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**The Relationship between Government Policies on SMES
and Development: A Study of Selected Countries**

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Abstract

Entrepreneurs and entrepreneurship are agents of economic development. That explains why governments all over the globe show continuous interests in them through deliberate policies. This article is on government policies on entrepreneurship in selected countries – South Africa, United Arab Emirates and Nigeria. Economic indicators from the comparative research efforts showed that while these policies have been effective in South Africa, United Arab Emirates, which account for their present enviable economic status, Nigeria is still lagging behind. The factors responsible for this failing were

comprehensively indentified and highlighted. Finally, it is assumed that having identified these challenges, policy makers and the concerned government agencies can now put the appropriate mechanisms to check the inhibitors of development.

Key words: Government Policies, Economic Development, Competitiveness, Global Prominence, Gross Domestic Product.

Introduction

Nations and governments all over the world, whether developed, developing or underdeveloped have continuously shown keen interest in entrepreneurship development. This is done through public policy. Public policy is an effective tool for business and economic planning. By public policy; it means the action of group in authority to implement their decision. These policies are attempts by the relevant actors in a political system to cope with and to transform their environment by deliberate measures which may involve the commitment of physical or symbolic resources, Dibie (2000:22).

All over the world, sovereign states and their governments have made concrete, most times, sector and sub –sector targeted policies to develop their economies. Fiscal, monetary policies and yearly budgets are often used to encourage or discourage certain sectors of the economy. Often policies are geared towards developing competencies or comparative advantages in certain sectors, without governments getting directly involved.

We shall use the National Economic Empowerment Strategy (NEEDS) to illustrate the objectives of public or government policies on business and the economy. In NEEDS (2004), government commits to systematically work towards:

- (a) Mobilization of national resources to facilitate the development of strategic economic infrastructure that improves the general attractiveness of Nigeria as a preferred investment destination.
- (b) Strengthening the social, legal and regulatory regime to engender security of life and property, good governance, the rule of law and respect for the sanctity of contracts and rights of others as well as eliminate bottlenecks and “red tape”;

- (c) Creating greater opportunities for access to appropriate financial resources and strengthening and/or supporting other assistance initiatives, e.g. SMEDAN, SMIEIS, etc. aimed at improving efficiency and productivity, reducing production costs, nurturing entrepreneurship and enhancing the attractiveness of our products, and our SMEs in an intensely competitive market place;
- (d) Adoption and implementation of a coherent and consistent trade policy regime, as well as an Action Plan on rapid and focused commercialization of results of viable scientific research that engender linkages and enhance productivity;
- (e) Progressive reduction of its direct role in economic and business activities. Specifically, the process of accelerated privatization of major utilities, liberalization, and deregulation of key sectors will be vigorously pursued, accompanied with appropriate competition and consumer protection policies;
- (f) Implementation of the comprehensive Tax Reform Bill in order to ensure the elimination of multiple taxation and fiscal harassment and enforcing jurisdictions, improving collections and removing barriers to the growth of a virile private sector;
- (g) Holding regular dialogue with private sector operators and playing an active role in economic planning, based on market principles.
- (h) Providing a robust fiscal and monetary policy regime for the smooth functioning of the economy; and adopting financing strategies that do not crowd out the private sector; and
- (i) Improving the process of granting land use rights, and providing appropriate structures for regulation and propelling the private sector to develop in a society and environmentally responsible direction;
- (j) Economic empowerment of indigenous SME businesses through patronage of their products by improving tendering and procurement processes that stipulate minimum levels of local content.

Finally, a critical observer may ask why using three countries of different sizes, resources and potential, which are even in different geographical locations and continents? Our major interest is to find to what extent deliberate policies in these nations have positively or otherwise affected entrepreneurship and economic advancement of their countries. Like they say, the challenge of leadership is the same. The evaluation of these policies will also assist in taking corrective measures.

South Africa

South Africa incentive programme is administered by the *Department of Trade and Industry (DTI)* with *Trade and Investment South Africa (TISA)* managing the investment side and the *National Export Advisory Council (NEAC)* the export side. The aim of South Africa's incentive programme is to simultaneously boost fixed investment (with the ultimate objective being increased international competitiveness and thus international trade) and encourage export-enhancing industrialization. It is consistent with the objectives of the *Growth Employment and Redistribution (GEAR)* policy and aims to aid in the transformation of SA from a highly protected and looking economy to one that is fully integrated into the global economy.

It is a carefully constructed programme and is focused in its support structure. The main features of this programme are tax incentives, industrial financing incentives, the Small Medium Enterprise Development Programme (SMEDP), and its Complementary Programmes, Research and Development (R&D) grants, the Critical Infrastructure Facility (CIF), Industrial Development Zones (IDZs), and Spatial Development Initiatives (SDIs), Community Public Private Partnership (CPPs), and the various export incentives.

The main feature of this programme is that incentives are used to target specific high –growth sectors and industries as well as geographic regions. The *spatial concentration of infrastructure* is deemed to be crucial to SA's growth path.

These incentive packages are so comprehensive and attractive to business operators in South Africa, that there would be no space to reproduce them in this work. The government policies on entrepreneurship in South Africa are largely responsible for why South Africa is the most developed economy in Africa. South Africa now boasts of its own indigenous multinationals.

United Arab Emirates (U.A.E)

The UAE is located on the eastern part of the Arabic peninsula, with the Persian gulf in the North Oman and Saudi Arabia in the South; the gulf of Oman, the Arabian sea and Oman in the east, and Qatar and Saudi Arabia in the west.

The discovery of oil in the sixties and gas in the seventies dramatically changed the economy and transformed it into a modern prosperous country. Although oil and gas remain primary source of revenue, a determined government strategy diversified the economy, creating new productive sectors. Tourism, conferences, and exhibitions, free zones, an internet city, media city, knowledge park, etc, in Dubai have changed the face of the country.

UAE is a strategic location for international and local business. Since its inception as federated state, the government had opened up the economy for local and foreign investors and global traders. In furtherance of this, each Emirate has established free zones in the respective Emirate to promote local and international business. Currently, there are twelve active free trade zones in UAE. Government policies on entrepreneurship development in UAE offer the following incentives:

- 100% foreign ownership
- 100% exemption from taxes on sales, company earnings and private income
- Full exemption from import duties
- 100% repatriation of capital and profits
- No currency restriction.
- Easy and quick registration and licensing, in other words no bureaucratic red – tapism.
- A single – window facility for obtaining all government approval, and services, including those pertaining to trade license, visas, and work permits.
- Abundant and inexpensive energy.
- Efficient recruitment procedures ensuring the availability of skilled and experienced workforce.
- A high level of administrative support.
- Modern efficient communication.
- Attractive working environment, etc.

For all these, UAE's economy is very buoyant. The non oil sector contributes 90% of total GDP in UAE's in 2003, with a target of 94% in 2005. In Nigeria, it has always been less than 5%.

Nigeria

Nigeria, like many other countries, is keen in her rapid entrepreneurship and economic development, and in the overall welfare of her citizens. As such, since the country got her independence in 1960, successive governments have put in place elaborate and far reaching policies and programmes to ensure the development and growth of SMEs and the economy.

Some of the key government policies or programmes on entrepreneurship and economic development in Nigeria include:

1. The establishment of small –scale industrial estates and putting in place such policies as pioneer status, accelerated depreciation tariff protection, approved use scheme, Small and Medium Industries Equity Investment Scheme (SMIEIS), soft loan schemes, the agricultural credit guarantee scheme, etc.
2. The establishment and funding of Polytechnics, Universities, Administrative staff college of Nigeria (ASCON), Centre for Management Development (CMD), and research Institutes such as Nigerian Institute for Social and Economic Research (NISER), Projects Development Agency (PRODA), Federal Institute of Industrial Research Oshodi (FIIRO), Nigerian Institute for Oil Palm Research (NIFOR), Raw Materials Research and Development Council (RMRDC), etc.
3. The establishment of the Niger Delta Development Commission (NDDC), Small and Medium Enterprises Agency of Nigeria (SMEDAN), Bank of Industry (BOI) Standard Organization of Nigeria (SON), Nigerian Agricultural Cooperative and Rural Development (NACRDB), African Development Bank (AfDB), Export stimulation Fund Scheme, International Development Association (IDA), International Finance Corporation (IFC), Nigerian Export – Import Bank (NEXIM), Nigerian Communications Commission (NCC); the Oil and Gas Sector Reform with emphasis on local content; etc.

4. The establishment and funding of Industrial Development Centres (IDCs); Small – Scale Industries Corporation (SSIC); SME Apex Unit Loan Scheme; The defunct National Economic Reconstruction Fund (NERFUND); Nigerian Export Promotion Council (NEPC); the New Industrial Policy; National Directorate of Employment (NDE); Nigerian Airspace Management Agency (NAMA); Nigerian Copyright Commission (NCC); etc.
5. Getting inputs from the Organized Private Sector (OPC); trade associations such as NECA, NACCIMA, MAN, NASSI, etc, in budget preparations and economic policies.
6. The establishment of the defunct Family Economic Advancement Programme (FEAP), the National Economic Reconstruction Fund (NERFUND), Peoples Bank, the Community Banking Programme, the various Public – Private Partnerships, and the Micro – Finance Banking scheme.
7. The establishment of the Economic and Financial Crimes Commission (EFCC), Nigerian Investment Promotion Commission (NIPC), Independent Corrupt Practices and Related offences Commission (ICPC), National Agency for Foods and Drug Administration and Control (NAFDAC), the up – dating of the facilities and retraining of staff of the Corporate Affairs Commission (CAC), etc.
8. In more recent times, some State governments have compiled projects profiles in booklet form. These are distributed freely to potential investors. The document identifies possible areas of investment as a guide to interested industrialists. Again, most of the states in the Federation have units in their Ministries of Commerce and Industry which perform the functions of offering some technical advice to industrialists. Suggestions are offered in such matters as sources of raw materials, of machinery and equipment and possible outlets for a given potential investor’s final product (Nwabuzor, 1990:52-53). Some State have even gone further to encourage entrepreneurs through their various investment companies.

9. The federal government and/or its agencies have collaborative relationships with a good number of regional and international organizations which have direct impact on entrepreneurship development and economic growth. These include:

The New Partnership for Africa's Development (NEPAD); The African Peer Review Mechanism (APRM); The West African Monetary Zone (WAMZ); The West African Institute for Financial and Economic Management (WAIFEM); The Association of African Central Banks (AACB); Organization for Economic Cooperation and Development (OECD); Technical Cooperation among Developing Countries (TCDC); United Nations Conference on Trade and Development (UNCTAD); United Nations Industrial Development Organization (UNIDO); etc.

10. The following fiscal measures used by government to encourage the activities of SMES include:
- a) Reduction of corporate tax from 45% since 1987; and currently 30%.
 - b) Tax free dividends
 - c) Tax relief on investment in economically disadvantaged areas.
 - d) Protection with import tariff
 - e) Export promotion
 - f) Import duty draw- back
 - g) Export license waivers, etc.

Additional tax concessions are available to industrialists who take initiative in the following areas:

- i) local raw material development
 - ii) local value added
 - iii) labour intensive processes
 - iv) export – oriented activities
 - v) in –plant training, etc.
11. The fiscal policy thrust in 2006 and beyond which was consistent with the provisions of the National Economic Empowerment and Development Strategy (NEEDS), was targeted at improving the quality of life and addressing infrastructural deficiencies. It was also

aimed at wealth creation, employment generation and the achievement of the Millennium Development Goals (MDGs). Consequently, the government budget gave priority to investments in power, water, roads, health, education and national security.

In pursuit of its growth and development objectives while sustaining the fiscal consolidation process as outlined in the Medium Term Expenditure Framework (MTEF), the government specifically embarked on the following reform measures:

- Tax reform which was expected to increase the tax base and make the country less dependent on the oil sector as the main source of government revenue;
 - Rationalizing recurrent expenditure by ensuring a zero – tolerance borrowing from the Central Bank;
 - Introduction of a Destination Inspection Scheme to eliminate malpractices and increase custom revenue;
 - Expansion of Value Added Tax coverage to include more items;
 - Strengthening the revenue collection machinery of government agencies by providing necessary incentives;
 - Encouraging public/private sector partnership in economic development to reposition the private sector as the engine of growth; and
 - Improving the infrastructural facilities to reduce the cost of doing business in Nigeria (CBN, 2006:59).
12. Also the CBN’s monetary policies are geared towards encouraging entrepreneurship development, guaranteeing various loan schemes, sponsoring entrepreneurship development programmes and more recently, the establishment of Entrepreneurship Development Centres (EDCs) in the six geo – political zones in the country, and the consolidation of the banking system.
13. The following laws and policies which are part of the Federal Government reform Programme, have been put in place to attract foreign direct investments in Nigeria. They include: Nigerian Investment Promotion Commission (NIPC), and its One – shop Investment Centre (OSIC), Securities and Exchange Act of 1999, the foreign Exchange Act of 1995, the Money Laundering Act of

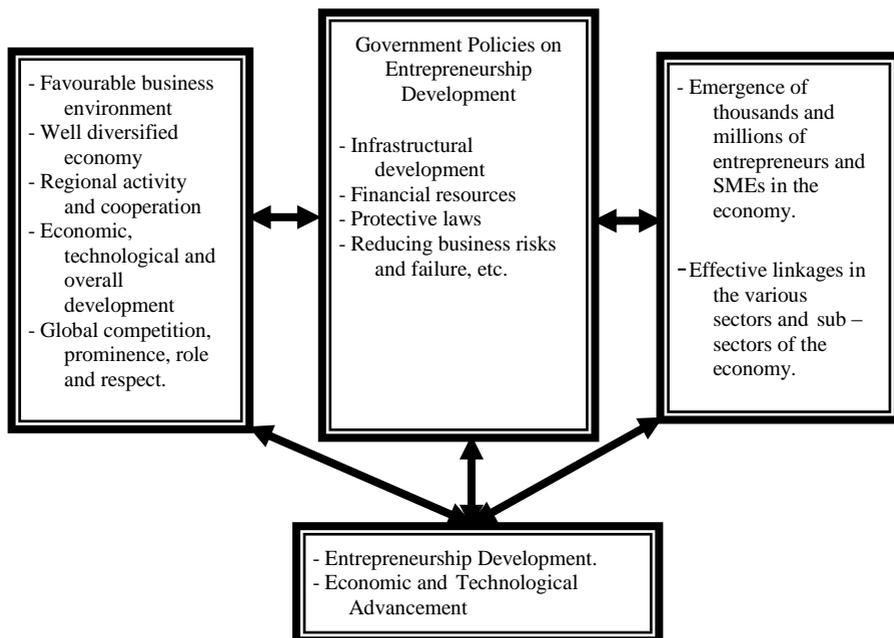
2003, the Banking and other Financial Institutions Act of 1991 and the National office of Technology Acquisition and Promotion Act of 1979 and the Telecommunication Act of 2001., etc

14. The recent policies of the government of President Musa Yar'Adua on the Niger Delta Region will definitely encourage massive entrepreneurship and economic activities. These policies include:

- (i) Better funding of the Niger Delta Development Commission (NDDC);
- (ii) the creation of the Ministry of Niger Delta;
- (iii) the Amnesty deal in which the Federal Government is spending about ₦50 billion compensation and rehabilitation of repented militants;
- (iv) the federal government's share of the \$ 2 billion from the excess crude oil, which is \$950m to be spent in the region in the areas of massive infrastructural development, job creation and economic empowerment programmes.

Recall that in the last ten years, youth restiveness, militancy, and kidnapping for ransom almost paralyzed business and economic activities including further investments in the oil and energy rich region, etc.

Fig 1: Government Policies on Entrepreneurship and Economic Development



Evaluating of these Policies

The major areas of government policies on entrepreneurship development are: (1) infrastructural development that reduces cost of doing business; (2) protective legislations including effective regulatory framework; (3) provision of financial resources and guaranteeing loans; (4) reducing risks of doing business and failure; (5) provision of training institutions, etc. The critical objectives of public policies on SMEs and entrepreneurship development are: the emergence of thousands and millions of entrepreneurs and SMEs; favourable business environments, effective linkages of the various sectors and sub-sectors of the economy, a well diversified economy; global competitiveness; regional activities and cooperation; global prominence, role and respect; overall economic and technological advancement, among other benefits/goals, Onuoha (2010:113). See figure 1.

In evaluating these policies, we shall rely heavily on the economic indices of the selected nations under study as shown in table 1.

Table 1: Economic Indices of Selected Nations

S/N	Economic Indices	South Africa	UAE	Nigeria
1.	GDP	US\$ 488.6 billion	\$270 billion	\$353.2 billion
2.	GDP per capita	US\$ 10,000	\$40,400	\$2,400
3.	Inflation	9.3%	14.4%	11.5%
4.	Unemployment	20%	2.1%	11.5%
5.	Exports	\$ 67.93 billion	\$207.7 billion	\$45.43 billion
6.	Imports	\$70.24 billion	\$141.1 billion	\$42.1 billion
7.	Economic growth rate	4.5%	8.5%	3.8%
8.	Population below poverty	25%		70%
9.	GPD by sector	Agriculture – 40% Industry – 15% Mining – 22% Services – 36.6%	Agriculture– 1.6% Industry – 61.8% Services – 36.6%	Agriculture – 33.4% Industry – 34.1% Services – 32.5%
10.	Labour force	–	3.266 million	47.33 million
11.	Labour force by occupation	–	Agriculture – 7% Industry – 15% Services – 78%	Agriculture – 70% Industry – 10% Services – 20%
12.	Electricity Production	–		15.59 billion Kwh
13.	External Debts	49.3 million	\$73.71 billion	US\$9.689 billion (2008)
14.	Population	49 million	4.2 million	150 million (Est)

Source: Compiled by the author from official economic documents.

South Africa is one of the most stable economies in the African continent. It is a middle – income country, with fully developed infrastructure. The manufacturing, mining and services sectors are the largest contributors to the country's GDP. With a GDP purchasing parity of US\$ 488.6 billion (in 2009) it ranks 26th in the world in terms of GDP. It ranked 25th in the world in terms of GDP (PPP) in 2008. Its per capita GDP of US\$ 10,000 is more than four times that of Nigeria.

South Africa has an abundant supply of resources, well developed financial, legal, communications, energy and transport sectors, a stock exchange that ranks among the top twenty in the world and a modern infrastructure

supporting an efficient distribution of goods to major urban centres throughout the entire region (Wikipedia).

In 1990, South Africa was being classified as an industrial nation with fully 25% of its gross domestic product (GDP) coming from the manufacturing sector. At the turn of the millennium, the sector's contribution had dropped to 19%. The manufacturing in South Africa is dominated by the following industries; agri processing, automotive, chemicals, ICT and electronics, metals, textiles, clothing and footwear. With the decline of the manufacturing sector, the big numbers are now coming from finance, real estates and the service sectors.

South Africa's trade, exports and imports are heavily dependent on the nation's natural resources and government's highly liberal trade incentives. Its primary export commodities include gold, diamonds, platinum, other metals and minerals, machinery and equipment. Its exports were worth \$67.93 billion in 2009, down from \$86.12 billion in 2008. Its primary import commodities include machinery and equipment, chemicals, petroleum products, scientific instruments and food materials. Its imports were worth \$70.24 billion, down from \$90.57 billion in 2008. The following four areas – Cape Town, Port Elizabeth, Durban and Johannesburg, are the primary sources of trade for the South African economy.

South Africa has a large agricultural sector and is a net exporter of farming products. There are almost a thousand agricultural cooperatives throughout the country and agricultural products have constituted 8% of South African total exports for the past five years. Generally, agriculture contributes a mere 2.6% to the country's GDP. As a result of liberal trade and economic policies, and favourable business environment, South Africa can boast of such notable multinational corporations as: Energy Africa, Steinhoff International, Illovo Sugar, Nampack, Avos South Africa, Impala Platinum, Murray and Roberts, Billiton, Sasol, Investec, Mcell, SABmiller, Sappi, First Rand, Barloworld, etc.

South Africa is a popular tourist destination and a substantial amount of revenue comes from tourism. Among the main attractions are the diverse and picturesque culture, the game reserves and the highly regarded local wines (Wikipedia).

It is not all bed of roses for South Africa. It has high poverty rate. Unemployment is extremely high and South Africa is ranked in the top 10

countries in the world for income inequality. Specifically, about a quarter of the population is unemployed and lives on less than \$1.25 a day. All these have led to high crime rates including armed robbery, drug trafficking and hired assassination.

In 2007 the state –owned electricity supplier (Eskom) started experiencing a lack of capacity in the electrical generating and reticulation infrastructure. This led to an inability to meet the routine demands of industry and consumers, resulting in countrywide rolling blackouts. Initially the lack of capacity was triggered by a failure at Koeberg nuclear power station, but since then a general lack of capacity became evident. The supplier has been widely criticized for failing to adequately maintain existing power stations or plan for and construct sufficient electrical generating capacity.

Like Nigeria, South Africa has a large degree of human capital flight of its professionals to United States, Canada and Western Europe. South Africa’s Bureau of Statistics estimates that between 1million and 1.6 million people in skilled, professional and managerial occupations have emigrated since 1994.

Finally, South Africa is the country with the largest number of HIV infections in the world; though the country has worked very hard to fight this affliction. HIV/AIDS has a tremendous impact on all sectors of the South Africa’s economy; this includes microeconomic and macroeconomic perspectives. A study on its economic impact singles out the following effects:

- A decline in total labour supply
- A decline in labour productivity resulting from HIV/AIDS –related morbidity
- Increased production costs, prices, and a decline in aggregate demand, savings and investment
- Increased household expenditure
- Increased government expenditure (Wikipedia).

The United Arab Emirates (UAE) is one of the most developed countries in the world based on various socioeconomic indicators such as GDP per capita, energy consumption per capita and human development indicators. In 2008, a small country like UAE (4.2 million) has a GDP of \$270 billion. With this it ranks third in the Middle East – North Africa (MENA) region (after Saudi Arabia and Iran) and 38th in the world.

Initially, UAE was highly dependent on natural resources. It is currently becoming less dependent on natural resources as a source of revenue; however, petroleum and gas exports still play an important role in its economy particularly in the Abu Dhabi region.

It is worthy of note that through government policies, and selfless and determined leadership, UAE has been able to develop its economy and raised the standard of living of its citizens. Some of the areas of positive impact of government policies include:

1. Massive infrastructural development. All public utilities are available and operate maximally.
2. A massive construction boom. Nationwide, there was a \$350 billion worth of active construction projects in 2008.
3. An expanding manufacturing base. While manufacturing firms are closing shop or relocating in Nigeria, there is expanding and striving. More than 200 factories operate at the Jebel Ali complex in Dubai, which includes a deep –water port and a free trade zone manufacturing and distribution in which all goods for re-export or transshipment enjoy a 100% duty exemption. A major power plant with associated water desalination units, aluminum undergoing smelter, and a steel fabrication unit are prominent facilities in the complex. The complex is currently undergoing expansion, with sections of land set aside for different sectors of industry. A large international passenger and cargo airport, Dubai World Central International Airport, with associated logistics, manufacturing and hospitality industries, is also planned here.
4. A deliberate policy aimed at transferring the commanding heights of the economy to the indigenes. Except in the free trade zone, the UAE requires at least 51% local citizen ownership in all business operating in the country as part of its attempt to place Emiratis into leadership positions. However, this law is under review and the majority ownership clause will very likely be scrapped, to bring the country into line with World Trade Organization regulations.
5. As a member of the Gulf Cooperation Council (GCC), the UAE participates in the wide range of GCC activities that focus on

economic issues. These include regular consultations and development of common policies covering trade, investment, banking and finance, transportation, telecommunications, and other technical areas, including protection of intellectual property rights.

6. A well managed oil and gas industry, particularly in the area of gas reserves. For example, Dubai's small remaining gas reserves are earmarked for use by Dubai Aluminium Company Limited, which is one of the largest aluminium smelters in the world, with a very low cost per tone of production.
7. The establishment of well managed investment companies to manage local and foreign investments. Apart foreign earnings from oil and gas, another important foreign exchange earner, the Abu Dhabi Investment Authority – which controls the investments of Abu Dhabi, the wealthiest emirate – manages an estimated \$360 billion in overseas investments and an estimated \$900 billion in assets (Wikipedia).
8. Deliberate efforts to *properly* and adequately diversify the economy away from oil and gas to other critical sectors like manufacturing, as earlier mentioned, tourism, real estates, media, finance and foreign investments. UAE has become an investment destination for investors all over the world.

Recently, the Emirate of Dubai has started to look for other sources of revenue. High –class tourism and international finance are the new sectors starting to be developed. In line with this initiative, the Dubai International Financial Centre was announced, offering 55.5% foreign ownership, no withholding tax, freehold land and office space and a tailor –made financial regulatory system with laws taken from best practice in order leading financial centres like New York, London, Zurich and Singapore. A new stock market for regional companies and other initiatives were announced in DIFC. Dubai has also developed Internet and Media free zones, offering 100% foreign ownership, no tax, office space for the world's leading ICT and media companies, with the latest communications infrastructure to service them. Many of the world's leading companies have now set up branch offices, and even changed headquarters to there. Recent liberalization in the property market allowing non citizens to buy freehold land has resulted in a

major boom in the construction and real estate sectors, with several signature developments such as the 2 Palm Islands, the World (archipelago), Dubai Marina, Jumeirah Lake Towers, and a number of other developments, offering villas and high rise apartments and office space (Wikipedia).

UAE's major Emirates – Abu Dhabi, Dubai, Fujairah, Ras Ai Khaimah and Sharjah have become havens for notable multinational corporations as Union Group of Companies, Mulk Group of Companies, DRFCO Group of Companies, CERT Group of Companies, Synovate Research Companies, in addition to other International Oil Companies (IOCs). The Country boasts of the best chambers of commerce and Industry, Airports and hotels in the world.

Finally, UAE's core economic and leadership values are global competitiveness, excellence and reliability, transparency and honesty in government harmonious industrial relations, integrated infrastructure, meritocracy, etc. With all these core values, there is no reason why the economy cannot be developed and high standard of living for the citizens.

The pertinent question at this point in time is whether Nigerian policies have taken the economy to a higher level. Nigeria's policies on entrepreneurship development appear more comprehensive than those of South Africa and United Arab Emirates, but have not made its economy advanced. The Nigerian economy is full of disarticulation or incoherence in the various sectors and sub –sectors and is still described as underdeveloped or developing.

The country's SMEs are struggling for survival and cannot compete regionally and globally; infrastructures are in terrible state; the economy is still mono –product with poor non – oil export profile, the education sector is in shambles and brain drain persists; research and development efforts and funding are inadequate; the nation is import and technologically dependent; the refineries are operating below installed capacities and petroleum products are imported in spite of the country being rich in oil and gas resources; we have weak industrial base with manufacturing contributing less than 6% to the nation's GDP; there is insecurity of lives and properties including armed robbery, kidnapping and hired assassination; and costs of doing business are very high with the attendant risk of business failures.

There are poorly implemented economic empowerment programmes; corruption is endemic; there is no transparency and honesty in governance;

the nation has inexplicable low GDP per capita with over 70% of the population living below poverty line; unemployment and inflation rates are high; the nation has no indigenous multinational corporations; poor policies on agriculture and subsistence farming; massive capital flight of stolen money from the economy to some tax havens there by denying our enterprises and the economy the needed funds for entrepreneurship and economic development; unabated brain drain.

The country ranks 151 out of 177 on the UN Development Index; has high mortality rate, low life expectancy, weak institutions, poor governance and poor records in the Millennium Development Goals (MDGs).

Why have these policies worked in South Africa and United Arab Emirates and not in Nigeria? Many factors are responsible for the negative trend and the abysmal poor economic outing. In a number of studies in this area by the author, the reasons why government policies are not impacting entrepreneurs, business enterprises and the economy positively include:

- ✓ Policy gaps;
- ✓ Inconsistency and insincerity;
- ✓ Poor infrastructures;
- ✓ Corruption
- ✓ Not carrying the intended beneficiaries along
- ✓ Limited coverage of these policies and concentrated in a particular geo –political zone, like the South West, particularly, the Lagos area.
- ✓ Poor tariff structure
- ✓ Inadequate funding of the programmes
- ✓ High cost of funds
- ✓ Foreign exchange problems
- ✓ Persistent energy crisis
- ✓ Very high production costs and inability to compete globally and therefore very poor export potentials (Onuoha, 2005:158 and Onuoha, 2010:116).

Most of those have led to harsh economic environment and the inability of our enterprises to compete internationally. Majority of enterprises of the Organized Private Sector (OPC) and members of such trade associations such as NECA, NACCIMA, MAN, NASSI, NASME, etc have complained of unfriendly business space.

For Manufacturers Association of Nigeria, MAN (2008), and other enterprises the following are responsible for members' problems and challenges and poor business outlook. These challenges are applicable to greater or lesser extent to the members of organized and non – formal sectors of the economy.

Despite the potentials of the manufacturing sector as the engine of growth, an antidote of unemployment, a creator of wealth and the threshold for sustainable development, it has suffered severe decline in its contribution to national output. Some of the factors responsible for these are:

- 1) The unchecked activities of smugglers and uncontrolled imports, dumping and under –invoicing of imports particularly from Asian countries. This hassled to unfair competition. It has been reported that between 2000 and 2008, about 820 manufacturing, (including majority of the textile industries) companies have closed down or temporarily suspended production. Another worrisome trend is the relocation of industries from Nigeria to neighbouring countries due to high costs of doing business in Nigeria. Consequently, in a survey jointed carried out by MAN and United States Advocacy Organization – Centre for International Private Enterprises (CIPE) has revealed that over 1.7 million jobs have been lost in the manufacturing sector, over a period of seven years (2001 – 2008); Osagie, 2010:29. On job losses, in 2005, Nigeria had a labour force of 57.2 million, by 2009, the labour force was 47.33, close to 10 million job losses in 4 years. These figures exclude youth and graduate unemployment which is very high in the country. This is unacceptable given the growing population of the nation. There is serious urban and rural unemployment. It is also disheartening to observe that many civil and public servants manipulate their actual ages to stay longer in service, while some other trade unions have also succeeded in blackmailing government to extend their retirement ages. All these are unacceptable given the growing population of the nation.
- 2) Inconsistency in government fiscal, monetary and trade policies. Sometimes, most of these policies are conflicting.
- 3) Persistent congestion at the sea ports. Again, inability of government to check the activities of touts in our sea ports and illegal revenue collection on our roads. Presently, SMEs and members of MAN are

paying multiple taxes which should be harmonized. There is also the problem of inconsistent tariff policies.

- 4) The petroleum pricing policies which have resulted to persistent energy crisis. MAN insists that its members currently generate between 80 – 90 percent of their requirements, since NEPA or PHCN is completely inefficient.
- 5) All the poverty reduction or alleviation programmes in the country have not been effective, hence the problem of low purchasing power of Nigerians have not been addressed.
- 6) Low patronage of Nigerian products which has led to low industrial capacity utilization currently at 48%.
- 7) High costs of funds. Lending rates and other bank charges are up to 25%. This high rate mounts pressures on a sector which has a longer gestation period.
- 8) Inability of government to initiate action aimed at the design of new strategies for the protection of local industries and increasing their international competitiveness. Government has not helped our companies and the economy to take advantage of the following; The Uruguay Round Agreement; African Growth Opportunity Act of 2000 (AGOA); New Partnership for African Development (NEPA); The African Union (AU), among others.
- 9) Dearth of long term funds and high cost of petroleum products such as LPFO, AGO, etc and the depreciation of the value of Naira which lead to high exchange rates and high cost of raw materials and equipments which are usually imported.
- 10) High domestic debts of over ₦3 trillion to indigenous firms.
- 11) On high costs of doing business in Nigeria, in another survey by Centre for International Private Enterprises (CIPE) tagged “Fostering Private Sector Participation on Policy Making through Taxation Reform”, it has observed that companies and businesses in Nigeria pay over 500 levies and taxes to the various tiers of government. This was

disclosed recently by the Director General of MAN, Jide Mike. According to him, local governments receive greater share of these multiple taxes. He said that the growth of the economy has over the years remained stunted due to multiple taxation and has resulted in the decline of the manufacturing sector (Agboola, 2010:31).

- 12) The other factors that impact negatively on business enterprises are ineffective, insincere and greedy political leaders; poor corporate governance; poor regulatory frameworks; corruption, weak and insincere investigations of allegations of corruption; high cost of governance; the penchant for recurrent expenditures over capital projects, poor inflow of foreign capital into the system, poor economic management, etc.

On poor economic – management, as at January 2009, Nigeria had a balance of more than \$24 billion in excess crude account, today, there is only about \$2 billion left (*Insider, 2010:18*). Nigeria became the first African country to fully pay off its debts (estimated \$30 billion) owed to the Paris Club. In 2008, Nigeria’s external debt was an estimated US\$3.2 billion and has rapidly risen to US\$ 9.689 billion by December 2009. Recently, Ngozi Okonjo – Iweala (former Finance Minister) expressed concern about the massive depletion of the excess crude account and how our external debts are building up back to a worrisome level. The country ranks 151 out of 177 on the UN Development Index.

Conclusion

The comparative study of government policies on entrepreneurship development identified the factors militating against the full realization of economic development in Nigeria. Having done so, concerted efforts must be geared towards ameliorating or eliminating them. All hands must be on deck in this direction – Federal, States, Local governments, MDAs, development agencies, regulatory bodies and the organized private sector.

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