocational education is most times regarded as technical education because it involves the practical aspect of any skilled job which is not always subjective to one's level of education. Vocational education which in today's Nigerian economy is equally regarded as vocational learning usually in the form of acquiring skills in certain field of work known as apprenticeship. Some of the careers that one can receive through vocational education training include: computer engineering, bricklaying and masonry, hairdressing, carpentry, tailoring, photography, etc.

Empirical studies in Africa reveal entrepreneurship as a potent employment opportunity and source of growth for the continent (Adusei, 2016). For instance (Okafor, 2006) found that small and medium-scale businesses contributed to over 50% of the employment and GDP in Africa. The challenges of entrepreneurship, vocational education, and self-employment cannot be isolated to Nigeria alone but is also a very generic and prevalent issue in Africa as a whole. Thus, a quick review into the impact of the challenges faced concerning this topic will be briefly analyzed in the paragraph below.

A study on the relationship between entrepreneurship and per capita income in developing countries shows that each firm joining the formal sector in Africa generates 24.4% permanent jobs on-average, while the Global Entrepreneurship Monitor (GEM) survey between Ghana and Nigeria shows job creation and self-employment very low compared to other developing nations (GEM, 2012).

- Objective of the study

To investigate the challenges associated with entrepreneurship, vocational education, and self-employment in Nigeria.

To highlight potential areas for reform and intervention to nurture entrepreneurship and self-employment as drivers of sustainable development in Nigeria.

## II. LITERATURE REVIEW

### 2.1 Conceptual Review

#### 2.1.1 Entrepreneurship

A wide range of definitions and notions pertaining to academic theorists' and empirical researchers' growing interest in the subject of entrepreneurship can be found in existing literature. Taking chances, being creative, and recognizing and grabbing opportunities are three crucial elements that are critically important and have been highlighted in several studies, albeit to varying degrees (Newman, Obschonka, Schwarz, Cohen, &Nielsen. 2019).

The definition of an entrepreneur, according to the development economist, Schumpeter (1934), is a risk-taking inventor needed for rapid economic progress through the process of "creative destruction," which substitutes new ideas and technology for antiquated ones. According to Schumpeter, entrepreneurship is about creating value. The environment in which the opportunity develops or arises, a set of personal competencies necessary to recognize and seize the opportunity, and the ability to actualize the opportunity by turning it into a business are the three factors that combine to produce entrepreneurship (Martin & Osberg 2007). Baron and Henry (2010) assert that because their actions create snowball consequences that lead to previously unrealized opportunities, entrepreneurs both create and perceive possibilities.

Finding and seizing chances are essential to entrepreneurship (Kimmitt, Muñoz, & Newbery, 2020). Entrepreneurs are skilled in identifying unmet requirements, market gaps, or places for development and then coming up with creative solutions. Entrepreneurship is characterized by innovation which propels both social advancement and economic growth. The willingness to accept measured risks is a hallmark of entrepreneurs ((Nwekeala, 2023). Because the business environment is by its very nature unpredictable, entrepreneurs must make judgments based on partial knowledge. Taking risks is necessary to pursue new endeavors and get significant advantages (Dahlan, Priyana, & Syam, 2023).

An essential component of entrepreneurship is creativity (Mickiewicz & Kaasa, 2022). Entrepreneurs are frequently innovative thinkers who can look beyond the box and come up with original solutions. A well-defined vision offers guidance and direction to entrepreneurs as they strive towards their objectives.

#### 2.1.2 Vocational Education

Training for skilled crafts as an artisan, trade as a trade person, or labor as a technician is known as vocational education. A person receiving vocational education can also be thought of as receiving the kind of education necessary to provide them with the necessary skills to work for themselves or find meaningful employment (Lawal, 2013).

Practical skill development and hands-on training are highly valued in vocational education. To obtain experience pertinent to their chosen sector, students frequently participate in real-world, industry-specific scenarios.

Vocational education programs are designed to prepare students for specific careers or professions. These programs often lead to certifications or qualifications that are recognized by employers within the targeted industry (Idoko, 2023).

The basic framework and infrastructure for vocational education has long been established in Nigeria, with federal and state government ministries overseeing departments, agencies, vocational centers, and integrated technical colleges. However, vocational education has encountered various obstacles in

carrying out its goal, even though it has great potential for the advancement of Nigeria. Certain limitations stem from historical factors, while others are the outcome of negative social, political, psychological, and philosophical influences working against the organization (Akpan, Usoro, & Ibiritam, 2013).

Cultural attitudes also discount vocational careers as lesser options, with emphasis placed on university education even in non-relevant fields (Nwekeaku, 2013). Thus, vocational education struggles both on the supply side regarding program quality and instructor availability as well as insufficient demand and enrollment to match labor market needs.

Nigeria can observe and benefit from the opportunities of vocational education if constraints are handled properly (Usoro, Usoro, Akpan, & Otu, 2010).

### 2.1.3 Self Employment

The Self-employed definition describes a self-employed person as someone who earns his income by taking contracts with a business rather than working for a particular employer. They do not get consistent salaries or wages from a particular employer because they usually work for more than one employer. Self-employed people may be individuals or self-governing contractors (The Economic Times). When someone works for oneself, he or she is in charge of managing and operating one's own freelance businesses or enterprises. Although this type of work arrangement allows for flexibility and autonomy, it also entails assuming the risks and obligations of being an entrepreneur.

Self-employment encompasses operating one's own small business or engaging in income-generating activities in the informal sector. In the context of developing countries like Nigeria, the concepts of self-employment, entrepreneurship, and informality are often intersecting (Okafor, Maziriri, & Mapfumo, 2015). Drawing from my firsthand experience growing up in Lagos, Nigeria, I argue that the concepts of self-employment, entrepreneurship, and informality are very much interconnected in the context of developing countries. Many self-employed individuals operate small businesses informally due to lower barriers to entry, with no business licenses or formal storefronts. At the same time, entrepreneurial

efforts by these enterprising people support their livelihoods and families. Additionally, some have side self-employment ventures to supplement primary jobs and incomes. This speaks to the innovation and determination driving Nigerians to create economic opportunities even when formal jobs and institutions are lacking. In developing economies like Nigeria's, analyzing self-employment necessitates understanding its blurred lines with entrepreneurship and the informal sector. The informal sector provides livelihoods for many Nigerians, employing nearly 60% of the workforce by some estimates (Medina et al., 2017). Participants largely operate small unincorporated enterprises like farming, retail trade, artisanal work, transport, and personal services. These activities that generally occur outside government regulation and accessing capital through formal institutions remains difficult, constraining productivity and growth (Bala, 2020).

Scholars debate the potential of informal self-employment. Some see it because of economic hardship and a barrier to progress. Others, however, argue that it can be a source of innovation and empower individuals, potentially contributing to "inclusive growth" where everyone benefits from economic prosperity (Meagher, 2018). "Inclusive growth" emphasizes spreading economic gains beyond the wealthiest to improve overall well-being. Abereijo (2015) and Okafor et al. (2015) argue that the high prevalence of self-employment in Nigeria is not due to entrepreneurial motivations, but rather arises from limited formal opportunities, high rates of poverty, economic uncertainty, and a lack of social safety nets.

Structural challenges also permeate the self-employment space. Studies emphasize deficits around credit access, property rights constraints, infrastructure reliability issues in electricity and internet connectivity, gaps in technical skills, and restrictive policies and corruption related to registering and expanding a business (Bosma et al., 2020; Okoye & Arimonu, 2016). Such barriers disproportionately impact marginalized groups like women and northern regions (Decker et al., 2021).

Self-employed individuals have the autonomy to make decisions about their business operations, work hours,

and clients. They are not subject to direct supervision by an employer. Self-employment often requires individuals to take on various entrepreneurial responsibilities, such as business planning, marketing, financial management, and customer relations. Self-employed individuals are responsible for their financial success and bear the financial risks of their ventures. They have the potential for higher earnings, but they also face uncertainties, especially in the early stages of their businesses. Successful self-employment often requires an entrepreneurial mindset, including a willingness to take calculated risks, adapt to changing circumstances, and pursue opportunities for growth.

#### 2.1.4 Necessity as a Key Motivation

Necessity is a major motivational force compelling Nigerians into entrepreneurial activities (Mawoli & Peter, 2021). With high rates of poverty and limited formal employment opportunities, many individuals turn to self-employment out of economic necessity and survival, rather than pure entrepreneurial drive.

Nigeria's challenging economic conditions and lack of social safety nets leave much of the population vulnerable. Over 83 million Nigerians live below the poverty line, getting by on less than \$1 per day (National Bureau of Statistics, 2022). Gainful wage employment is scarce, with more entrants into the labour force annually than formal jobs created. Together, these realities push many Nigerians into necessity-based entrepreneurship in small retail trade, services, artisanal work, transportation, agriculture and more.

The necessity-driven nature of Nigerian entrepreneurship manifests itself in certain ways:

- **High Participation, Low Growth Orientation:** Nigeria exhibits one of the highest entrepreneurship participation rates globally, but enterprises often remain small with limited capacity or motivation to scale.
- **Vulnerability to Income Shocks:** Necessity entrepreneurs frequently balance multiple odd jobs and struggle during economic downturns or personal emergencies due to lack of capital reserves.
- **Subsistence-Level Earnings:** With so many microenterprises operating in parallel selling

similar goods/services, profit margins remain thin and earnings hover at subsistence levels.

While necessity entrepreneurs demonstrate admirable resourcefulness and determination, the subsistence orientation of their ventures constrains productivity, innovation, and economic expansion. Enabling entrepreneurship that moves beyond necessity-motivation toward growth-orientation will be key for inclusive economic development in Nigeria.

#### 2.1.5 Leveraging Indigenous Resources

Nigerian entrepreneurship frequently showcases creative ways of leveraging the country's natural resources (Anthony, Eneh, Effiong, & Etuk, 2022). Agro processing of locally cultivated cash crops is one prime example. Entrepreneurs produce palm oil, shea butter, cocoa products, cashew processing and more from Nigeria's agricultural bounty. Food processing of crops like cassava, rice, beans, and tomatoes also abound.

Beyond agriculture, Nigerian entrepreneurs harness indigenous crafts and materials for small businesses in leatherworking, pottery, woodcarving, textile production, fashion design, beadmaking, metalworking, basket weaving, and traditional healing/medicines. The array of indigenous resources applied in Nigerian entrepreneurship reflects the localization and ingenuity in play.

However, reliance on indigenous raw materials also exposes gaps in technical expertise and imported resources which may constrain productivity and innovation. Larger-scale manufacturing capacity involving advanced machinery, quality standardization, distribution/logistics infrastructure, and integration into global value chains remains lacking.

If provided greater access to working capital, skills training, affordable utilities, and transportation infrastructure, Nigerian entrepreneurs could better optimize and upgrade traditional modes of production. Moving informal indigenous practices into the formal economy also presents growth opportunities. There are untapped prospects for Nigerian entrepreneurs to build globally competitive brands around the country's cultural heritage and diverse crafts. With supportive

policies and access to technology, Nigeria's wealth of local resources can become an even greater asset fueling innovative, scalable entrepreneurship.

## 2.2 THEORETICAL REVIEW

### 2.2.1 Human Capital Theory

The Human Capital Theory, which was formulated by economists Gary Becker (1964) and Theodore Schultz (1961), establishes that investments in education and training have a substantial impact on the economic productivity of individuals as well as the general growth of the economy. According to the theory, people are seen as human capital, and the information, skills, and abilities they possess are important assets that increase their potential for productivity, earning potential, and national economic growth.

Some key points of the human capital theory:

- Investment in education and skills pays off: The more individuals invest in their education and skills through formal schooling, vocational training, and on the job experience, the higher their earning potential and overall productivity.
- Returns on investment: Just like physical investments, investments in human capital generate returns over time. These returns can be measured in terms of increased wages, improved job opportunities, and greater job satisfaction.
- Inequalities and Opportunities: Inequalities in access to education, training, and healthcare services can lead to disproportionate opportunities for human capital accumulation and economic advancement across different groups in society. The human capital theory emphasizes the importance of promoting equitable access to these critical services to reduce disparities in outcomes.
- Dynamic nature of human capital: Skills and knowledge become obsolete over time as technologies and economies evolve. The theory highlights the need for continuous learning and adaptation to maintain and enhance human capital.

Human Capital Development and Entrepreneurship:

The Human Capital Theory states that training and education, including vocational education are responsible for the acquisition of human capital. When it comes to entrepreneurship, human capital quality becomes extremely important. The lack of access to

high-quality education and career training in Nigeria may make it more difficult for people to acquire the skills and information required for successful entrepreneurship.

Skill Mismatch and Unemployment:

The theory suggests that mismatched skills lead to lower productivity and increased unemployment. In Nigeria, challenges in vocational education may result in a disconnection in the skills acquired and the demands of the labour market, thereby contributing to high rates of underemployment, especially among the youth.

Entrepreneurial Capacity and Economic Growth:

The Human Capital Theory establishes that a well-educated and skilled population can enhance economic growth. In the context of entrepreneurship, a lack of effective vocational education and skill development programs may impede the growth of small businesses and limit the overall contribution of entrepreneurship to the Nigerian economy.

Investment in Human Capital and Self-Employment:

The theory underscores the importance of individuals investing in their own human capital. Challenges in vocational education and skill acquisition may discourage individuals from pursuing self-employment due to inadequate preparation and the perception of higher risks. This, in turn, can impact the overall entrepreneurial landscape in Nigeria.

Policy Implications:

Using the Human Capital Theory allows for the identification of policy implications. Policies that address challenges in vocational education, improve access to quality education, and foster skill development can positively influence entrepreneurship and self-employment rates in Nigeria. This might include reforms in the education sector, targeted vocational training programs, and initiatives to bridge the gap between formal education and practical skills required for entrepreneurship.

Human Capital and Innovation:

The theory emphasizes the role of education in fostering innovation. Challenges in vocational education may limit the capacity for innovation among aspiring entrepreneurs in Nigeria. Addressing these

challenges can lead to a more innovative and dynamic entrepreneurial ecosystem.

#### Life-Long Learning and Adaptability:

The Human Capital Theory supports the idea of life-long learning. Challenges in vocational education may hinder adaptability and continuous skill development, limiting the ability of individuals to navigate the evolving landscape of self-employment and entrepreneurship.

The Human Capital Theory provides a comprehensive lens to understand and address the challenges associated with entrepreneurship, vocational education, and self-employment in Nigeria. By focusing on human capital development, policymakers can design interventions that promote a skilled and entrepreneurial workforce, contributing to economic growth and sustainable development.

#### 2.2.2 Institutional Theory

The Institutional Theory by Meyer and Rowan (1977) establish that institutions, comprising formal and informal rules, norms, and structures, profoundly influence the behavior of individuals and organizations within a society. Institutions shape decision-making, guide actions, and confer legitimacy upon entities. Organizations often conform to institutional expectations through processes like isomorphism, driven by coercive, mimetic, or normative pressures. Legitimacy is a key factor for organizational survival, and institutional entrepreneurs may drive change by challenging existing norms. The theory also acknowledges path dependence, environmental influences, and the role of institutional logic in shaping behavior within specific sectors or professions.

#### Formal Institutions and Entrepreneurial Challenges:

Formal institutions, such as government regulations, legal frameworks, and bureaucratic procedures, play a significant role in shaping the entrepreneurial landscape. Challenges related to cumbersome business registration, licensing, and compliance procedures may hinder entrepreneurial ventures in Nigeria. Institutional inefficiencies can create barriers, particularly for small enterprises and startups.

#### Informal Institutions and Self-Employment:

The Institutional Theory recognizes the importance of informal institutions, including social norms, cultural values, and community expectations. In Nigeria, social norms and cultural factors may influence the perception of self-employment. Challenges related to stigma, lack of social support, or cultural biases against certain types of businesses may impact individuals' decisions to pursue self-employment.

#### Institutional Voids and Vocational Education:

Institutional voids, referring to gaps or deficiencies in formal institutions can be identified in the context of vocational education in Nigeria. Challenges such as inadequate infrastructure, outdated curricula, and limited resources for vocational training institutions represent institutional voids that hinder the effective preparation of individuals for self-employment and entrepreneurship.

#### Regulatory Environment and Business Formalization:

The Institutional Theory suggests that the regulatory environment significantly influences business formalization. Challenges related to complex and bureaucratic regulatory procedures may discourage entrepreneurs from formalizing their businesses in Nigeria. The ease or difficulty of complying with formal institutional requirements impacts the decision to operate within the formal sector.

#### Institutional Change and Policy Reforms:

Institutional change is central to the Institutional Theory. Challenges in entrepreneurship, vocational education, and self-employment may necessitate policy reforms to address institutional deficiencies. Analyzing the institutional context can guide policymakers in designing interventions that foster a more supportive environment for entrepreneurship and vocational education.

#### Normative Pressures and Skill Acquisition:

Normative pressures arising from societal expectations and cultural norms, can influence individuals' decisions regarding skill acquisition and vocational education. Challenges related to limited access to quality vocational training may be influenced by normative pressures that favor certain educational pathways over others.

#### Mimetic Processes and Entrepreneurial Behavior:

Mimetic processes, where individuals imitate the behaviors of others can be observed in the entrepreneurial context. Challenges associated with a lack of role models, mentorship, or successful entrepreneurial examples may hinder the development of an entrepreneurial culture. Institutional influences on mimetic processes can shape entrepreneurial behavior in the Nigerian context.

#### Role of Institutional Entrepreneurs:

The Institutional Theory recognizes the role of institutional entrepreneurs in driving institutional change. In the Nigerian context, individuals or organizations that champion reforms in vocational education or entrepreneurship policies can act as institutional entrepreneurs influencing positive change and addressing challenges.

The Institutional Theory provides a comprehensive framework for understanding how formal and informal institutions influence the challenges associated with entrepreneurship, vocational education, and self-employment in Nigeria.

### III. CHALLENGES ASSOCIATED WITH ENTREPRENEURSHIP, VOCATIONAL EDUCATION AND SELF-EMPLOYMENT IN NIGERIA.

#### 3.1 Lack of Infrastructure and Finance

Thriving entrepreneurship in Nigeria faces formidable challenges arising from a confluence of factors, notably are the lack of essential infrastructure, financial constraints, and limited access to capital and financial services.

Enabling infrastructure is pivotal for entrepreneurial success, serving as the bedrock for exercising entrepreneurial knowledge and fostering innovation within a country. Access to reliable infrastructure significantly enhances productivity, efficiency, and market access, contributing to sustainable growth (European Journal of Business Management, 2014). However, the dearth of sufficient power is a pervasive challenge for entrepreneurs and the self-employed in Nigeria. Many businesses struggle with unreliable power supply, leading them to resort to self-generated electricity, often through generators. This alternative,

including the procurement of fuel and diesel transfers additional costs to customers or consumers.

In parallel, startups in Nigeria confront barriers in accessing crucial financial resources, impeding their growth and functionality. A substantial hindrance to startups is the high interest rates imposed on entrepreneurs by financial institutions, such as commercial banks, reaching as much as 13%. The stringent collateral requirements and limited credit extension to small firms without established cash flows further exacerbate the challenge. The formal financial system extends loans to merely 2.5% of microenterprises in a typical year (Ofili, 2014). The resultant lack of access to affordable credit inhibits startups from launching or achieving meaningful growth.

Moreover, limited access to capital and financial services emerges as a severe obstacle to Nigerians who are aspiring to initiate or expand business ventures. A survey revealed that 77% of early-stage Nigerian entrepreneurs consider access to capital a critical barrier. The formal financial system's reluctance to extend credit to small firms without established cash flows compounds the problem. Data indicates that only 2.5% of microenterprises receive loans from institutional lenders in a typical year (Ofili, 2014). High interest rates, approximately 27%, deter demand, while microfinance institutions struggle with capitalization and operating costs. To address this challenge, boosting the availability of affordable credit and patient risk capital tailored to bridge short-term cash flow gaps is indispensable. This approach is crucial for unlocking startups, facilitating business formalization, and realizing enterprises' job creation potential.

Addressing the intertwined challenges of infrastructure deficits, financial constraints, and limited access to capital are imperative for fostering a conducive environment for entrepreneurship in Nigeria. The synergistic resolution of these issues will unleash the full potential of entrepreneurial endeavors, contributing to economic growth, job creation, and shared prosperity in the country.

### 3.2 Burdensome Regulatory Compliance and Licensing Barriers

Navigating Nigeria's business regulatory system and licensing requirements is extraordinarily burdensome for entrepreneurs without political connections or the capacity to bribe officials. Administrative inefficiencies abound during company incorporation, operational permitting, land acquisition and annual filings. Delays spanning 6-8 months are typical while out-of-pocket expenses for bureaucratic paperwork and follow-ups remain prohibitive relative to average income levels. Such rigidities incentivize avoidance of formalization altogether. Those seeking to establish lawful enterprises face steep registration fees, unfavourable tax regimes, convoluted compliance procedures and opaque administrative directives that foster an environment rife with exploitation.

Streamlining the regulatory rulebook and associated bureaucratic processes through digitization, transparency enhancements and administrative restructuring are imperative to lower barriers to entry. Reducing registration costs and turnaround times while publishing clear guidance can make formalization attractive. Bolstering assistance through one-stop SME desks can also help entrepreneurs navigate complex systems. Failure to implement reforms ensures talented and ambitious Nigerians bypass formal structures altogether rather than confront demoralizing red tape.

### 3.3 Gaps and Inadequate Enforcement in Vocational Education Quality Assurance

While Nigeria possesses a strong cultural tradition of informal apprenticeships across trades like tailoring, carpentry, and motor mechanics, standardized curricula and credentialing systems for vocational skills acquisition remain lacking. Monitoring training quality also proves minimal, especially in Nigeria's expansive artisanal enterprise sector. The prevalence of rudimentary vocational preparation channels, combined with limited continuing professional development pathways for working technicians, contribute to skill gaps that undermine productivity and quality control capabilities. These deficiencies bar young trainees from imbibing the well-rounded technical, entrepreneurial, and business management competencies essential for establishing formal microenterprises upon trade mastery.

Introducing national occupational standards, instituting competency-based curricula with structured on-the-job and classroom learning, strengthening instructor accreditation, and launching skills testing regimes can strengthen certification signals and upgrade human capital. Bolstering vocational training infrastructure across Nigeria's 36 states and linking program benchmarks to credibly signal occupational capabilities can expand formal employment for certified tradesmen while furnishing self-employed artisans with expertise to transform microenterprises into dynamic SMEs.

### 3.4 Business Regulations

Business regulations play a critical role in shaping the entrepreneurial landscape of a country. Like traffic lights in a city, they are designed to prevent chaos and ensure a smooth flow of business transactions. However, when regulations become too stringent, they can hinder the growth of entrepreneurial ventures by increasing the time and cost required to start a business. This, in turn, makes it less likely for businesses to take root, especially in a developing country like Nigeria (European Journal of Business Management, 2015, Vol. 7, No. 11).

In the context of Nigeria, it is crucial to evaluate the efficacy of existing business regulations, considering their impact on the entrepreneurial spirit and the attraction of foreign businesses to the Nigerian market. Harsh regulatory policies not only dampen the enthusiasm of local entrepreneurs but also act as deterrents for foreign businesses looking to invest in Nigeria.

Additionally, the limited implementation of vocational education centers in the Nigerian curriculum, particularly in universities, exacerbates the challenges faced by aspiring entrepreneurs. Vocational education is essential for equipping individuals with practical skills and knowledge relevant to various industries. The underrepresentation of vocational education in universities, as opposed to polytechnic institutions, restricts the development of a skilled workforce that is vital for entrepreneurial success.

To address these issues, business regulations in Nigeria should be designed with flexibility that accommodates the dynamic nature of the educational



system and the business market. Flexibility in regulations can create a conducive environment for entrepreneurship to thrive, encouraging innovation and business growth. Moreover, incorporating vocational education into the mainstream curriculum of universities will contribute to the development of a well-rounded and skilled workforce capable of driving entrepreneurial ventures.

### 3.5 Political Instability

Political instability significantly disrupts the business environment, making it challenging for businesses to thrive. In a politically unstable environment, the flow of power and governance patterns becomes unpredictable, impacting businesses in various ways. This instability contributes to a fluctuation and uncertain economy, hindering businesses' ability to make accurate predictions and forecasts about the future. Local businesses, particularly those in their early stages are more susceptible to failure during times of political instability. The lack of a stable political environment makes it challenging for these businesses to establish a solid foundation for growth. Moreover, political unrest repels foreign investors who seek stability and security for their investments. The fear of chaos and social unrest discourages foreign businesses from entering or expanding their operations in the affected country. Protests, strikes, and social unrest disrupt day-to-day business operations, leading to a decline in profits and potential damage to business premises.

To address these challenges, governments should prioritize political stability through transparent and accountable governance. Consistent policies and peaceful transitions of power contribute to a stable political environment, instilling confidence in both local and foreign businesses. Investing in conflict resolution mechanisms is essential to address underlying issues that contribute to political instability.

Establishing and maintaining the rule of law is crucial for a stable business environment. Legal frameworks that protect businesses and ensure the fair treatment of investors contribute to overall stability. Businesses operating in politically unstable regions should develop robust business continuity plans to address

potential disruptions and ensure that operations can continue even in challenging circumstances.

Governments can also seek support and guidance from international organizations that specialize in conflict resolution and peacebuilding. Collaborative efforts with these organizations can contribute to long-term stability. Addressing political instability requires a concerted effort from governments, businesses, and the international community to create an environment conducive to business growth and development, benefiting both local and foreign investors (Aniekwu & Jude, 2019).

### 3.6 Corruption and Exploitation

Corruption and exploitation have become pervasive issues in various sectors of the Nigerian economy, particularly in the realms of new business creation and academia. These unethical practices pose significant challenges to entrepreneurs, students, and individuals seeking skill acquisition (Oladotun & Shakir, 2021). In the process of developing a startup, entrepreneurs often encounter corruption at different stages, starting from business registration to obtaining necessary licenses and procuring facilities. Government officials frequently demand bribes and kickbacks, creating a corrupt system that hampers the establishment of new businesses. The financial burden imposed by these corrupt practices is then transferred to potential clients and customers, resulting in inflation and increased costs for goods and services.

Corruption's impact is particularly profound in the corporate business sector, where entrepreneurs may find it difficult to navigate bureaucratic processes without engaging in corrupt practices. This not only undermines fair competition but also stifles economic growth and innovation.

Exploitation, on the other hand, is prevalent in vocational and skill acquisition centers. Apprentices and students often face exploitative conditions, especially in traditional artisanal trades. For instance, a person aspiring to become a mechanic may find themselves performing menial tasks beyond the scope of their learning, such as running errands and attending to the personal needs of their boss. This exploitative relationship can hinder the true learning experience

and discourage aspiring artisans (Okoye & Arimonu, 2016).

In vocational institutions, students may be subjected to compulsory purchases of materials, tools, and equipment, even if they cannot afford them. This exploitative nature of some institutions creates financial barriers for students and undermines the inclusivity of vocational education. As a result of this exploitation, young individuals aspiring to learn a trade may find themselves trapped in a cycle of exploitation, limiting their ability to acquire essential skills for entrepreneurship.

To address these challenges, there is a need for comprehensive anti-corruption measures, including increased transparency in government processes and strict enforcement of ethical standards. Additionally, vocational institutions should implement fair and affordable fee structures, ensuring that students have access to the necessary tools and materials without being subjected to exploitative practices. Creating awareness about ethical business practices and promoting a culture of integrity can contribute to fostering a business environment that is free from corruption and exploitation, allowing entrepreneurs and students to thrive ethically and contribute positively to the nation's development.

**3.7 Insufficient entrepreneurial knowledge and skills.** Insufficient entrepreneurial knowledge and skills represent a significant challenge in the Nigerian business landscape. Entrepreneurial ventures require a fundamental understanding of business operations, market dynamics, and the ability to navigate challenges. The absence of adequate entrepreneurial knowledge and skills can hinder individuals from effectively managing and growing their businesses (Olufemi, 2020). Entrepreneurial knowledge encompasses a range of competencies, including research and development (R&D), education, and practical experience.

Research and development are critical for staying abreast of market trends, identifying opportunities, and adapting to changing business environments. Education provides a theoretical foundation, while hands-on experience over time is crucial for honing practical skills in decision-making, problem-solving,

and innovation. Basic entrepreneurship training is essential for fostering startup initiatives and ensuring sustainability. Entrepreneurs equipped with the necessary knowledge and skills are better positioned to overcome obstacles, make informed decisions, and seize opportunities for growth. This training should cover various aspects, including business planning, financial management, marketing strategies, and risk assessment. Moreover, entrepreneurial education plays a crucial role in instilling confidence in prospective entrepreneurs. It enables them to articulate their business ideas, demonstrate the viability of their propositions, and convince investors of their determination and tenacity to succeed. This confidence is vital for attracting financial support and partnerships, which are often instrumental in the initial stages of business development.

Solutions include enhanced entrepreneurial education, promotion of practical experience through internships and mentorship programs, support for research and development initiatives, facilitating access to resources, and creating networking opportunities for entrepreneurs to learn from successful business leaders. By addressing the issue of insufficient entrepreneurial knowledge and skills through these solutions, Nigeria can cultivate a more resilient and competitive entrepreneurial ecosystem, driving economic growth and job creation.

### **3.8 Poor Attitudes Towards Entrepreneurship in Nigeria**

Nigeria faces an urgent need to diversify its economy and create new employment opportunities, especially for its rapidly growing youth population. However, negative perceptions and attitudes towards entrepreneurship, vocational education, and self-employment present major obstacles to unlocking the potential of these domains.

Research shows that many Nigerians view entrepreneurship as an undesirable last-resort career and associate it with high failure rates and poverty (Begho & Begho, 2023). White-collar office jobs remain the strongly preferred option, even when prospects are limited. This inhibits entrepreneurial drive and business startups.

Additionally, pervasive social stigmas exist against vocational education and training (VET), causing many to see it as an inferior alternative to university degrees (Kura & Mukhtar, 2019). However, VET provides crucial skills for gainful self-employment. Prejudices against vocational careers as lower status limit uptake.

Negative perceptions that self-employment is risky and low paying compared to formal employment also prevail, although evidence contradicts this (Goetz, Fleming, & Rupasingha, 2012). Such faulty attitudes constrain potential entrepreneurs.

Shifting the prevailing mindset is critical. Entrepreneurship and vocational skills must be positively promoted through advocacy campaigns, mainstream/social media, and role models. Educational reforms should emphasize experiential learning and business plan development. Access to financing and training to improve capabilities and self-efficacy is also essential.

With strategic interventions and enabling policies, the tide of negative attitudes can be reversed to unlock Nigeria's abundant entrepreneurial promise. The future prosperity of our youth depends on constructing more progressive perspectives.

### 3.9 Insecurity

Rampant insecurity across Nigeria has emerged as a significant deterrent to business and economic development (Yusuf & Mohd, 2023). Rising incidents of terrorism, banditry, kidnapping, and communal violence create an environment un conducive to entrepreneurship, vocational skills building and self-employment (Okpalaojiego, 2021).

Many prospective entrepreneurs and small business owners face constant fear of attack, extortion and looting which stifles productivity and growth (Ekoja, 2022). Vocational training centres and apprenticeships are also disrupted by violence and instability.

In the volatile Northeast region, prolonged insurgency has crippled entrepreneurial activities and livelihoods, with markets, farms and production facilities targeted (Ekoja, 2022). Similar challenges are spreading as criminal militias pillage communities nationwide.

Without urgent action to restore security, Nigeria's entrepreneurial potential remains untapped as investors and businesses steer clear. Government must prioritize tackling insecurity along with reforms to incentivize entrepreneurship and skills acquisition as pathways to economic stability.

Deploying new security infrastructure, community policing initiatives, deradicalization programs, and cross-border cooperation are crucial steps. However, holistic strategies are needed to address root causes like poverty, unemployment and social exclusion that drive youth towards violence and crime.

With concerted efforts on multiple fronts, the tide of insecurity can be stemmed to create an environment where entrepreneurship and vocational careers can thrive as vehicles for sustainable employment and national prosperity.

## IV. PROPOSED REFORMS

### Proposed Reform 1: Simplify Business Registration, Digitize Compliance Procedures

Firstly, federal and state governments must collaborate to streamline bureaucratic requirements for registering and formally licensing a new enterprise. Instituting a transparent digital platform as a common portal for incorporating new businesses, applying for operating permits across all tiers of government, registering for taxes, and fulfilling annual filing obligations can dramatically raise efficiency. This single window should consolidate all documentation needs, requisite forms, and payments channels to remove informational opacity and administrative redundancies that currently waste time and money.

Additionally, policymakers can ease the burden for early-stage ventures by offering temporary tax holidays, introducing nominal one-time registration fees below ₦10,000 and exempting small enterprises with less than 5 workers from convoluted annual filing requirements. Registration turnaround times should also adhere to guaranteed 30-day timelines. Transitioning from analog holdovers to seamless digitally enabled governance can stimulate formal entrepreneurship.

Proposed Reform 2: Expand Vocational Training Infrastructure Through Public-Private Partnerships  
Secondly, equipping Nigeria's surging working-age population with in-demand technical skills warrants a concerted expansion of vocation training infrastructure. Governments can catalyze this by undertaking purposeful partnerships with industry groups, education specialists and impact investors. New institutes focused on skills like masonry, welding, beauty services, craftwork, IoT systems installation and vehicle maintenance should provide structured curricula fusing classroom foundations with extensive apprentice-like immersion. Program courseware must integrate 21st century digital competencies too.

Policymakers can enable such investments by offering prime land parcels, co-funding startup capital expenses, and allocating public revenue shares to reputed skills partners selected competitively. Ensuring institutes employ outcome-based models with job placement performance metrics can enhance market relevance. Strategic contracting can also mandate youth admission quotas. Blending public stewardship, private execution and result-based funding can sustainably scale vocational preparation platforms vital for both self-employment and salaried opportunities across Nigeria's formalizing sectors.

Proposed Reform 3: Incentivize Lending to Microenterprises Through Partial Loan Guarantees  
Thirdly, structuring prudent guarantee programs to share risks between commercial banks and government agencies can expand affordable credit access for early-stage ventures with promising outlooks but lacking conventional collateral. Policymakers should launch dedicated micro and small enterprise finance initiatives that provide 50-70% guarantees on individual loans up to ₦5 million extended to ventures less than 3 years old. Qualification can utilize simple criteria like minimum monthly revenues, positive business ratings and completions of entrepreneurship education courses.

By absorbing potential losses in part, guarantees can induce risk-averse banks to experiment with new lending products catering to startups in sectors like agriculture, education services, light manufacturing, crafts and food processing. Mobilizing such capital

with supportive monitoring and insurance elements while enterprises scale can set thriving founders on trajectories to formalize and upgrade into recognized small-medium employers. Rather than offer direct subsidies, smart de-risking tools can unlock commercial funds to fulfill pressing credit supply gaps.

Proposed Reform 4: Develop National Occupational Standards and Certifications for Vocational Trades  
Finally, federal agencies in coordination with industry groups should institute skills frameworks that outline competency standards for practitioner roles in key vocational trades from welding to carpentry to electrical works. Once codified into national occupational standards, recognized curricula can integrate these ability benchmarks into formal training programs for each trade. Testing regimes can then align to certify individuals who demonstrably meet skill thresholds.

Stipulated funding pooled from small levies on affiliated industry activities can sustain autonomous skills authorities to impartially conduct examinations, award credentials and continuously update standards in line with technological advancements. Registered certificates attesting expertise can expand formal skilled employment opportunities. For the self-employed, credentialing also signals capabilities that inspire customer trust in microenterprise services and products. Structured skills assurance fosters wider enterprise formalization too. Beyond improving individual employability, systematic competency monitoring elevates industry professionalization.

## CONCLUSION

Nigeria faces significant barriers to entrepreneurship that stifle economic potential. Lack of access to capital, poor infrastructure, excessive bureaucracy, and inadequate vocational training prevent people from starting businesses to support themselves and their families. These obstacles also hinder promising startups that could bring innovation, job creation, and inclusive growth to the country. With a large youth population ready to apply their talents, Nigeria is failing to tap into a vital economic resource. To unleash entrepreneurial energy and build globally competitive small and medium-sized businesses, the

country must swiftly address barriers to business development access. Removing these roadblocks would allow entrepreneurship to thrive, empowering people to pursue self-employment and enabling startups to reach their potential. Tackling these issues is imperative for Nigeria to foster economic development, leverage its demographic dividend, and offer its citizens economic opportunity.

#### RECOMMENDATIONS

To unleash entrepreneurship and economic potential in Nigeria, urgent public sector intervention is required. By establishing training institutes and digitization programs, bureaucratic roadblocks can be removed that currently restrain business development. With its large youth population, Nigeria has a prime opportunity to implement policies supporting youth-led enterprises, which is critical for future prosperity. Smart policies can catalyze an entrepreneurial boom, fostering formalized enterprises fulfilling consumer demand and spreading knowledge. Thriving startups will create jobs, raise living standards, build regional supply chains, and promote broader industrial growth. Through collaboration between government, businesses, and investors, entrepreneurial ecosystems can be nurtured as engines of sustainable participation in the economy and widely shared prosperity. The time for discussion has passed; targeted action is required. By leveraging its demographic advantages in service of determined entrepreneurs, Nigeria can fuel inclusive development and empower enterprises to achieve their full potential.

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