DEVELOPING FINANCIAL SUPPORT MODEL FOR ENTREPRENEURSHIP EDUCATION IN UNIVERSITIES IN NIGERIA

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Abstract

Creating jobs in developed countries is not the sole responsibility of the public sector. The private sector seems to have a major role in solving the problem of unemployment but recent studies show that even the oldest and largest private companies are unable to provide new opportunities to combat the high rate of unemployment. The question of the type of companies that can provide employment to graduates of Higher Education Institutions (HEIs) therefore arises. Graduates seeking employment can only look up to companies with advanced technology. Currently, the mission of HEIs has changed. Entrepreneurship Education is one course that universities all over Nigeria have had to introduce. Universities have to change their teaching models and methods to reach contemporary levels. Missions and visions of universities will have to be revised in order to include objectives of education suitable for the collaboration of private sector to support them in the teaching and learning of entrepreneurship education. Universities will also have to seek partnerships with private companies. One of such partnership is called KOSGEB (Small and Medium Enterprises Development Organization) in Turkey. KOSGEB is state owned establishment that provides huge opportunities to potential entrepreneurs who want to establish a new business through its Entrepreneur Support Program. One component of the program is to provide monetary support – up to 100,000 TRL in total. In this study, the researcher will discuss the Entrepreneur Support Program of KOSGEB, it will also find out if KOSGEB programme was a good collaboration that helped students, and how HEIs in Nigeria can apply this support programme to their academic programme. It was recommended that Small and Medium Scale Enterprise Development Agency (SMEDAN) be rebranded to include entrepreneur support programme and that private sectors should support entrepreneurship programmes.

Keywords: Entrepreneur, Education Entrepreneurship, Universities, KOSGEB, SMEs, SMEDAN, Nigeria

Introduction

An individual’s decision in favour of or against becoming an entrepreneur depends on the multi-level context provided by the university and the role of the university is critical to the growth of entrepreneurial intentions. This study explores how a university’s support impacts students’ entrepreneurial intentions and finds that entrepreneurship education, concept development support, and business-development support increase such intentions. Previous literature suggests that students perceive the
education and concept-development support (educational and cognitive) from their universities as highly influential on their entrepreneurial intentions.

Nigeria has joined European countries that emphasize entrepreneurship education at universities. German speaking countries in particular take place ahead on researching and teaching about enterprise. Therefore the concept of entrepreneurship is considered by the community. Recognition and explanation of business circumstances serves to change entrepreneurial thinking and mind set. (Volkmann et al, 2010).

Universities that are entrepreneurial are valued because of their economic output (such as patents, licenses, and start-up firms) and technology transfer mechanisms (Tijssen, 2006). It is important for universities to position themselves as hubs of entrepreneurship by nurturing an entrepreneurial environment and providing substantial contributions to the economy and society (Akpomi, Achinewhu, Amadi, Amesi & Wogboroma (2016); Gnyawali & Fogel, 1994).

The development of entrepreneurial universities is a widespread phenomenon that has attracted policy-makers ‘attention. However, despite the increasing interest in academic entrepreneurship and new-venture creation by students, little empirical research has identified organizational-level factors that can foster entrepreneurial intention among university students (Walter, Auer, & Ritter, 2006). The purpose of this study therefore is to develop financial support model for entrepreneurship education in universities in Nigeria.

Approaches to Entrepreneurship Education in universities

All over the world, general agreement about entrepreneurship is the important factor for economic expansion. In addition to this, the university has a vital role both in supporting research and development and in teaching entrepreneurship to students. (Davidsson, Low, & Wright, 2001) (Haase & Lautenschlager, 2011) (Elaine & Gray, 2013) Emphasis of university entrepreneurship education is like preparation for the business world for turning theoretical knowledge to practical information. Therefore university education can teach people how to run a business (Abereijo, 2015).

In the literature, there are various approaches to teach entrepreneurship methods. According to Akpomi (2008); Wright, Bitner, and Zeithaml (1994) traditional education at universities about entrepreneurship includes lectures and seminars as a passive method. This method suggests that all of the students are like an “empty box” to which a teacher can add theoretical knowledge. This method can be criticized that it is not focused on new phenomena on enterprising behaviour and following only managerial concepts.

Another approach of entrepreneurship education at universities is related to a dynamic and active method, or learning by doing. This method suggests a goal oriented way to teach student all of the components of analyzing, evaluating, and constructing
knowledge that students need. This approach also makes guidance to pedagogical knowledge for lecturers on how they can concern with the students and their teaching techniques. (Abereijo, 2015)

This paper provides suggestion about financing methods for entrepreneurship education at universities. Private sectors may support these entrepreneurship programs. Supporting entrepreneurship is limited to the budget of universities. Universities may overcome this problem, they may establish a business that it can give support to the student who want to investigate and start up a business. But this paper suggests that financial support to the students can come as government aid.

Overview of small and medium enterprises (SMEs) in Nigeria

Small and Medium Enterprises (SMEs) contributed meaningfully to Nigeria’s economic development. They were in the forefront of output expansion, employment generation, income redistribution, promotion of indigenous entrepreneurship and production of primary goods to strengthen industrial linkages. The sector was responsible for about 70 percent of the total industrial employment in Nigeria and between 10-15 percent of the total manufacturing output. The agricultural sector comprise mainly of SMEs promoted indigenous technology and increased utilization of local raw materials.

The era of 1980s can be said to be golden years of SMEs in Nigeria. Those were the years of the Nigerian Industrial Development Bank Ltd (NIDB) and the Nigerian Bank for Commerce and Industry (NBCI). They were Federal Government Development Banks specifically dedicated to the development of SMEs. They provided foreign exchange denominated loans for procurement of machineries and raw materials from foreign sources. The interest rate was friendly and the amortization ranged from 5-7 years with about two years moratorium during which only the interest was paid. The promoters used their equities to finance purchase of land and construction of buildings while the Commercial Banks provided the working capital. During this period, capacity utilization reached 73.3 percent and the sector contributed immensely to the GDP. Foreign exchange was abundant because the exchange rate was 65 kobo to the dollar. Promoters and banks were not discriminatory with regard to the types of project financed or promoted. The economic policy in vogue was Import Substitution which means that one could substitute importation with local production without taking due cognizance of the local availability of the raw materials. Many projects that were over-dependent on foreign raw materials were incepted.

When Structural Adjustment Programme (SAP) came with its abundant devaluation of Naira most of the SMEs collapsed because the quantum of Naira they required to purchase the appropriate amount of foreign exchange for their raw materials
had shrunk considerably. Most of them were forced to close down due to shortage of working capital required to finance constant importation of raw materials. The banks could not help them because most of them were either undercapitalized or about to be distressed as a result of the effects of SAP. This continued until the Naira became totally devalued and both the interest rate and the rate of inflation got out of hand.

As a result of all the above, the SME sector was reduced to rubbles, the economy became weak and the following conditions ensued:

- Buying and selling became the mainstay of the economy.
- The country became a dumping ground for other economies.
- The real sector became inactive.
- Unemployment escalated.
- Excessive importation became the order of the day and
- Capacity utilization plummeted.

The Nigerian government was determined to rebuild and reactivate the sector but the private sector must play a formidable part in the exercise. Government’s determination was exemplified by the inception of the Bank of Industry (BOI) which assumed the assets and functions of the old NIDB and NBCI. The BOI was tailored to be a reliable source of long term funds for SMEs and the interest and amortization rates were friendlier than the commercial banks.

This brought about the establishment of Small and Medium Scale Entreprise Development Agency (SMEDAN). This agency was established under the pattern of American Small business Administration (SBA) to offer technical assistance to SMEs. It has offices in 36 states of the federation including the federal capital. The agency helped new entrepreneurs draw business plans and reactive old businesses.

**Motives and Objectives of Suggested Model**

KOSGEB is small and Medium Enterprises Development Organization in Turkey and its main objectives of entrepreneurship education at Universities can be listed as follows:

- Disseminating the entrepreneurship culture,
- Establishing successful and sustainable enterprises,
- Developing entrepreneurship by establishing the Business Improvement Centers (BICs),
- Raising the employment level,
- Supporting entrepreneurship based on the local dynamics (KOSGEB, 2015).

These objectives may help both teachers and students learn how economic growth and regional growth can improve employment.
Model for Universities (KOSGEB’s)

Entrepreneurship education at universities may provide training and support as critical factors in developing positive perceptions of competence for start-up firms. Entrepreneurship can be taught and learned in universities. Akpomi, 2009; Krueger & Brazeal, 1994 suggest that entrepreneurship education should improve students’ perceptions of the feasibility of entrepreneurship by increasing their knowledge, building confidence, and promoting self-efficacy.

Table 1. KOSGEB Financial Support for New Entrepreneurship

<table>
<thead>
<tr>
<th>SUPPORT COMPONENT</th>
<th>Payback</th>
<th>UPPER LIMIT (TRL)</th>
<th>SUPPORT RATIO (%)</th>
<th>SUPPORT RATIO (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enterprise Establishment Support</td>
<td>No Payback</td>
<td>3,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business Expenses Support</td>
<td>No Payback</td>
<td>12,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Machinery, Equipment and Office Hardware Support</td>
<td>No Payback</td>
<td>15,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operational Costs Support</td>
<td>No Payback</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed Assets Investment Support</td>
<td>With Payback</td>
<td>70,000</td>
<td>60</td>
<td>70 (Female or handicapped entrepreneur:70)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(Female or handicapped entrepreneur:80)</td>
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Source : KOSGEB, www.kosgeb.gov.tr

According to Table 1, the Regions are highly important for calculating the Supporting Ratio which is determined by the Government as an Investment Incentives of each city in Turkey. They have been divided into 6 regions by the level of development of cities. In accordance with these regions, a supporting ratio for financial aid has been determined. For instance if a company is placed in the 3rd or 4th region, and its owner is female, KOSGEB may help this company in start-up level of 70% of total supporting ratio.

Affirmative action in this Financial Support has been applied for female and handicapped entrepreneurs. This may also encourage to them to establish new enterprise. Support Components in Table 1 are representatives in 4 fundamental levels for new
entrepreneurship. Firstly establishment support can provide up to 3,000 TRL for all expenses during start up procedures of companies. Each company needs some payment for the registration fee to the Board of Chambers and Trade, and other payment to register to professional institutions, etc. Secondly business expenses support includes providing monthly expenses like electricity, water, phone and internet, etc. up to 1,000TRL each month. Other without payback support is related to buy machinery, equipment and office hardware up to a total of 15,000 TRL. There is non-refundable support provided by the KOSGEB in the first 2 years to each new entrepreneur. KOSGEB can provide final support which business needs to buy fixed assets and other investment assets with payback period without any interest expense. It is provided by the state owned banks which have work together with the KOSGEB. This financial support may help each new entrepreneur throughout 2 years.

Universities can use KOSGEB’s Financial Support for new entrepreneurship for students who attend Entrepreneurship Class. If universities want to start this education, they can combine this lesson with the syllabus. Every semester universities need to start all paperwork with KOSGEB. Therefore KOSGEB can update which universities and departments want to start new entrepreneurship lessons. The teacher of the lesson should have knowledge and experience in entrepreneurship and related topics as depicted in the flowchart below:
Following Fig. 1, the university may add The Entrepreneurship Lesson to the Bachelor’s Curriculum. This lesson must include 70 hours in total of education time during one semester. 24 hours of 72 hours must be used with computer laboratory for analyzing and filling out the business plan.

Initially, every student who attends the Entrepreneurship Lesson has filled out the Entrepreneurship Survey provided by KOSGEB. After evaluating the surveys, the teacher can determine which one is suitable and feasible to start up the business. It is possible to find some students who have an idea for a new business to start up, but the teacher can advise each student to find a better idea. Kraaijenbrink, Groen, & Bos, 2010 suggest that universities can provide knowledge and skills to the students who are in need of this knowledge to start up a business. It is also determined as a traditional role of universities and teachers. If they couldn’t find any feasible idea for a start-up business, they can also attend the class to receive ECTS (European Credit Transfer & Accumulation System) credits of the lesson. If students need financial support from KOSGEB, they have to

Fig. 1 Flowchart of University Entrepreneurship Lesson
prepare a feasible Business Plan and send it to KOSGEB. KOSGEB may add all students who have earned a New Entrepreneurship Support Certificate to its database to hold for the future. Besides, KOSGEB can evaluate this Financial Support feedback from students as a new entrepreneur whether they have been successful or not.

**Conclusions**

An individual’s decision in favour of or against becoming an entrepreneur depends on the multi-level context provided by the university and the university’s role is critical to the growth of entrepreneurial intentions. This paper provides a suggestion about a financing method for entrepreneurship education in universities.

**Recommendations**

SMEDAN should be rebranded to include Entrepreneur Support Program. The new SMEDAN should be more proactive by conducting workshops and seminars for SMEs and future entrepreneurs as well as entrepreneurship educators.

Private sectors should support entrepreneurship programs like this. Supporting entrepreneurship is limited to the budget of universities. For universities to overcome this problem, they should establish a business that they can give support to the students who want to investigate and start up a business. But this paper suggests that financial support to students can come as government aid through the new SMEDAN.

The new SMEDAN would be an agency like KOSGEB in Turkey and should adopt KOSGEB’s Financial Support for new entrepreneurship to students who attend Entrepreneurship Class. If universities want to start this education, they can combine the syllabus with this lesson. Every semester universities need to start all paperwork with the new SMEDAN. Therefore the New SMEDAN can update which universities and departments want to start new entrepreneurship lessons.

New SMEDAN can provide fiscal aid, some refundable and some not, to all small and medium enterprises. New SMEDAN can also provide huge opportunities to potential entrepreneurs who want to establish a new business through its Entrepreneur Support Programme. One component of the program is to provide monetary support – up to N1,000,000 in total. The author suggests the Entrepreneur Support Program of the new SMEDAN, and this may be feasible for solving the problem of unemployment after university education.

Universities should adopt the University Entrepreneurship Lesson as suggested in Fig. 1 above and explained thereafter.
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