

# Investing in Education and Entrepreneurship: The Next Frontier for Sustainable Economic Recovery in Nigeria

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## Abstract

Despite deliberate efforts to establish a robust economy in Nigeria, the country's achievement has had little impact on broad socioeconomic statistics. Economic growth is sluggish, with double-digit inflation, a high poverty rate, a significant income disparity, rising living costs, and an ever-increasing unemployment rate, particularly among youths, and no country can ignore these economic issues if it wants to achieve sustainable economic development. This study argues that there is an undeniable need to re-strategize and broaden the federal government's and private sector's focus on education and entrepreneurship through unambiguous policy reforms and investment in the belief that these areas will contribute to the recovery and stability of the economy. This study concludes that education and entrepreneurship are essential components for achieving economic recovery and long-term prosperity in Nigeria, therefore, reforms and investment need to be emphasised and prioritised to pave the way for a potent and sustainable economic recovery.

## Introduction

According to World Bank research, every additional year of education by citizens of a country can boost the country's GDP by 1.4 percent. Research by the Kauffman Foundation also reveals that entrepreneurship generates an average of 3.5 jobs per business, and is frequently regarded as a catalyst for economic growth (Kauffman, 2022). Lack of adequate investments in education and entrepreneurship will result in unemployment and the collapse of the economy. In the first quarter (Q1) of 2023, Nigeria's unemployment rate was 4.1 percent, according to the National Bureau of Statistics. This is determined by taking into account individuals who work in the unorganised sector, part-time, and those who have put in at least one hour of work during the previous seven (7) days. These are elements that were formerly left out.

Strategic reforms and targeted investments are critical to jumpstarting the Nigerian economy and getting it back on track. Even though Nigeria's complex and peculiar factors surrounding policy and investment in the education and MSME sectors make any causal argument difficult to establish, education and entrepreneurship are two areas that must be prioritised in terms of reforms, implementation, and investment. The reforms and investments in education and entrepreneurship are critical pillars of any economic drive because they equip people with the knowledge, skills, and capacities necessary to participate in the labour force, contribute to the economy, and drive innovation.

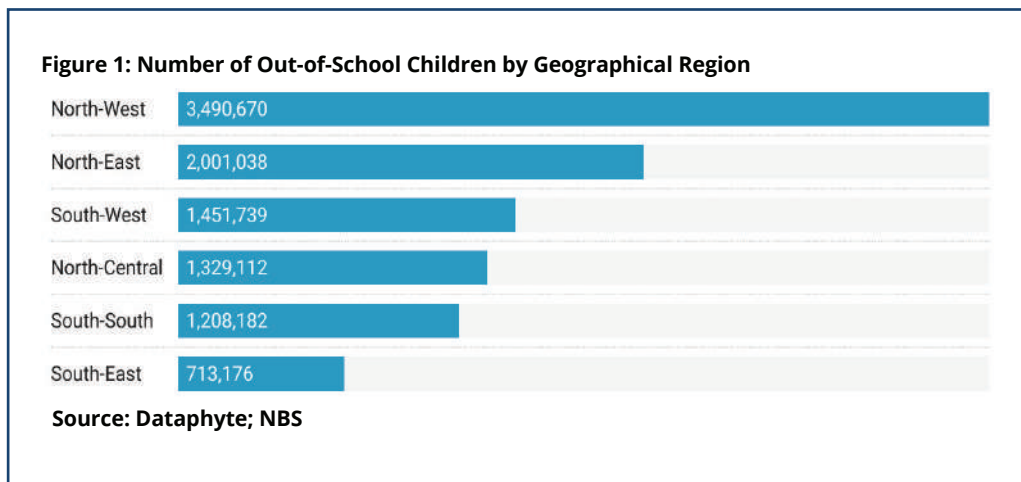
## The Issue Education

Education is a human right, a strong driver of development, and one of the most effective means for reducing poverty and advancing health, gender, equality, peace, and stability (World Bank, 2023). It follows that any country that takes its economy seriously should pay more attention to the sector. The education sector has had limited attention in terms of reforms and investment in recent times and the main causes of the long-term bad indicators in the Nigerian education sector, despite efforts to improve the sector, are appallingly inadequate funding and poorly designed and implemented policy frameworks.

These problems limit both the short-term and long-term economic and social potentials of the country. The N1.79 trillion allocated to the sector in the 2023 budget confirms that poor funding remains one of the fundamental challenges of education. The amount represents 8.2 percent of the appropriation bill, which runs contrary to the United Nations Educational, Scientific and Cultural

Organization (UNESCO) recommendation of 15-20 percent of developing nations' annual budget for public education. Apart from poor funding, other challenges the sector continues to face are a lack of effective reforms that are responsive to Nigeria's contemporary needs, a lack of infrastructure, poor welfare, and inadequate staffing across primary, secondary, and tertiary institutions in the country.

Furthermore, there is the problem of out-of-school children. According to the Nigeria Bureau of Statistics, Nigeria has around 10.19 million out-of-school children across the 6 geopolitical zones in the country (see Figure 1), and this leads to a neglected aspect of education in Nigeria which is early child education. These factors contribute in no small measure negatively to the economy and militate against any effort made to build a sustainable economy.



While funding poses a great challenge to the sector, unfortunately, the educational policies and framework have not been revamped to address present socio-economic challenges. This is why Enyiazu, (2022) stated that educational policies and goal attainment in Nigeria have been irreconcilable due to implementation problems, which have caused significant constraints in the sector. Emediegwu & Ighodaro (2016) notes that education is one of the major components of human capital formation. Investment in education is pivotal to achieving sustainable economic growth. It is in recognition of this fact that Fafunwa (1987) opined that beyond the process of disseminating knowledge, education guarantees the rational direction of society. A well-educated population benefits the economy in several ways, both directly and indirectly. A strong educational system will produce a sufficient number of competent labourers labour are knowledgeable and capable of driving a sustainable economy. Additionally, this means that people will have greater earning potential and greater purchasing power, both of which will enhance consumer spending and economic activity.

### **Entrepreneurship**

It is crucial to consider why entrepreneurship is a potent engine for economic growth. The answer is evident in the numerous economic benefits it presents such as job creation, local content promotion, export potential, improved foreign exchange, etc. Micro, small, and medium-scale enterprises (MSMEs) constitute the entrepreneurship ecosystem in Nigeria and are recognized as the bedrock of the Nigerian economy as they provide platforms on which economic growth thrives. The International Labour Organization (ILO) has disclosed that micro, small, and medium

enterprises (MSMEs) contribute 46.31 percent of Nigeria's National Gross Domestic Product (Ezigbo, 2022). MSMEs play important roles in economic growth acceleration through an increase in their output and poverty reduction through job creation and income generation effects (Ajuwon, Ikhide & Akotey, 2017).

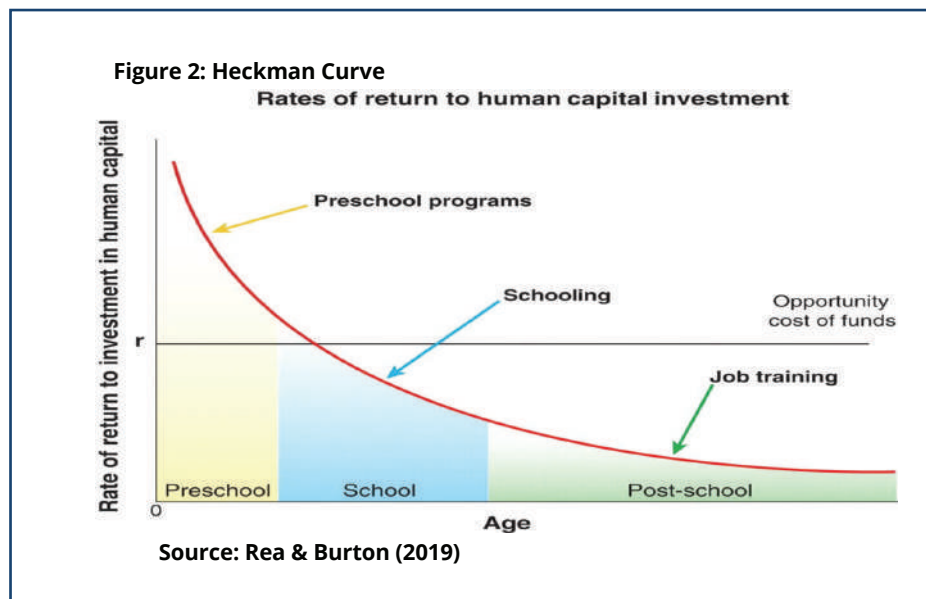
According to the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN), there are approximately 39.6 million MSMEs in Nigeria. When this number is compared to other countries in Africa and beyond, it is clear that Nigeria has significantly more entrepreneurs than many countries. (Kpilaakaa, 2022) Dzingirai & Ndava (2022) observed that entrepreneurship plays a catalyst role in promoting economic recovery through job creation and promoting divergent thinking in solving economic problems. However, this sector has not gotten adequate attention from the government and private investors. Stephen Ocheni, former Minister of State for Labour and Employment, stated that the country cannot achieve the desired economic height due to the neglect of entrepreneurship, which is a critical part of the economy. (Adaramola, 2019)

According to the 2022 Nigeria MSME report, eighty percent (80 percent) of businesses under the Micro, Small, and Medium Enterprises (MSME) in Africa fail within the first five years of their existence despite having the highest entrepreneurship rate in the world. Kippa, in the report titled 'Fuel for Africa's Next billion businesses' revealed that these businesses fail because they lack resources (mostly capital) or structure to survive. (Faminu, 2022) Limited access to finance, incentives, and infrastructure deficits remain the most pressing problems of MSMEs in Nigeria. MSMEs lack the funding, infrastructure, and support needed to significantly contribute to the nation's economic output of goods and services.

### **Policy Recommendation**

Education and entrepreneurship are intricately linked to economic growth and development; both make key inputs to economic activities with short and long-term economic implications. There is a growing body of evidence that reveals that investing in education and entrepreneurship can have a significant impact on economic growth. Investment in this context is not a stand-alone concept but is grounded in robust policy reforms. Acknowledging this fact, the NESG stated that, to address Nigeria's economic issues, comprehensive and system-driven economic reforms are necessary to change Nigeria's economic trajectory and create economic value and benefits for all. (NESG, 2023)

- The primary, secondary, and tertiary levels of education are the focus of the federal government's policy design and investment drive in education. However, Nigeria's educational reforms have not given early childhood education the same attention beyond a mention in the National Policy on Education (2013), where the goal of early childhood education is to ease the transition to primary education. Early childhood education should be the focus of targeted, implementable reforms and investment efforts in education from the federal government and the corporate sector, captured clearly in her legislation and improved budgetary allocations. Because it is the cornerstone of education. American economist, James Heckman, observed that the initial investments in early child education yield the best rate of economic returns, allowing children to gradually build up skills and knowledge to contribute to economic activity (Heckman, 2006). This is demonstrated in the Heckman Curve, that investment in early child education yields high returns (see Figure 2).



Numerous advantages can result from directing policy and investment efforts toward education, including increased human capital development, increased global competitiveness, more research and innovation, and less income disparity, all of which will increase the economic recovery of the country and result in overall advancements. While this study recommends more reform and investment focus on early child education, it doesn't stop there but should also ensure that Nigerians of all ages have access to education from early childhood to tertiary level which will allow them to contribute meaningfully to the economy.

- There should be training and retraining, improved welfare for teachers across all levels of education, and improved infrastructure. There is a need for training and re-training as a crucial element in investment and policy intervention since the quality of education depends on the quality of teachers from early childhood through higher education. The investment in education should cover the training and retraining of educators to ensure cutting-edge educational strategies are utilized in teaching. Having enough trained teachers in educational systems is essential, but so is putting in place top-notch, future-proof teaching and learning techniques that will make Nigeria globally competitive. Also, the welfare of teachers in terms of remuneration, promotion, and retirement should feature high on investment plans and the building of excellent educational infrastructures such as classrooms, libraries, and equipped laboratories that are decisive for learners to excel and contribute to the economy.
- There is sufficient empirical evidence that investments have a positive causal effect on improving the growth conditions of a business. Understandably, the pursuit of Nigeria's socio-economic transformation through accelerating the growth of MSMEs in Nigeria is one of the top priorities of the National Development Plan (2021–2025), but what is the direction of this plan beyond the staple statement of investment? What does investment in the MSME sector entail? Without overstressing the concept of investment in MSMEs, it generally refers to a multidimensional financing structure aimed at fostering business growth conditions of MSMEs in Nigeria. The federal government of Nigeria should articulate robust capital mobilization through grants and low-interest loans such as the N785 million disbursed in 2022 to 10 million MSMEs in the country, creating Special Economic Zones across different

regions of the country that will provide fiscal incentives for business owners, and design an optimal strategy for MSME funding channeled through relevant ministries, departments and agencies such as Ministry of Trade and Investment, Bank of Industry, Investment in Digital and Creative Enterprises (I-DICE) etc. This sort of investment focus will make it possible for the government to tap into the ever-growing competitive private sector.

- Partnership with key stakeholders and entrepreneurs across different regions of the country. It is not enough to design policies on entrepreneurship without involving key players in the sector in decision-making. The government and the stakeholders of a particular sector interact during the policymaking process, and policy is the result of that interaction. The key to developing a robust MSME ecosystem involves partnering with stakeholders because they contribute something unique to the development and contribution of the sector to the larger economy. The importance of this partnership is to deepen understanding of their peculiar challenges and how best to address them through policy design, investment, and structural support. Nigeria's economic policy trajectory and growth strategies should deepen partnership with the private sector (entrepreneurs), with a focus on need assessment, developing solutions, and improving access to strategic support through platforms like Business Development Service Providers-BDSPs for training and mentorship that can assist MSMEs in organizing and expanding their businesses, and this will enable MSMEs in the country contribute positively to Nigeria's economic recovery and sustainability.

## **Conclusion**

Education and entrepreneurship are critical for Nigeria's economic recovery and growth. To stimulate economic recovery and long-term growth in Nigeria, education and entrepreneurship should be given sufficient attention as both will open the door for a strong and long-lasting recovery, thus it is important to emphasize reforms and investment. Finally, it is pertinent to note that reforms and investments in education and entrepreneurship are not a quick-fix enterprise but a continuous and long-term strategy with the potential for significant socio-economic returns.

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