

DEVELOPING ILLITERATE ENTREPRENURS FROM INFORMAL BUSINESS TO FORMAL BUSINESS SECTOR USING GOVERNMENT FINANCING STRATEGY

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Abstract

Entrepreneurship development in Africa have been over emphasised with its successes without critically discussing the challenges that are eminent therein. Much to say about illiterate entrepreneurs who have learnt through the ropes with the rigours and tricks in their own line of trade. Government policies on Small and Medium Enterprises (SME's) may be looking up in the recent years but much should be done to encourage new starts-ups and existing businesses to become formal. This paper intends to discuss and interrogate extensively how to encourage informal and illiterate entrepreneurs to become formally registered. Also learning their art of Apprenticeship, Trainingship and Mentorship (ATM) in business would be reviewed for transferability to knowledge based and formal businesses.

Introduction

Entrepreneurship have been given varying definition which clearly makes the difference through it processes of developing the business model through creative innovations while the entrepreneur muster enough courage to risk everything for future benefits. One thing that stands out is how they start-up and sustain their small idea into a transforming medium or large scale businesses over a period of time but with consistency in their ideology. Entrepreneurs are innovative people who create or invent a new business concept which would better mankind or the business process to which

the entrepreneur is proposing. The focus of this paper is to deal extensively with the two divides of literate and illiterate entrepreneurs vis-à-vis the entrepreneurship processes.

Fundamentally, entrepreneurship is a process of becoming innovative while an entrepreneurial is regarded as the attitude and skills exhibited by the entrepreneur (Stanley Ugochukwu Simon, Solomon Iyobosa Edebiri, Alfred Mulade and Kehinde Onijingin 2014, p.3). In order words, the entrepreneur is the individual who engages in skilful inventions that are either recreating an existing idea or moving from a formal to a more recent invention or innovation. This trade ‘Entrepreneurship’ could be said to do more with the same amount of resources available to anyone in the same industry or product line of business or similar.

Identifying and selecting the right opportunities for new businesses are among the most important abilities of a successful entrepreneur especially using Porter’s Five Forces (PFF) analysis which analyses the level of competition within a certain industry. (Michael E. Porter, 2008). Consequently, explaining the discovery and development of opportunities are key parts of entrepreneurship research (Scott Shane and Sankaran Venkataraman, 2000). In Africa, most businesses are ventured into by trial and error without proper research or consultation. One of the prominent ideal for learning trading skills in Nigeria especially among the dominant tribes in Nigeria are done through apprenticeship with a duration agreed upon by the master and the guardians of the apprentice while acquiring the requisite knowledge, tricks and cons involved in the line of business. This model is specially noticed amongst the illiterate entrepreneur in different fields such as Businesspreneur, Agropreneur, Fashionpreneur, other ranging logistics, etc.

A successful entrepreneur is seen to make marginable profit enough to be seen as innovative and also compete favourably within the same circle of business endeavour. A national economic growth and development can only come through innovation that has been crafted by entrepreneurs with deep business and management knowledge that can prosper the business. Most small enterprises in Nigeria does their businesses without government support or incentives that’s why they may not be kin to pay taxes and levies accrued to government.

Entrepreneurship is a marriage between innovation and creativity that will continue for years’ unknown. Every inventor learns to manage his/her inventions, innovations or creative processes successfully. Historically managing the process of innovation at the early stages without adequate preparations has shown a huge failure rate. For instance, after inventing a technology that has not been patented but goes around sourcing for funds with a sketch of the invention in the proposal could switched or stolen in the process. For successful entrepreneurs who need more than chance and capital but a consistent process which contains planning, thought expansion, creativeness and risk taker (Tim Mazzarol, 2011).

Problems with Illiterate vis-à-vis Literate Entrepreneurs

The world fastest growing businesses are driven by Small and Medium scale Enterprises whose businesses are known as SME's (Small and Medium Enterprise) Entrepreneurial ventures. These Enterprises are not just quick fix to a growing economy but the fastest means to grow a country's economy. These entrepreneurs initiate and execute their ideals without support from government but may source for fund through commercial banks at a very high interest rates with hidden charges. These small businesses are mostly driven from the informal sector. The word 'informal' does not make the business illegal but not formally registered as a business going concern under the act of establishment in most African countries. In Nigeria it is the 'Corporate Affairs Commission' (CAC).

Nigeria's Corporate Registry which is referred to the Corporate Affairs Commission (CAC) was established by the Companies and Allied Matters Act (CAMA) 1990 to regulate the formation and management of companies in Nigeria. The establishment of the Corporate Affairs Commission as an autonomous body was a result of the perceived inefficiency and ineffectiveness of the erstwhile Company Registry, a department within the Federal Ministry of Commerce and Tourism which was then responsible for the registration and administration of the repealed Companies Act of 1968. With the above, we have a formal knowledge of the roles of CAC and its primary functions. (www.cac.gov.ng)

For proper administration and management of companies in Nigeria CAC was setup but there are clauses which does not favour citizens and in otherward negate its functions such as support companies that are of company's origin or adding clauses such as 60% of any company's ownership most belong to local or anybody of Nigeria origin. Why setup an agency that can only regulate the affairs of companies without support and only when it is been liquidate they come in to administer.

The arguments are visible with illiterate entrepreneurs turning-in more profit while successfully training many business apprentices who became their own bosses. The arguments are as follows;

- i. How are the illiterate entrepreneurs well-schooled in the matter of business profitability and leverage without a formal education?
- ii. How do they leverage on new and existing opportunities?

Looking at the past with that of the present, one would be forced to say that illiterate entrepreneurs are double taxed or levied by both the state and local government agents because of their ignorance, business technicalities and lack of education may deter their level of noticeable growth but also in a reverse form where they invade taxes and levies by compromise government agents.

These businesses pay informal taxes that are not clearly spelt out or most times invaded paying these taxes and levies. These are leakages created by governmental policies, practices and unimplemented electronic payment and receipt systems. The following are the research problems;

- a. Multiple taxes and levies for both registered and unregistered businesses.
- b. Lack of proper information guarding business owners whose businesses are still informal.
- c. The registration processes are long and cumbersome.
- d. There are no incentives to formalise most business concerns

Entrepreneurship Development Framework

The developmental stages of an enterprise start with the identification of business opportunities by creating and delivering values to customers, employees and stakeholders prospective ventures. When an entrepreneur focuses on creating opportunities he/she loses the point which is opportunities are made not found but one should continuously interrogate the market for which the entrepreneur is familiar. The focus here is not developing opportunities but recognising one when in contact with such opportunities. The focus of Alexander Ardichvili, Richard Cardozo, Sourav Ray (2003; p.106) describes the above as, 'While elements of opportunities may be "recognised", opportunities are made, not found'.

Every business success is an opportunity that was developed through a consistent process of persistence. The process starts with recognising the opportunity, evaluating and developing the process yet further. Adopting the principle of Alexander et. al. (2003) which gives core opportunity recognition which are as follows;

1. Entrepreneurial alertness
2. Information asymmetry and prior knowledge
3. Social network
4. Personality trait, including optimism and self-efficacy, and creativity and
5. Type of opportunity itself

The identification of opportunities especially for new business could be quite cumbersome and there are certain trial and error processes employed in some of the perceived opportunities for medium scale businesses or enterprises would definitely have a research team that would interrogate every perceived opportunity or venture. This may not be the case for small scale or entrepreneurs who maybe running somewhat of a one-man-show and may not be financially balanced to engage a marketing research firm/team.

The identification of opportunity first starts with the burning desire to solve a human problem. Every opportunity is in a problem that was solved through products or services given. What the illiterate entrepreneur has been able to achieve are innumerable ranging from the crash of the microwave machine price with a large important of other brand names that where not known but still gave the same quality of

work. In the early 90's when microwave, colour photocopying, fax and mobile phone machines were first introduced to the Nigerian market, they were highly expensive until some bold entrepreneur plunged into the market of mass producing these machines and making them less expensive.

Primarily, this paper advocates the formalisation of the informal businesses with some level of incentives that would be hard to resist. Most illiterate entrepreneurs don't see the need to legalise their business operations not for the wrong reasons but because there are no incentives for doing the needful. If certain incentives are put forward to lure entrepreneurs that are willing to formalise their businesses, then following should be used;

- I. Taxes and levies exemptions for the first two years of business registration.
- II. Government business loans through commercial banks at a very low interest rate.
- III. Tax exemptions for Agropreneur and those in the chain/channel of distribution and transportation.
- IV. A special registration sticker for vehicles registered for Agro-business chain-distribution channels.

Research Hypothesis

This research hypothesis is to test for integrity of this paper which would help to answer probing questions by new entrance, start-up's and struggling entrepreneurs who want to get into the mind of profiting geniuses.

These questions were structured to establish a learning process for every business that have grown through a process of both the high and low business margins;

- H₀: Can taxes and levies exemptions for the first two (2) years encourage formalisation of businesses?
- H₁: Without taxes and levies exemptions, what other motivation can be given to informal businesses to formalise them?
- H₀: Can government loans through the bank of industry or the bank of Agricultural development spur informal business to bring about formalisation of their businesses by paying for their taxes, levies, and other statutory payments?
- H₁: Without government loans through the bank of industry or the bank of Agricultural development, what would spur informal business to bring about formalisation of their businesses registration without paying taxes, levies, and other statutory payments?
- H₀: What would be the percentage of profit return to be given to small formal businesses and Medium businesses when they are not profitable?
- H₁: Without the percentage of profit return to be given to small formal and Medium businesses what other incentive should they be given when they are not profitable?

Data Analysis for both Literate and Illiterate Entrepreneur's Successes

This work is a mini-research work aimed at justifying that when the right education and necessary motivations are in place the entrepreneurs and other small businesses would be encouraged to participate in government economic project by first formalising their businesses starting with registration. Business formalisation is the first form of getting known while every other payments ranging from taxes and levies are made to the government to facilitate both basic and social amenities.

The data collected from the respondents has not shown any disparity between a literate and an illiterate entrepreneur, what made sense is the amount of success which are measured by the level of their business growth. A small random samples were carried out and a minimum of fifty (50) people were approached only thirty-three obliged to be interviewed. Since the questions are oral and are not closed-ended, one would expect a bogus answer especially with government supports and expectation after doing all the needful formally.

The answers to each question were bogus but pointing towards a definitive answer which are; Yes, No and not sure whether that is applicable. In illustrating the analysis, bar-chart will be used to give a virtual meaning to the answers provided.

The main questions are extracted from the questionnaire used for the interview and are shown below;

1. Would government taxes and levies exemptions encourage formalisation of businesses?
2. Would other incentive motivate the informal businesses to formalise them?
3. Can government loans through the bank of industry or the bank of Agricultural development spur businesses to bring about of their businesses?
4. Should there be a percentage of the profit declare be kept as return to be given to small formal businesses and Medium businesses when they are not profitable?

Question1 Analysis: Would government taxes and levies exemptions encourage formalisation of businesses?

SEX	YES	NO	I am not sure
Male	13	7	Nil
Female	5	8	Nil
Total	18	15	

Question 2 Analysis: Would other incentive motivate the informal businesses to formalise them?

SEX	YES	NO	I am not sure
Male	8	3	11

Female	8	1	4
Total	16	4	15

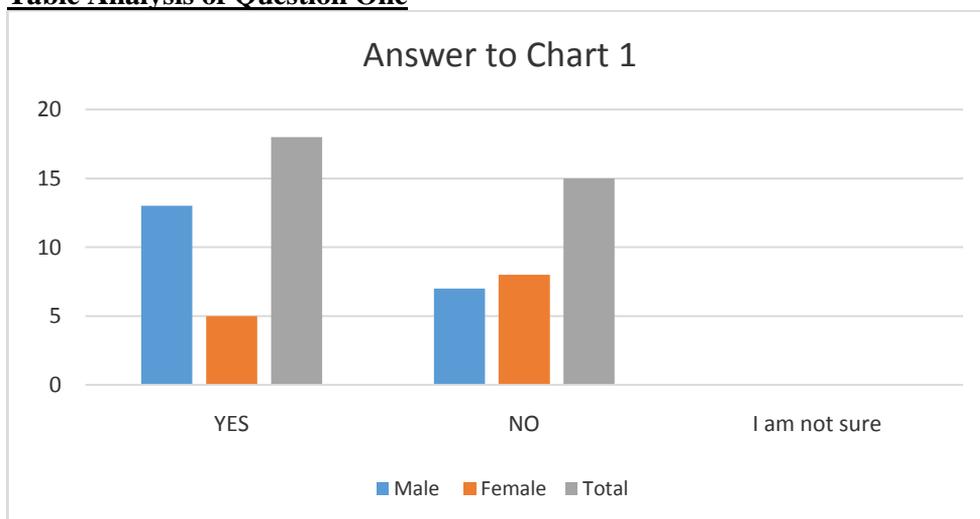
Question 3 Analysis: Can government loans through the bank of industry or the bank of Agricultural development spur businesses to bring about profitability of their businesses?

SEX	YES	NO	I am not sure
Male	18	2	0
Female	12	1	0
Total	30	3	0

Question 4 analysis: Should there be a percentage of the profit declared be kept as return to be given to small formal businesses and Medium businesses when they are not profitable?

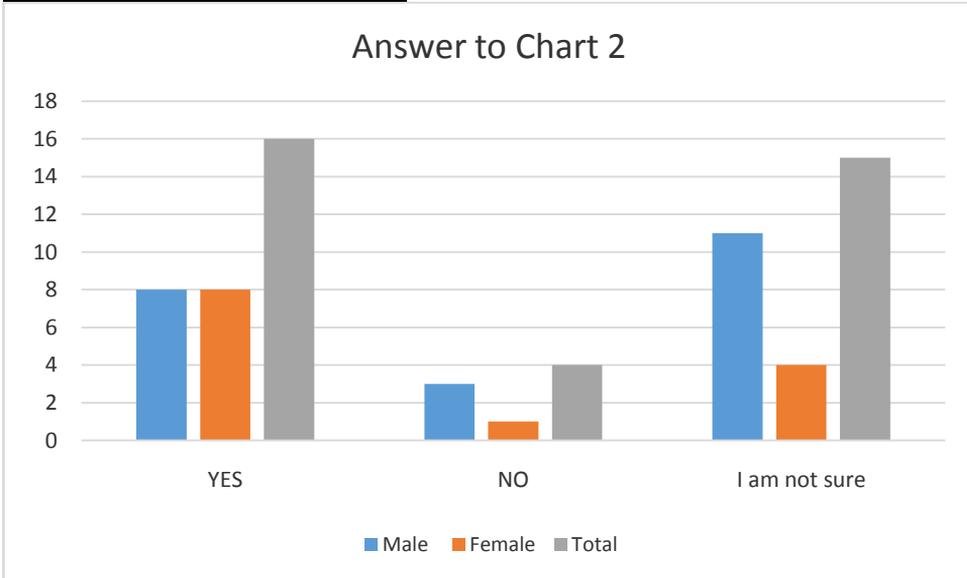
SEX	YES	NO	I am not sure
Male	4	8	8
Female	3	5	5
Total	7	13	13

Table Analysis of Question One



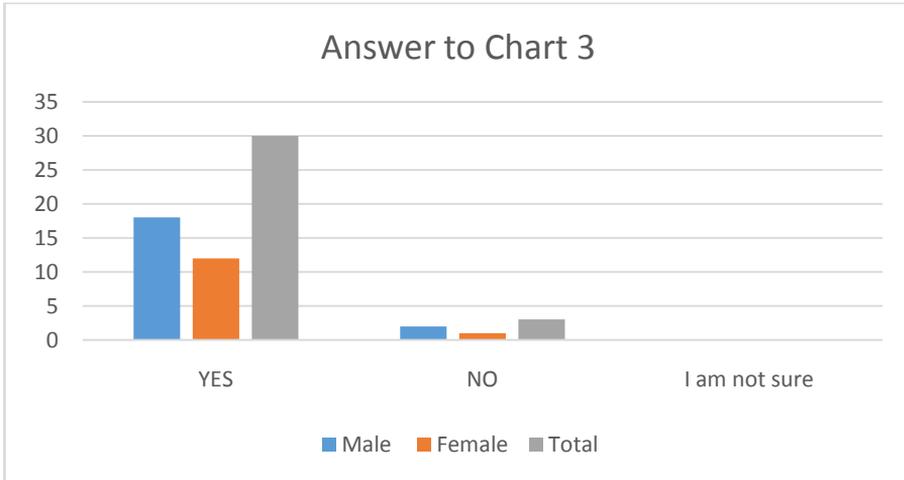
Question one (1) which is would government taxes and levies exemptions encourage formalisation of businesses? This question reflects that government taxes and levies exemptions would help and encourage informal business to formalise their businesses and other monetary transaction both with the government and other concern parties.

Table Analysis of Question Two



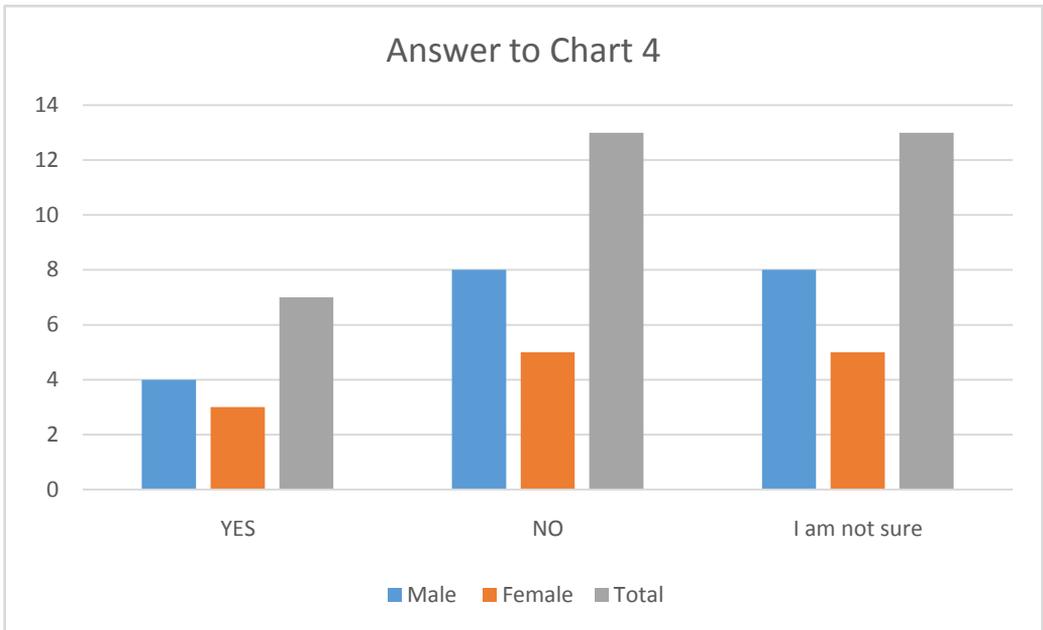
Question two (2); Would other incentive motivate the informal businesses to formalise them? This is a reflection that has two main parts which are; that most of the respondents agreed that other incentives from government would most definitely motivate informal businesses to formalise their business concerns. The other impression which is reflected through the chart shows that most respondents are not sure of the kind of motivation that would spur them to regularising their business activities.

Table Analysis of Question Three



Question three (3); Can government loans through the bank of industry or the bank of Agricultural development spur businesses to bring about profitability of their businesses? The reflection of the respondent answers has shown clearly that they are mostly in support of governmental loans that would help grow local and small businesses and only a very small number of respondents that do not believe in loans supports and correlation to profitability.

Table Analysis of Question Four



Question four (4): Should there be a percentage of the business profit declared be kept aside by government as a loan for small formal businesses and Medium businesses when they are not profitable? The level of disagreement to the question shows how displeased the respondents are over an arrangement that are centred around the Nigerian factor of non-implementation and corruption. The second aspect shows how unsure the respondents are to such a proposed arrangement.

Government Financial Strategy for Integration of Un-Registered Businesses ‘Enterprises’

Noticeably, African economy does not favour small and medium scale enterprises or what it is called now; entrepreneur. It has been discovered that world economies are driven by entrepreneurs, innovators and inventors as Boucha Nesrine and Kamel Belhadj (2018, p.1) states thus; ‘entrepreneurship as a leading economic and social phenomenon plays a major role in the growth and development of the world economies...its future is even greater than its past’.

The paradigm remains that African government are not ready for the economic big boom by motivating small businesses that are both formal and informal. The major world economic power strives by growing small business either with financial aids or tax and levies rebate for some years to enable these businesses to find their foot. There are economic measures that should be put in place to help grow businesses that are struggling. There should be a strategic team or department of the Central Bank of

Nigeria (CBN) that can both monitor and evaluate the process of interventions while the activities of small and medium scale enterprises would be subjected to forensic audit including their directors while the team from CBN continuously would provide management advisory support to formal businesses with a controlled loan with very low interest. The ideal is to also encourage businesses to declare profits as often as possible to enable the afore-mentioned to strive more aggressively while it drives the informal businesses to become formal without force.

Our focus is to drive a process that would encourage informal businesses to become formal. Shannon M. Barton-Bellessa, Jihee Lee, Phillip Shon (2015, p. 42) states thus, “The Socio-Psychological Theory asserts that individual and society are interlinked. This means, an individual strives to meet the needs of the society and the society helps him to attain his goals. Through this interaction, the personality of an individual is determined.” The subject factor of this chapter is to draw government ardent support for growing businesses while they support failing ones too. These taxes and levies should not only be used for socio-infrastructure and development but to support entrepreneurs, innovators and inventors of all fields to greater level where they compete with their contemporary all over the globe.

Conclusion

The argument started with illustrating the competency of an illiterate entrepreneur vis-à-vis a literate business owner. With several conducted interviews over the phone shows how displeased business owners are with government and its policies. Government policies which are devoid of human face and does not represent reality.

This paper advocates that government should use declared profit to fund failing and ailing business.

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