

## EMPIRICAL OVERVIEW OF GLOBALIZATION EFFECT ON ENTREPRENEURSHIP DEVELOPMENT IN NIGERIA

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### **Abstract**

This study examined the effect of globalization on the development of entrepreneurship in Nigeria with focus on small business owners in Ibadan, Oyo State capital. Self-administered Structured questionnaire was used to collect data from 155 respondents through simple random sampling method. Simple regression analysis was used to analyze the data collected in order to examine the effect of independent variable (globalization) on dependent variable (entrepreneurship development) with the aid of Statistical Package for Social Sciences (SPSS). The result revealed that globalization ( $\beta=0.745$ ,  $t=13.580$ ,  $p=0.000$ ) has significant effect on the development of entrepreneurship. This implies that globalization is a strong predictor of entrepreneurship development among Nigerians. The result also indicated that globalization contributes 74.5 percent to the development of entrepreneurship in Nigeria. The study further revealed that the integration of micro entrepreneurs into globalization will ensure job opportunities as well as reduction in general poverty level. The paper concluded that globalization is a strong pivotal to the development of entrepreneurship opportunities in Nigeria. It is therefore, recommended that governments and other stakeholders should ensure the creation of a conducive environment for the development of ICT infrastructures to aid entrepreneurial development considering the pivotal role being played in the development of entrepreneurial opportunities by globalization.

**Keywords: Entrepreneurship Development, Globalization, Entrepreneur, Entrepreneurship.**

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## Introduction

The new wave of entrepreneurship based upon the effects of increased globalization shifts the comparative advantages in the rich countries towards knowledge-based economic activities. Meanwhile, competitive factor in the era of globalization is not something that should be feared by local firms or entrepreneurs but they should make globalization as an opportunity to expand their business at international level. Vast changes that occurred in the current era in the international environment, changes in the transition from an industrial society to a knowledge-based or an information society have created a fact that entrepreneurship is the engine of economic development. Certainly, identifying needs and proposing solutions without information is not possible. Thus, information and knowledge like communication is the necessity of any entrepreneurial activities (Stel, Storey&Thurik, 2006; Arvin, 2013). Information and communication technology (ICT) acted as the engine of globalization not only experienced rapid evolutionary progress but also makes the relationship between the entrepreneurs and the countries increasingly complex and dynamic. The dynamics of the relationship between the levels of dependency led to a better increment in all aspects of development (Lukman&Mohd, 2003).

In this regard, policies to promote knowledge-based economies (those directly based on the production, distribution and use of knowledge and information) have sought to combine entrepreneurship as well as information and communication technology industries (OECD, 1997; 1998). Globalization and entrepreneurship have significant spatial links as regions and countries increasingly become focal point for knowledge-creation and learning (Florida, 1995 &Kanter, 1995). Meanwhile, the development of entrepreneurship in favoured locations should be considered in the context of policy change at national, regional and local levels, and institutional change within organizations (Storey, 2003). One of the most important factors associated with the demand side of entrepreneurship is technological development which has been strategically prosecuted through the investment in information and communication technology provided by globalization.

Based on the fact that more often than ever before, technology has transformed the way younger generation communicate and access information. Globalization seems to have been fuelled by

successive technological revolutions and its advances have cut costs of transportation of goods, people and information. New means and systems of transportation and communication have reduced costs and time which have brought different parts of the world closer to one another. The advances in globalization have in each era been part of a wider range of technological and commercial innovations which together with an increased international trade have resulted in unprecedented increase in entrepreneurial activities and rapid growth in productivity (Karlsson&Manduchi, 2001). In this respect, two major assumptions underline the role of globalization. The first one is the proliferation of these technologies causing rapid transformation in all areas of life and the second is that globalization helps to unify and standardize cultures. It is on the basis of these assumptions that the term “information age and globalization” evolved (Onyeaghala& Anele, 2014).

Despite the fact on the role of globalization as an economic engine to drive entrepreneurship development and based on the rapid integration of electrification in the entrepreneurial activities among Nigerian entrepreneurs, very few empirical researches had been directed towards understanding the practices and opportunities provided by globalization in terms of entrepreneurial opportunities, that is, achieving employment opportunities and youth economic empowerment through entrepreneurship development. This paper therefore, addresses this gap in the literature as it attempts to empirically examine the effect of globalization on entrepreneurship development in Nigerian.

### Research Hypothesis

The hypothesis for this study is presented in a null form.

**Ho:** There is no significant effect of globalization on entrepreneurship development.

### Literature Review and Conceptual Underpinning

From the views of various scholars such as (Scholte, 1997 cited in Onyeaghala, and Anele, 2014; Boojihawom, 2004; Khandekar& Sharma, 2005), globalization refers to a process whereby social relations acquire relatively distance-less and border-less qualities, so that human lives are increasingly played out in the world as a single place. In this sense, social relations connote countless and complex ways that people interact with and affect one another are more and more

being conducted and organized on the basis of a planetary unit. In the same way, country locations and in particular, the boundaries between territorial states are in some important senses becoming less central to our lives, although they do remain significant. According to them, globalization is thus an ongoing trend whereby the world has, in many aspects and at a generally accelerated rate becoming one relatively borderless social sphere.

Contrary to the above social relation perspective on globalization, another group of scholars (Akpuru&Emeribe, 2000; Subrahmanya, 2004; Sudan, 2005; Rathod, 2007) had presented a more specific political economic approach on the same issue saying globalization reflects the greatest openness of national and international economies to greater flows of trade, finance, capital, high technology, Foreign Direct Investment (FDI) and Market Integration Offerings (MIO). According to them, the engineering mechanism of globalization remains the revolution in science and technology, particularly as it affects transportation and electro-communication system. The net result of this is the creation of a global village, a single market, a global factory and a global office. Neutralists' views of Ohmae (1995); Oyijide (1998) and Varadarajah (2008) affirm that globalization refers to the increased integration across countries, of markets for goods, services and capital. It implies that globalization is an accelerated expansion of economic activities globally and sharp increase in the movement of tangible as well as intangible goods across national, regional and international boundaries. Movements in focus, individual countries are becoming more closely integrated into the global economy. Corroborating this, Rathod (2007) asserts that globalization has been created and continues to be maintained by liberalization of economic policies in several key areas as trade linkages and investment flows grow more complex and cross-border financial movements are more volatile.

Aruwa (2004) opines that entrepreneurial propensity, opportunities and ability are key concepts of entrepreneurship. He goes further to assert that entrepreneurial traits, creativity, innovation, business planning and growth management have been identified as necessary drivers of entrepreneurship. In view of this, entrepreneurship can be seen as basically the exploitation of a business idea through owning a private business. Cole (1942) cited in Akande (2010) sees entrepreneurship as the purposive activity of an individual or a group of associated individuals, undertaken to initiate, maintain or organize a profit-oriented business unit for the production or

distribution of economic goods or services. Entrepreneurship can be seen as the discovery, evaluation and exploitation of opportunities. The connecting words in defining entrepreneurship from the above authors are willingness and enthusiasm. Therefore, entrepreneurship can be defined as the enthusiasm and capability of a person to look for investment prospect, create, start and run any enterprise productively (Muhammad and Andow, 2010)

According to Olaoye (2010), entrepreneurship is the process of seeking investment opportunities without regards to the resources at one's disposal. Again, the author sees entrepreneurship as a pre-disposition towards the establishment and operation of business venture by any individual, either alone or along with others, including government for the sake of making profit or social surplus in order to accumulate wealth. Thus, an entrepreneur has become the focal point in economic activities. He/she is viewed as an initiator of action, a stimulant of socio-economic change and development. According to Bolton & Thompson (2004), the entrepreneur is an individual who creates and performs innovative ways to develop the opportunities in the environment. This shows not only challenging entrepreneurship career but also promises the ability of entrepreneur's returns if properly handled and managed. An entrepreneur is an individual who intends to add value to the economy by creating a new business venture through the able utilization of his/her skills, knowledge, passion, resources, dreams and desires (Ree, 2001).

The concept of entrepreneurship development is increasingly recognized as an important driver of economic growth, generating employment, fostering innovation and poverty reduction through the empowerment of people. Poor entrepreneurship development has also been identified as an immediate reason why businesses in developing countries fail to start or progress (Aliyu, 2014). The researcher argued that entrepreneurship in Nigeria involved two approaches. According to him, one of the approaches is concerned with provision of generous credit facility for small scale industrialists while the second approach is concern with training. These two elements, (training and funding) are the twin components of Nigerian entrepreneurship development initiatives.

## Globalization and Entrepreneurship Development in Nigeria

In recent times, the role of the entrepreneur has been expanded with the advent and prevalent of information and communication technology; a general-purpose technological era with a pervasive impact on the economy (Olaoye, Dabiri, Oladejo&AbdulRahaman, 2012). However, from the study carried out by Blinder (2005), entrepreneurship is being described as the third industrial revolution for its stimulation of growth in all facets of economic interactions and serves as the development of entrepreneurial skills and competencies as well as the evolution of new businesses.

Mirza (2000) opines lucidly when he intones that “although the establishment of manufacturing industries in Singapore was overwhelmingly due to the efforts of foreign Multinational Enterprises (MNEs), in other Newly Industrializing Economies (NIEs) local companies were often to the fore, albeit frequently as suppliers and subcontractors to major companies”. In this way, trade and investments became the principal mechanisms for driving entrepreneurship and growth among small and medium enterprises (SMEs), allowing for the transmission of innovative ideas, marketing networks, effective management practice as well as technology and knowledge transfer. Globalization gives way for Foreign Direct Investment (FDI) and its effects do not be on the domestic entrepreneurs that operate in the industry in which FDI occurs alone, but rather the effects spill over to other entrepreneurs in all industries (Elizabeth & James, 2006). According to the finding from their study, the reason is that inter-firm linkages can and do occur between firms in different industries. Also, Lipsey (1994) opines that the effect of globalization on wages and employment spills over to other industries. This point as supported by Elizabeth & James (2006) is relevant for this study because in developing economies, Nigeria inclusive, small scale businesses are largely concentrated in the services and retail industries and Multinational Companies are generally concentrated in manufacturing and wholesale trade. The point to be established here is that, although small scale businesses generally operate in less globalised industries, they may still experience the spill-over effect of globalization. Further observation as revealed by Elizabeth & James (2006) is that the wages and employment effect of globalization may be more profound for small scale businesses than larger domestic firms as a result of their small size. In conclusion, since small scale businesses are dominant in the service industries as revealed in their study, the non-tradable services needed for production by Multinational

Companies are likely to be provided by small scale businesses; suggesting that there are linkages between micro entrepreneurs and multinational companies.

While globalization promises opportunities for entrepreneurs as established above, it also demands a drastic change to ensure that they can compete in the global economy. Therefore, entrepreneurs who want to explore the international market must change their minds and think globally in order to apply different strategies for countries with different social, political and economic backgrounds (Mohd, Salleh, et al. 2005). Globalization is not only a business opportunity for entrepreneurs but also affect employability. As a result, the Federal Ministry of Education launched the Entrepreneurship Development Policy for schools of higher learning as a measure to facilitate the development of entrepreneurship in order to create more graduate entrepreneurs. The main goal of this policy is to produce quality entrepreneurs with better entrepreneurial skills and competencies that can have the right attributes as well as values of entrepreneurship.

### Methodology

The study adopted a survey research design. This design was chosen because the sample elements and the variables that are studied are simply being observed as they are without making any attempt to control or manipulate them. Data were collected from a sample of small scale business owners in order to examine the effect of globalization on the entrepreneurship development in Ibadan, Oyo State capital. The independent variable is globalization while the only dependent variable is entrepreneurship development. However, the study was restricted to Ibadan, Oyo State capital. The choice of Ibadan stems from the fact that the concentration and predominance of small scale business operators in Ibadan is easily identifiable. Purposive sampling was used to select the participating small business owners because of its effective coverage and low cost. Also, a simple random sampling technique was used to select a total of one hundred and fifty-five (155) small business owners that constituted the respondents and the sample size. Primary method of data collection was used in this study. It consisted of items in a well-structured questionnaire that was administered to and completed by the respondents. The respondents returned the entire 155 questionnaire that was personally administered. Data

collected were analyzed using simple regression analysis with the aid of Statistical Package for Social Sciences (SPSS).

### Model Specification

Mathematically, the model for this study is expressed as follows:

$$ED = \beta_0 + \beta_1 X_1 + \mu \text{-----eqn 1}$$

Where;

ED= Entrepreneurship Development;  $X_1$  = Globalization

$$ED = \beta_0 + \beta_1 X_1 + \mu \text{-----eqn 2}$$

Where;

$\beta_0$  = Regression constant (intercept);  $\beta_1$  = Regression coefficient and  $\mu$  = Error term.

### Result and Discussion

As shown in table 1 below, the result of regression analysis model showed the relationship between globalization and entrepreneurship development. The table indicated that globalization contribute 74.5% to entrepreneurship development with ( $R^2 = .745$ ,  $F=(1,153) = 84.404$ ,  $P < .01$ ). This implies that globalization influences entrepreneurship development at 1% level. This result conforms to the findings of the studies carried out by Elizabeth & James (2006) and Onyeaghala & Anele (2014) which revealed that globalization has a positive effect on small business owners' income and employment opportunities for the people. It was also revealed that globalization with ( $\beta = .745$ ,  $t = 14.353$ ,  $P < 0.01$ ) is positive and significantly related with entrepreneurship development in the study area.

This implies that globalization has a decisive influence on entrepreneurship development in Nigeria. This indicates that indeed the development of entrepreneurship was witnessed after the adoption of ICT as offered by globalization since it increases the entrepreneurial opportunities among our youth. This result is in line with Boojihawom (2004); Khandekar & Sharma (2005) and Sudan (2005) who revealed through the findings of their studies that globalization activity has brought improvement on entrepreneurship development in terms of jobs, income and improvement of social system. Their findings are in consonance with that of Hitt, Ireland



&Hoskission (2001) which indicated that globalization is the spread of economic innovation around the world and the political as well as cultural adjustment that accompany this diffusion. This development has the potential of creating more opportunities for the entrepreneurs as this will give them an edge over those that are less globalized. Thus the R-Square of the model was calculated to be ( $R^2=.745$ ,  $P<0.01$ ) value which implies that globalization as a variable, accounted for 74.5 percent of variation in entrepreneurship development in terms of employment opportunities. Therefore, globalization performance of developing countries and countries in transition can be measured by the level and the speed of their integration into the global economy, ability to provide quality products and services for the global market, new migratory movements, flow of capital, finance, trade, high technology, foreign direct investment and market integration offering and these assertions conform with the findings of the researches carried out by scholars such as (Sholte, 1997; Akpuru-Aja &Emeribe, 2000; Hitt et al. 2001).

**Table 1: Simple Regression Analysis Showing the of Globalization on Entrepreneurship Development in Nigeria**

Model	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.745 <sup>a</sup>	.552	8.298		
Source	Sum of Square	Df	Mean Square	F	Sig.
Model					
Regression	696.811	1	696.811	84.404	.000 <sup>b</sup>
Residual	190.262	153	68.853		
Total	887.073	154			
Model	Coef.	Std. Error	Beta	t-value	Sig.
(Constant)	27.306	1.902		14.353	.000
Youth Employment	1.310	.096	.745	13.580	.000

\*\*\* Statistical Significant at 1% level

Source: Field Survey, 2016

### Conclusion and Recommendations

This study examine the effect of globalization on the development of entrepreneurship in Nigeria. Findings shows that globalization has positive and significant relationship with

entrepreneurship development. However, the study concludes that globalization is a pivotal to the development of entrepreneurship and creation of employment opportunities through youth economic empowerment in particular and the citizens in general. It can further be concluded that the recent trend of growth in entrepreneurial opportunities showed the trust of Nigerian economy on information technology and globalization, which has helped to render a positive effect on Nigerian entrepreneurial opportunities. Globalization is a fact of life as it brings an increment in entrepreneurial opportunities and upwards movement in the quality of life of the people. Consequent upon the findings of this study, it is therefore, recommended that small scale businesses in Nigeria searching for sustainable growth should adopt strategies that are capable of making them to be globally integrated. Furthermore, the Nigerian government needs to change its role by enacting rules that include openness, credibility and transparency in government dealings as well as removing bureaucratic interference and corruption. Government should also ensure the creation of a conducive environment for the development of ICT infrastructures to aid entrepreneurial development as well as providing incentives for multinational companies to create linkages with small scale businesses.

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