



# Youth Unemployment and Entrepreneurship in Nigeria

Mustapha Ali, Ibrahim Adamu Shehu & Shagari Barde Kukuri

Department of General Studies, Federal Polytechnic Damaturu. Yobe State, Nigeria

**Abstract:** *This paper examines the challenges posed by youth unemployment in Nigeria and the cluster of possible remedies and strategies aimed at tackling the problem. Despite efforts by successive administrations over the years, the problem has persisted due to ineffective policies among others. The future of youth seems bright when entrepreneurship is imbibed and inculcated within the Nigeria society.*

**Key words:** *Unemployment, Entrepreneurship, Sustainability*

Published by  
Africa Research Corps Network (ARC�)

in Collaboration with  
International Academic Journal for Global Research (iajgr) Publishing (USA)



ARC� Journals  
Africa Research Corps Network  
Publication & Research



Strictly as per the compliance and regulations of:



© 2023. Mustapha Ali, Ibrahim Adamu Shehu & Shagari Barde Kukuri. This is a research/review paper, distributed under the terms of the Creative Commons Attribution-Noncommercial 4.0 Unported License <http://creativecommons.org/licenses/by-nc/4.0/>), permitting all non-commercial use, distribution, and reproduction in any medium, provided the original work is properly cited.

## I. Background to the Study

Human capital development has been a leading strategy in improving living standards globally. Youth unemployment remains a major challenge to policy makers especially in attempts to stem socially undesirable practices such as crime. Entrepreneurship is deemed as one of the techniques through which the youth could be gainfully self-employed and become responsible and productive members of the community for overall national development.

This study attempt to correlate the relationship between the two variables: youth unemployment and entrepreneurship. The youth represent about 70% of most developing economies including Nigeria. Conflicts, insurgency, crime and secession agitations are by products of lack of employment. The informal has been identified as a major employer of labour especially in the developing economies. This means, the government could stimulate job creation among the youth through the provision of start-up incentives such as loans and basic training in all the available fields of enterprise.

The Nigerian economy has had a truncated history. In the periods 1960-70, the Gross Domestic Product (GDP) recorded 3.1% growth annually. During the oil boom era, roughly between 1970 and 1978, GDP grew positively by 6.2% annually – a remarkable growth. However, in the 1980s, GDP had negative growth rates. In the periods 1988 – 1997, which constitute the period of Structural Adjustment and Economic Liberalization, the GDP responded to economic adjustment policies and grew at a positive rate of 4.0%. In the years after independence, the industry and manufacturing sectors had positive growth rates, except for the period 1980 – 88, where industry and manufacturing grew negatively by -3.2% and -2.9% respectively. The growth of Agriculture for the period was unsatisfactory. In the early 1960s, the Agricultural sector suffered from low commodity prices while the oil boom contributed to the negative growth of Agriculture in the 1970s. The boom in the oil sector lured labour away from the rural areas to the urban centres.

The contribution of Agriculture to GDP, which was 63% in 1960, declined to 34% in 1988. This trend occurred not because the industrial sector increased its share but due to neglect of the Agricultural sector. It was, thus, not surprising that by 1975, the economy had become a net importer of basic food items. The apparent increase in Industry and Manufacturing from 1978 – 1988, was due to activities in the mining sub-sector, especially petroleum. Capital formation in the economy has not been satisfactory. Gross Domestic Investment as a percentage of GDP, which was 16.3% and 22.8% in the periods 1965 – 73 and 1973 – 80 respectively, decreased to almost 14% in 1980 – 88 and increased to 18.2% in 1991 – 98. Gross National Savings was low and consists mostly of public savings during the period 1973 – 80. The current account balances before official transfers are negative for 1965 – 73, 1980 – 88 and 1991 – 98. The economy never experienced double-digit inflation during the 1960s. By 1976, however, the inflation rate stood at 23%. It decreased to 11.8% in 1979 and jumped to 41% and 72.8% in 1989 and 1995 respectively. By 1998, the inflation rate had decreased to 9.5% from 29% in 1996.

Unemployment rate averaged almost 5% for the period 1976 – 98. However, the statistics especially on unemployment must be interpreted with caution. Most job-seekers do not use the Labour exchanges, apart from the inherent distortions in the country's labour market. Based on some basic indicators, it appeared the economy performed well during the period immediately after independence and into oil boom era. However, in the 1980s, the economy was in a recession.

According to the Federal Office of Statistics, as at 31<sup>st</sup> December 2010, Nigeria's GDP stood at \$374.3 billion, GDP growth rate at 7.8% while GDP per capita at \$2,500. GDP by sector stood at: Agriculture 41.8%, Industry 29.6%, and Services recorded 28.6%. The rate of inflation is

12.8%. Percentage of the total population living in absolute poverty, that is, below the poverty line of \$1.00 per day, is 45% of 150 million Nigerians! The total available labour force stood at 47.33 million while the labour force by occupation was: Agriculture 70%, Industry 10% and Services stood at 20%. Unemployment rate was 5%, (CIA World Fact Book, 2011). Obviously, unemployment and poverty are two interwoven variables, (Ojo,2004). The Government in its effort to tackle poverty and unemployment came up with various strategies aimed at promoting entrepreneurship.

#### A BRIEF HISTORY OF ENTREPRENEURIAL DEVELOPMENT IN NIGERIA

Successive governments have tried to address some of these issues through the enunciation of poverty related programmes. Whether these programmes have succeeded in either alleviating poverty or not is a moot point. Suffice it to say, however, that the first of such programmes called, Operation Feed the Nation (OFN), which was enunciated in 1979 by Gen. Olusegun Obasanjo. The programme had the specific focus of increasing food production on the premise that availability of cheap food will mean higher nutrition level and invariably lead to national growth and development. OFN lasted until Shehu Shagari's government took over in 1979. Shagari (1979-1983) shared almost the same poverty reduction idea with his predecessor. He came up with his own pet project named the Green Revolution, which also emphasised food production. It must be stated though that lack of continuity and shift in approach trailed poverty alleviation programmes since the ouster of Shagari from power in 1983. Each subsequent military administration came with a different idea or no idea at all. Poverty reduction programmes became more 'regime specific' because there was hardly any continuity with those initiated by previous governments. The military regime of Gen. Muhammad Buhari (1983-1985) did not have a specific poverty alleviation programme as it clearly focused on fighting indiscipline and corruption. This initiative better known as WAI of War Against Indiscipline, sought to inculcate a military-style regimen of discipline as such queuing for public services, observing road signs, memorising the national anthem and generally sprucing up the national psyche on the distinctions of right and wrong, handling of public property etc. Some analysts argue that the fight against indiscipline and corruption were equal to a poverty alleviation programme in the sense that the two were partly the reason why many Nigerians are poor. Gen. Ibrahim Babangida (1985-1993) is known to be one Head of State that introduced a welter of poverty alleviation programmes. These include the Peoples bank, which sought to provide loans to prospective entrepreneurs on soft terms and without stringent requirements of collaterals. It also regulated to an extent the activities of community banks that also sprouted as adjuncts of the Peoples Bank and as sources of cheap funds for communities and their members. Another programme was the Directorate of Food, Roads and Rural Infrastructure (DFFRI), which sought to open up rural areas via construction of feeder roads and provision of basic amenities that would turn them into production centres for the national economy. The DFFRI was on offer as the most comprehensive programme on the nation's war against poverty. Considering the truism that rural populations in Nigeria are significantly poorer than their urban counterparts, this programme targeted this core group.

Its premise was just not to open the rural areas, but the hinterland, which ordinarily would not have been accessible. It also aimed at promoting rural employment based on the assumption that if rural infrastructure, such as electricity, was available in the villages, many welders, for example, would operate from there, instead of scrambling for spaces in congested urban centres. On the other hand, DFRRRI assumed that if the hinterland was linked by road, farmers would transport their products to the markets easily and at cheaper rates, thereby reducing the cost of food production as a way out of poverty. Many Nigerians are however agreed that this, like other programmes by the regime, were good but their impacts on the populace and poverty were minimal because of shortcomings in their implementation. Another programme that tried to head-off the scourge of poverty by targeting the agricultural sector was the Nigerian Agricultural Land Development Authority (NALDA). The Authority was intended to reduce the prevalence of subsistence agriculture in the country and in its place infuse large scale commercial farming by assisting farmers with inputs and developing land for them to the point of planting, at subsidised rates. While all these programmes collapsed at one point or the other, nonetheless, at least one of these programmes enunciated by the Babangida regime –the National Directorate of employment (NDE) – has had longer staying power up till date. By its mandate, NDE was to design and implement programmes to combat mass unemployment and articulate policies aimed at developing work programmes with labour intensive potentials. From its programmes and its staying power, this was a scheme that could be adjudged as the most successful of Babangida's poverty alleviation policies. Babangida saw unemployment as one of the key issues challenging the agenda of government since it posed a potential danger to the socio-political and economic system of the nation. Until the 1980s, unemployment was not a serious problem in Nigeria. Global economic recession however took its toll on the country, because as that decade progressed, inherent weaknesses were noticed in the nation's economy. The need for the creation of NDE is also traced to the drastic reduction in oil prices and the resultant economic policies at the time. The situation led to low capacity utilization in the nation's industries and the outright closure of some. Subsequent lay-offs due to closure and rationalisation informed on the need to introduce a system that would accommodate such people, so that the already bloated job market, will not suffer more congestion. The reduction in employment opportunities and rationalisation in both the public and private sectors formed the basis on which the Nigerian unemployment situation was viewed as a danger for the socio-economic stability of the nation. It is on record that hundreds of thousands of youths have benefited from the NDE scheme through its four-pronged approach that include Vocational Acquisition Training (673,000), Entrepreneurial (Business) training (373,366), Training for Rural Employment and Training for Labour-Based works programme. In 2000 alone, NDE said that 21,708 youths received training in vocational skills in 36 states of the federation and Abuja, while 5,075 graduated in different trades. The scheme which has a special arrangement for women, said that several of them were trained on how to process, preserve and package food. However, the drawback on NDE's schemes for now is that there is no follow-up programme for beneficiaries. Many of them who did not utilise the skills they acquired and others, who did not properly invest the loans they received, have found themselves in a worse state. While the directorate asserts that it disbursed N526, 901,313.11 since inception, for its various

programmes, only 24.4% of this total or N129, 048,757.63 was recovered from beneficiaries. The regime of Late Gen. Sani Abacha (1993 – 1998) was known as the midwife of the Family Economic Advancement Programme (FEAP) in Nigeria's quest for a way out of debilitating poverty, as this was the period that marked Nigeria's relapse into the global bracket of 25 poorest nations. Significantly, FEAP existed for about two years (1998 – 2000) during which it received funding to the tune of N7 billion out of which about N3.3 billion was disbursed as loans to about 21,000 cooperative societies nationwide that were production oriented. Such projects targeted for assistance included poultry production, garri making, soap making and animal husbandry. As a rider to all poverty alleviation programmes enunciated over the years in the Country, it must be recalled that spouses of Heads of State also joined in the fray with nobler programmes that not only elevated the status of these First ladies but also focused on issues of poverty, using State funds. Most noticeable were the Better Life for Rural Women heralded by the late Mrs. Mariam Babangida and Mrs. Mariam Sani Abacha's Family Support Programme (FSP). These programmes also tried to introduce a gender element into anti-poverty programmes, acting on the assumption that women needed special treatment in the light of their immense contributions to the national economy, both as small-scale entrepreneurs and home keepers. Nonetheless, most of these poverty alleviation programmes suffered the same fate as a recent government assessment showed. It found that they all failed due largely to the fact that:

- They were mostly not designed to alleviate poverty
- They lacked a clearly defined policy framework with proper guidelines for poverty alleviation
- They suffered from polity instability, political interference, policy and macroeconomic dislocations.
- They also lacked continuity.

## RESEARCH QUESTIONS

- i. What is the nature of the relationship between youth unemployment and entrepreneurship in Nigeria?
- ii. Could entrepreneurship be a panacea for Youth unemployment in Nigeria?

## II. LITERATURE REVIEW

A definition of entrepreneurship has been debated among scholars, researchers, and even policy makers since the concept was first established in the early 1970s. Sternfiöff and Burgers (1993) view entrepreneurship as the ability to develop a new venture or apply a new approach to an old business. According to Gana (2001), entrepreneurship is the ability to develop a new venture or apply a new approach to an old business. He views entrepreneurship as the ability to seek investment opportunities and persisting to exploit that opportunity. On the other hand, Anayakoha (2006) sees the entrepreneur as one who chooses or assumes risks, identifies business opportunity, gathers resources, initiates action and establishes an organization or enterprise to meet such demand or market opportunity. Allawadi (2010) made a distinction between enterprise and entrepreneur. He describes the

carrying out of new combinations as “enterprise” and the individual whose function it is to carry them out as “entrepreneur”. He further tied entrepreneurship to the creation of five basic new combinations of introduction of a new product, a new method of production, opening a new market, conquest of new source of supply and creating a new organization. Stevenson (2002) defines entrepreneurship as the pursuit of opportunity through innovative leverage of resources that for the most part are not controlled internally. Though the idea that entrepreneurs are innovators is largely acceptable it may be difficult to apply the same theory to less developed countries (LDCs). Allawadi (2010) argued that LDCs rarely produce brand new products; rather they imitate products and production processes that have been invented elsewhere in developed countries. He refers to this practice as “creative imitation”. Frequently, entrepreneurship is thought to apply only to the management of small businesses such as roadside furniture makers, cobbler, tyre vulcanizers, hairdressers and so on, but recent giants like Dell computers and Microsoft have shown how a small business that started small can grow into a conglomerate if given an enabling environment. Drucker (1998) proposes that entrepreneurship is a practice. What this means is that entrepreneurship is not a state of being nor is it characterized by making plans that are not acted upon. One argument may be that entrepreneurship begins with action which involve the creation of new organization which may or may not be self-sustaining nor earn significant revenue. Regardless of the outcomes, when an individual creates a new organization, he has entered the entrepreneurship paradigm.

Some individuals apply the concept of entrepreneurship to the creation of any new business, while others focus on intentions believing that entrepreneurs merely seek to create wealth. This is different from starting a business as a means of working for” yourself” rather than working for others. Others tend to confuse managing a small business with entrepreneurship. But Stevenson and Grousbeck (1999) argued that not all small business managers are entrepreneurs because they don’t innovate. On the other hand, Stoner et al (2000) note that the function that is specific to

entrepreneurs are the ability to take the factors of production – land, labour and capital and use them to produce new goods and services. However, they argue that entrepreneurs perceive opportunities that other business executive do not see or care about. Creativity and entrepreneurship promote the birth of new firms which is critical to economic development efforts. Therefore, a definition which seem to fully capture the true meaning of entrepreneurship is the

one provided by Stevenson and Gumperts (2002) as a process in which individuals pursue opportunities fulfilling needs and wants through innovation together with the attendant risks. Based on the above definitions, it can be concluded that entrepreneurship is the process of carefully determining and analyzing unmet needs through creatively satisfying those needs by bearing the related risks. By combining the above thoughts, it can be argued that entrepreneurs are risk bearers, coordinators, organizers, gap-fillers, leaders and innovators.



### III. METHODOLOGY

Secondary data were used for this research. Publications from government sources such as Central Bank of Nigeria (CNB) and National Bureau of Statistics (NBS) were used. Others include data from the UNDP database. And, of course, publications from various scholars.

The method of study employed is the Ordinary Least Squares (OLS) while data used (1999-2019) which are secondary in nature, are sourced from the Central Bank of Nigeria, Statistical Bulletin (2010), and Annual Report and Statement of Account (various issues). The growth rate of the data is employed for the test except otherwise thus:

$$PGR = f(\text{UNM, AGR, MNR, SVR, POP, INF}) \dots\dots\dots(1)$$

In stochastic term, equation (1) becomes:

$$LPGR = \beta_0 + \beta_1\text{UNM} + \beta_2\text{LAGR} + \beta_3\text{LMNR} + \beta_4\text{SVR} + \beta_5\text{POP} + \beta_6\text{INF} + \varepsilon \dots\dots\dots(2)$$

Where:

PGR = log of growth rate of entrepreneurship

UNM = Youth unemployment rate

AGR = log of growth rate of agricultural contribution to GDP

MNR = log of growth rate of manufacturing contribution to GDP

SVC = growth rate of services sector contribution to GDP

POP = growth of the population

INF = inflation rate

E = error term

**Table 1. Growing Youth unemployment in Nigeria**

	2006	2007	2008	2009	2010	2011
Total Population	140.11	144.02	149.56	154.34	159.28	164.38
Economically Active	70.92	81.44	84.05	86.74	88.52	92.38
Labour Force	57.45	59.29	61.19	63.14	65.17	67.25
Employed	50.38	51.76	52.07	50.7	51.22	51.18
Unemployed	7.07	7.53	9.12	12.44	13.95	16.07

Source: Omoh, G. (2012)

**Table 2. Unemployment Rate By States (% March 2019)**

Bayelsa	38.3	Borno	27.7	Imo	20.8	Enugu	14.9	Edo	12.2	Plateau	7.10
Katsina	37.3	Kano	27.6	Ekiti	20.6	Ondo	14.9	Ebonyi	12.0		
Bauchi	37.2	Yobe	27.3	Niger	19.7	Oyo	14.9	Kebbi	12.0		
A/ Ibom	34.1	Taraba	26.8	Lagos	19.5	Abia	14.5	Niger	11.9		
Gombe	32.1	Jigawa	26.5	Kogi	19.0	C/Rivers	14.3	Kaduna	11.6		
Adamawa	29.4	Sokoto	22.4	Delta	18.4	Zamfara	13.3	Kwara	11.0		
Rivers	27.9	FCT	21.5	Anambra	16.8	Osun	12.6	Ogun	8.50		

Source: National Bureau of Statistics Labour Force Survey 2019

**Table 3. Nigerian Unemployment Rates by Age and Sex (March 2019)**

Age	Unemployment Rate
15 - 24	41.6
25 - 44	17.0
45 - 59	11.5
60 - 64	16.70
Gender Analysis	
Male	17.0
Female	23.3

Source: Ruhl, O. (2019)

**IV. Results and Interpretation**

Cochrane Orcutt Iterative technique was used as the OLS whose results was not imputed might not provide accurate outcomes. The dependent variable for the study is rate of growth of entrepreneurship (PGR), while independent variables include growth rate of unemployment (UNM), real GDP growth (GDP) (AGRIC), real GDP manufacturing GDP (MNR), the growth rate of the services sector to real GDP (SVC), growth rates of inflation and population. For the purposes of optimality, only three variables were logged and they include entrepreneurship, agriculture and manufacturing. The autoregressive technique of order one (Inverted AR) was observed to eliminate possible autocorrelation.

**Table 4: Cochrane Orcutt Iterative Estimation; Dependent Variable: LENTR**

Variable	coefficient		std error	t-statistics
probability				
C	3.96	0.109	36.5	0.00
UNM	0.02	0.005	2.9	0.02
LAGR	0.05	0.043	1.2	0.26
LMNR	-0.15	0.037	-4.0	0.00
SVC	0.01	0.003	2.9	0.02
POP	0.01	0.006	2.4	0.04
INF	-0.01	0.007	-0.7	0.50
AR (1)	-0.09	0.211	-0.4	0.69
R <sup>2</sup> = 0.84; F-Stat.= 6.2; DW = 1.61				

Source: Eviews 7.0

This analysis shows that the R<sup>2</sup> of 0.84 means that the six dependent variables explained about 84 per cent of youth unemployment during the period of study in Nigeria. The F-statistic of 6.2 reveals that the model is significant while the DW = 1.61 falls within the acceptance region (1.59 – 2.41) of no autocorrelation. The results further show that all the variables' contribution to GDP as well as the nation's population growth have a positive significant impact on youth unemployment and entrepreneurship. This finding is similar to those of Abdul (2010).



## V. Conclusion and Recommendation

Youth unemployment and entrepreneurship in Nigeria is a strategic technique for tackling a serious socio-economic challenge to contemporary policy makers. Human development Index rankings suggest that poverty is persistent and increasing in Nigeria but if entrepreneurship and vocational education would be taken seriously, it can help tremendously in controlling the problem.

## REFERENCES

- Aiyedogbon, J. O., & Ohwofasa, B. O. (2012). Poverty and youth unemployment in Nigeria, 1987-2011. *International journal of business and social science*, 3(20).
- Ajufo, B. I. (2013). Challenges of youth unemployment in Nigeria: Effective career guidance as a panacea. *African research review*, 7(1), 307-321.
- Alanana, O. O. (2003). Youth unemployment in Nigeria: some implications for the third Millenium. *Global Journal of Social Sciences*, 2(1), 21-26.
- Bello, M. A, and Abdul, H.R. (2010); "Has Poverty Reduced in Nigeria 20 Years After?"
- Ihugba, O. A., Odii, A., & Njoku, A. C. (2013). Challenges and prospects of entrepreneurship in Nigeria. *Academic Journal of Interdisciplinary Studies*, 2(5), 25.
- Okafor, E. E. (2011). Youth unemployment and implications for stability of democracy in Nigeria. *Journal of sustainable Development in Africa*, 13(1), 358-373.
- Salami, C. G. E. (2013). Youth unemployment in Nigeria: A time for creative intervention. *International Journal of Business and Marketing Management*, 1(2), 18-26.
- Inyang, B. J., & Enuoh, R. O. (2009). Entrepreneurial competencies: The missing links to successful entrepreneurship in Nigeria. *International business research*, 2(2), 62-71.
- Igwe, P. A., Ogundana, A. N. A. O. M., Egere, O. M., & Anigbo, J. A. (2018). Factors affecting the investment climate, SMEs productivity and entrepreneurship in Nigeria. *European Journal of Sustainable Development*, 7(1), 182-182.