“PROMOTERS OF ENTREPRENEURSHIP: ROLE OF GOVERNMENT AND AGENCIES”.

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Presentation Outline.

- Preamble
- State of Entrepreneurship In Nigeria
  - Entrepreneur and Entrepreneurship Defined.
- Challenges to Entrepreneurship Development in Nigeria
- Benefits of Entrepreneurship Development
- Government Agencies Promoting Entrepreneurship Development
  - Types of Government Agencies
  - Strategies in discharging responsibilities
- Role of Bank of Agriculture in Entrepreneurship Development
  - Financing Agro-preneurs Through Agricultural Value Chain Financing
- Conclusion
- Recommendations
Who is an Entrepreneur?

- **Innovative entrepreneurs** (Schumpeter)
  - ‘‘ those who enter a new business because of market opportunities and innovative ideas
    - An entrepreneur is willing and able to convert a new idea or invention into a successful innovation (Schumpeter)
    - That risk taker that sees opportunity which might transform an idea into real products and services in a form that meets the desire and satisfaction of target audience/customers.
    - Individual who has the ability to see and evaluate business opportunities, gather necessary resources to take advantage of them and initiate appropriate action to ensure success and he is a risk taker (Meredith et al 1991)

- **defensive and necessity entrepreneurs**
  - ‘ ‘ - those who enter a new business because they need an income to survive
    - A person who starts, organize a commercial enterprise especially one having financial risk
Who is an Entrepreneur?

- "Any person who initiates, organizes, controls and directs the process involved in the production or creation and distribution of any commodity or service." (Enudu. 1999)
- perceives a new business opportunity and often exhibits biases in their perception and subsequent decision to exploit the opportunity.

Entrepreneurship strategy in the Developing countries driven by the 'defensive and necessity' factor because the emerging entrepreneurs need an income to survive. (Naudé, 2009 and 2010)
- Entrepreneurship is driven by poverty and lack of formal opportunities in the wage sector that often push a large number of people into ‘entrepreneurial’ activities ranging from street vending to traditional and personal services (in most cases within the informal sector of the economy (Ihrig and Moe, 2004; Maloney, 2004)
Benefits of Entrepreneurship

• ‘entrepreneurship’ is a crucial driver of economic growth for both developed and developing nations

• entrepreneurship is a driving force of innovation, and more generally an engine for economic development. Schumpeter (1934),

• entrepreneurship is the process by which new enterprises are founded and become viable. Audretsch and Keilbach, 2004; Foster, Haltiwanger and Syverson, 2008; Fritsch, 2011).

• The reasoning is that new entrants can displace obsolescent firms in a process of ‘creative destruction’
Benefits of Entrepreneurship

• Entrepreneurship is a vital engine in the economic growth and development of nations
• Stimulates indigenous entrepreneurship
• Transformation of the traditional industry
• Creates employment opportunity
• Generates incomes
• Contributes to regional activity and cooperation
Challenges to Entrepreneurship Development in Nigeria

- Major challenges facing entrepreneurship development in Nigeria
  - Lack of funding
  - Expectation of quick returns hence fraudulent practices
  - Lack of adequate planning
  - Absence of infrastructure
    - Roads
    - Power
Governments & Agencies: what role?

- **Entrepreneurship ecosystem** within which entrepreneurship operates
  - includes government programs and services that promote entrepreneurs, entrepreneurship resources
    - business incubators and seed accelerators,
    - entrepreneurship education
    - training and
    - financing (e.g., loans, venture capital financing, and grants).
Governments & Agencies: what role?

- Governments at all levels are known to facilitate the promotion of entrepreneurship in Nigeria.
- The agencies of Government established to promote entrepreneurship, can be classified the following roles.
  - Participatory.
  - Regulatory and
  - Facilitatory
Governments & Agencies..(2)

- **Participatory Agencies** - who provide goods and services that are subsidized in a bid to encourage entrepreneurship-PHCN, NEMA, FERMA, FAAN

- **Regulatory Agencies** – mandated for regulating businesses through inspections and testing-Standard Organization of Nigeria (SON), National Agency for Food & Drugs Administration and Control (NAFDAC), Federal Environmental Protection Agency (FEPA), National Drug Law Enforcement Agency (NDLEA).
Facilitative Agencies - function may or may not include specialized funding to facilitate the establishment of Micro, Small & Medium Enterprises (MSMEs).

- The Industrial Training Fund (ITF),
- Bank of Agriculture (BOI),
- Bank of Agriculture (BOA),
- Industrial Development Centre (IDC),
- National Directorate of Employment (NDE)
- Small & Medium Enterprises Dev Agency of Nigeria (SMEDAN). Others are NAPEP, NEPC etc.
Governments & Agencies Involved in Entrepreneurship Promotion..(3)

<table>
<thead>
<tr>
<th>S/N</th>
<th>TYPE</th>
<th>NATURE</th>
<th>FUNDING SOURCE</th>
<th>ACTIVITIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Ministries, Departments &amp; Agencies</td>
<td>Government owned</td>
<td>Budget</td>
<td>Policy Regulation Supervision Funding</td>
</tr>
<tr>
<td>2</td>
<td>Parastatals</td>
<td>Government revenue</td>
<td>Partial budget Revenue to Government</td>
<td>Regulation Training Funding</td>
</tr>
<tr>
<td>3</td>
<td>Profit oriented public corporations/business enterprises</td>
<td>Limited Liability</td>
<td>Share capital</td>
<td>Funding</td>
</tr>
</tbody>
</table>
Role of BOA in Promoting Entrepreneurs in the Agricultural Sector

• BOA is an amalgam of two institutions, NACB and PBN, and the risk assets of FEAP. The entity is over 4 decades old.

• The objectives of the Bank include:
  – Provision of credit to support all agricultural value chain activities
  – Provision of non-agricultural micro credit
  – Savings mobilization.
  – Inculcation of banking habits at the grass-root level of the Nigerian society to boost financial inclusion
# BOA CREDIT PRODUCTS

<table>
<thead>
<tr>
<th>Credit Types</th>
<th>Products</th>
<th>Features</th>
<th>Requirements</th>
<th>Targets</th>
</tr>
</thead>
</table>
| Microcredit  | Direct Microcredit | • Up to $250,000 per individual  
• Informal Groups  
• Cooperatives  
• Societies     | No collateral  
2 Guarantors  
Viable project  
Cross Guarantees | Micro entrepreneurs  
• Farmers  
• Processors  
• Marketers |
|              | On-lending    | Use of intermediaries  
• Government Agencies  
• Coop Societies  
• NGOs  
• MFIs | Viability of Agency ISPO for government agencies | Micro-Entrepreneurs  
• Farmers  
• Processors  
• Marketers |
|              | Collaborations | Funds management  
Joint funding  
Guarantee Fund | Viability of collaborating agency  
Provision of interest bearing guaranteed funds | Micro-Entrepreneurs  
• Farmers  
• Processors  
• Marketers |
| Microcredit  | Out growers   | • Input finance  
• Working capital  
• Repayment at source | • Accounts with the Bank  
• Target production | • Smallholder farmers producing for processors or final producers |
| Small and Medium Enterprise | Term Loans - Short, Medium & Long | • Terms and conditions specific to project types | Economic viability  
Collaterized Management | • Production  
On/off farm processing |
BOA’s Financing Strategy

- **Table 3. Agricultural Value Chain Financing**

<table>
<thead>
<tr>
<th>S/N</th>
<th>Stages</th>
<th>Enterprise</th>
<th>Credit Type</th>
<th>Loan Tenor</th>
<th>Grace Period</th>
<th>Mode of Repayment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Primary Production</td>
<td>Farming</td>
<td>Microcredit</td>
<td>Varies</td>
<td>Varies with project</td>
<td>Instalment</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>SME loans</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>On-farm processing</td>
<td>Semi processing</td>
<td>SME loans</td>
<td>Varies</td>
<td>Varies</td>
<td>Instalment or bullet</td>
</tr>
<tr>
<td>3</td>
<td>Off-farm processing</td>
<td>Cottage Export</td>
<td>SME</td>
<td>Varies</td>
<td>3-6 months</td>
<td>Instalment</td>
</tr>
<tr>
<td>4</td>
<td>Downstream exports</td>
<td>Cottage</td>
<td>Microcredit</td>
<td>Varies</td>
<td>3-6 months</td>
<td>Instalment</td>
</tr>
<tr>
<td></td>
<td>- Raw food</td>
<td></td>
<td>SME</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Food packaging</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Semi-Final products</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>-- Final products</td>
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</tbody>
</table>
Indirect Loan Products

• **Youth Agricultural Revolution in Nigeria (YARN)** aimed at encouraging Nigerian Youths to key into agriculture and take it as investment or business.

• **Grow and Earn More for Women (GEM):** aimed at encouraging Nigerian women entrepreneurs to key into agriculture and take it as investment or business.
Recommendations

• Need for coordination in government policy with regards to entrepreneur promotion
• Need to respect individual institution’s area of specialization
• Promote income generating activities not dole out. Interest free versus concessionary interest loans
• Provide funds without sharing it as national cake
• Avoid sentimental and emotional promotion of entrepreneurs in Nigeria
Recommender

- In the promotion of entrepreneurship governments at all levels should consciously go beyond creation of the “survival entrepreneurship” but the “innovative entrepreneurship”

- The above calls for the existence of viable Venture Capital and proper funding of DFIs to provide more long term financing

- Increased funding of Research and Development by both the Government and the private sector in the universities, polytechnics and other research institutions

- Recognition of entrepreneurs of innovative ideas in all field of endeavours through relaxation of some stringent conditions attached to business and patent registration.
Thank you for your attention!