



### YOUTH UNEMPLOYMENT AND BUSINESS DEVELOPMENT IN NIGERIA

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#### **Abstract**

*The development and transformation of Nigerian and the Sub-Saharan Africa is highly dependent on youth empowerment through business development. They are the backbone of economic development all over the world and play important role for employment, income and societal changes, particularly in transition economies like Nigeria. This paper is concerned with the extent to which business*

#### **Keywords:**

*Unemployment, Business Development, Business, Youth Development.*

#### **INTRODUCTION**

The Nigerian economy since the attainment of political independence in 1960 has undergone fundamental structural changes resulting to structural shifts which have however not resulted in any significant sustainable economic growth and development to ensure adequate employment opportunity for her youths. Studies on the menace of unemployment have created a huge vacuum in the mind of many scholars both in Nigeria and the world at large. This is so because the rising rate of poverty and other social vices have stimulated the economic and political crises experienced in recent time. Unemployment is one

*development in infrastructural the essence of Nigeria has helped to facilities and entrepreneurship to reduce youth maladministration. economic unemployment and The paper concludes development by also the challenges and that business providing the enabling prospects for the development is an environment and development of engine for job creation; secured environment entrepreneurship. The innovation and for the youth to be study revealed that diversity and Nigeria's gainfully employed for such policies and entrepreneurs have a economic initiative by long way to go before development and also government has they can effectively provide adequate affected the drive changes in the infrastructural "transformation economy; and facilities (water, question". This is due recommends that electricity, road to the increase of Government (policy network, corruption, inadequate makers) should communications etc). and inefficient genuinely recognize*

**O**f the development problems currently facing all developing economies of the world (Patterson, 2006), and Nigeria is not an exception. Unemployment or joblessness occurs when people are without jobs and they have actively sought work within the past five weeks (Fajana, 2000). It is the consequence of the surplus of labour supply over labour demand. The unemployment rate is a measure of prevalence of unemployment and it is calculated as a percentage by dividing the number of unemployed individuals by all individuals currently in the labour force. World Bank (1989:63) defines the unemployed s numbers of the economically active population who are without work.

The origin of unemployment in Nigeria can be traced back to the oil boom era of 1970s. During this period, Nigerian government and individuals abandoned skills acquisition and utilization through diversified entrepreneurship practices that have the capability to boost both individual and the country's economic ego. Emphasis shifted from entrepreneurial practices to paper qualification which has resulted in

increased unemployment in the country. The Nigerian Economic Report released by the World Bank in 2011 stated that unemployment rate worsened from “12% of the working population in 2006 to 24% in 2011”. A survey by the National Bureau of Statistics (2011) indicates that between 2006 and 2011, there were 1.8 million new entrants into the active labour market per year. According to the National Bureau of Statistics (2009, 2011), the national unemployment rates for Nigerian between 2000 and 2011 showed the number of unemployed persons constituted 31.1% in 2000; 13.6% in 2001; 12.6% in 2002; 14.8 in 2003; 13.4 in 2004; 11.9% in 2005; 13.7% in 2006; 14.6% in 2007; 14.9% in 2008; 19.7% in 2009; 21.1% in 2010 and 23.9% in 2011. In 2012, unemployment rate in Nigeria increased to 24%.

### **BUSSINESS DEVELOPMENT**

Business development activities and innovative ingenuity in Nigeria have developed enterprises in areas such as agriculture/agro-allied, solid minerals, transportation, information and telecom, hospitality and tourism business, building and construction etc. according to Anyadike, Emeh and Ukah (2012) in human and natural resources, notwithstanding, Nigeria is still one of the poorest countries in the world and has one of the highest rates of youth unemployment in Sub-Sahara Africa, and despite its alleged strong economic growth. In respect of the above sad and deplorable situation, the government has done little to reduce the misery and frustrations of the citizenry. This has promote a state of hopelessness on majority of young and old people who have resorted to any means including crime to succeed in life. They resort to vices because they are not gainfully engaged. In other words, they are unemployed, not because they lack the qualification but because the system has been crippled politically, economically, socio-culturally and even religiously.

The need for business development in the country today is necessitated by the fact that entrepreneurship development is a major factor in economic growth and development and also the permanent cure for extreme hunger and poverty necessitated by unemployment. It is in this respect this paper seeks to highlight the major challenges and prospects of entrepreneurship

in the country and thus proposing some plausible strategies that can promote effective entrepreneurship that will help developed the economy. For Sub-Sahara Africa to stand among the nations of the world it must be able to take business development and employment importantly. Most important the youth are the machine that will propel development and transformation. They are an important facet of industrial growth and development of a nation. Since the 1980s, unemployment has continued to remain one of the most cancerous socio-economic problems inhibiting the progress of Nigeria, as a nation and Sub-Sahara Africa. Unemployment is apparently one of the major causes of social vices such as fraud, kidnapping, armed robbery, destitution, prostitution, terrorism, political thievery and so on. With the labour force of approximately 3 million people annually moving into the labour market, unemployment of persons of 15 years and above was put 3.8% and youth unemployment estimated at 5.0%, as at 2006 (Osibanjo, 2006). Therefore it is quiet certain that a good business development can create a strong economy.

## **CONCEPTUAL AND THEORETICAL DISCOURSE**

### **Youth Unemployment in Nigeria**

Unemployment occurs when people are without jobs and they have actively sought for job within the past four weeks (ILO 2007). Fajana (2000) refers to as a situation where people who are willing and capable of working are unable to find suitable paid employment. (Patterson et al, 2006) defined it as a situation in which people who are willing to work at the prevailing wage rate are unable to find jobs. It is one of the macro-economic problems which every responsible government is expected to monitor and regulate. The higher the unemployment rate in an economy the higher would be the poverty level and associated welfare challenges.

Unemployment is one of the development problems that face every developing economy in the 21<sup>st</sup> century, and Nigeria is not exempted. Its impact is felt more by the youths, leading to youth unemployment.

According to Punch Published report editorial of June 10, 2003 referred to a report by the National Poverty Eradication Programme (NAPEP) in 2001 saying that the universities and other tertiary institutions in the country produce an average of 120,000 graduates each year while another 500,000

schools leavers or college graduates are turned out each year, without the hope of any job. Although NAPEP admitted that the figures were not available on the actual number of the unemployment, the agency said that 50% of the unemployed is assumed to be youths (The Punch Newspaper, 2003).

Massive youth unemployment in any country is an indication of far more couples problems. Nigeria's unemployment can be grouped into two categories: the older unemployed who lost their jobs through retrenchment, redundancy or bankruptcy; and the younger unemployed, most of who have never tasted what it is to be employed (Oyebade, (2003).

### **Causes of Youth Unemployment in Nigeria**

The level of unemployment is a reflection of the state of nation's economy. It therefore suffices that youth unemployment is highly dependent on the overall status of economy. Economic activity, measured by GDP growth, is probably the single factor that most influences the chances of young people finding a job. Low or negative GDP growth, economic recession and low investment are direct causes in the shrinking demand for labour (Ovaiwe, 2010). A direct illustration to this linkage is witnessed in the Nigeria economy in 1970s, when the country had a per capita income growth rate of over 4%. The government of the day had a boisterous civil service brought about by the growth. When global economic recession set in from 1981 a negative growth was experienced for most of the 1980s and 1990s, with a per capita income growth rate of 2% in 1998 (World Bank, 2011). Human capital is the practical life skills in the form of unattainable social, political and economic status that defines them as adult. Human capital is proportional to the amount of time an individual has worked. It declines when an individual is unemployed. Perhaps, the greatest challenge on both youth unemployment is their use for political and military ends. Deprived of employment opportunity and livelihood, youths are actively mobilized by politicians and armed groups alike. Youth unemployment also has security implications for almost every county in Africa, since desperation often leads young people to fall prey to warlords, criminal gangs, or illegal migration syndicates (Unowa, 2005).

Nigeria reduced its workspace by 40% in less than two years. The effect was felt more by the women and youths, who often have job that are vulnerable to economic shocks. As a last resort, the Nigerian informal economy flourished, with jobs as hawkers, traders, repairers- jobs less likely to grow the economic- now accounting for almost all the new jobs accessible to the young people. Persistence in youth unemployment became the result of the losses in human capital (Lawanson, 2007).

The rapid population growth, going by the 2006 census in Nigeria, the nation's population was put at 140,431,790 and projections for the future indicate that the population could be over 180million by the year 2020, given the annual growth rate of 4.5 percent (National Population Commission and ICF Macro, 2012). With this population, Nigeria is the most populous nation in Africa. It is argued that the high population growth rate has resulted in the rapid growth of the labour force, which is far outstripping the supply of jobs. The accelerated growth of population on Nigeria's unemployment problem is multifaceted. According to the National Bureau of Statistics, Nigeria the unemployment rate stood at 23.09% as at 2012. It affects the supply side through a high and rapid increase in the labour force relative to the absorptive capacity of the economy.

Rapid growing urban force arising from rural urban migration, rural-urban migration is usually explained in terms of push-pull factors. The push factors include the pressure resulting from man-land ratio in the rural areas and the existence of serious underemployment arising from the seasonal cycle of climate. The factors are further exacerbated in Nigeria and most Africa countries due to the increase of war and epidemic in most of these countries (Liberia (ebola), Mali, Sudan, and Sierra etc), likewise the lack of infrastructural facilities, which makes the rural life unattractive. Youths move to urban areas with the probability of securing lucrative employment in the industries. In addition to this, there is the concentration of social amenities in the urban centers. This meant that the rural areas are neglected in the allocation of social and economic opportunities.

Adeloye, 2010 and Onifade, (2011) said the fact that the Nigeria is becoming hostile to investment due especially to lack of steady and sustainable power supply energy crisis in spite of the various attempts are

reviving this sector leading to firms depending on generators for their operation whose cost of buying, fueling and maintenance are high and multiple levies and taxations being paid by these companies, energy crises have combined to make the cost of doing business in Nigeria to be very exorbitant. When the industries and factories closed shops or relocated to a friendlier economic environment, workers were laid off and prospects of recruiting new ones were dashed. All these exacerbated the crisis of youth unemployment in the labor market.

Corruption, which has permeated the entire social structure of Nigeria, has robbed the country of developing a vibrant economic base. Funds meant for development projects have been misappropriated, diverted, or embezzled and stashed away in foreign banks, while some incompetent and corrupt bureaucrats and administrators in the public enterprises and parastatals have liquidated these organizations (Okafor, 2010). The point being made here is that the collaboration of the political elites, local and foreign contractors in the inflation of contract fees have robbed Nigeria of the chances of using more than \$500 billion estimated revenue from the oil sale in the last 54 years to develop a vibrant economy that would have created jobs for the youths in various sectors of the economy. The ruling (political) class failed because they replaced the vision, policy, and strategy, which should be the thrust of every leadership with transactions (contract award and other mundane money related activities), as each successive government took turns to prey on the nation's wealth, by using public power, resources, good will, utilities, instrument of abuse, and personal gains (Okafor, 2005). Thus crippling the economy and engendering and exacerbating unemployment which creates abject poverty, hunger and frustration; killing the zeal and means for business development in the Nigeria youths.

### **Business Development**

Business development is more than simply "starting a business." It is a process through which individuals identify opportunities, allocate resources, and create value. This creation of value is often through the identification of unmet is seen as "one who undertakes innovations with finance and business acumen in an effort to transform innovations into

economics goods hence Business see “problems” as “opportunities.” And then take action to identify the solutions to those problems and the customers who will pay to have those problems solved. Business development success is simply a function of the ability of an entrepreneur to see opportunities in the marketplace, initiate change (or take advantage of change) and creates value through solutions. According to obi (2010) for Nigerian youth to survive in business the following skills are required: he/she must be a high achiever, risk-taker, self-confident, goal setter, task oriented, innovative, future oriented communication ability and technical knowledge.

Tijani-alawiye (2004) defines business development as the process of increasing the supply of entrepreneurs or adding to the stock of existing small, medium and big entrepreneurs available to a country by creating and promoting many capable entrepreneurs, who can successfully run innovative enterprises, nurture to growth and sustain them, with a view to achieving broad socio-economic development goals. One of these goals is sustaining employment. Furthermore, Acs and Szerb (2007) noted that business development revolves around the realization of existence of opportunities in combination with decision to commercialize them by starting a new firm. Bennell (2000) maintained that governments, NGOs and international bodies seeking to improve youth livelihoods could best pursue their empowerment objective by tapping into the dynamism of young people and build on their strong spirit of risk-taking through business development. Business development has also led to employment generation, growth of the economy and sustainable development.

### **Factors inhibit Business Development**

According to Iie (2000) there are factors that could shape the success or failure of a potential entrepreneur. They include the following, political, legal, ethnical, economic, cultural, social, and physical. They play a role in stifling the dreams and aspirations of the youth towards assuming entrepreneurship positions. Economic factor such as policy reversals, high and double taxations, difficulty in procuring business approvals, high inflation and unstable exchange rates are some of the areas of concern for the potential entrepreneur who is in most cases a greenhorn in basically



there are three major factors that hinders entrepreneurship : structural, cultural and the lack of political will by policy makers.

Structurally, structural inhibitors in the growth of entrepreneurship have its origin in the Nigerian education policies since independence in 1960. Another related structural problem is the low budgetary allocation to the education sector, particularly the vocational and technical education sub sector. Poor leadership, corruption and mismanagement of resource have also contributed to the gross under-funding of education.

Culturally, it can be argued that entrepreneurship has been hindered by two major factors: society's perception about the socioeconomic status of artisanship and the value system which is fast being eroded. There is the general perception that artisans and technicians are "never-do-wells", dropouts, societal rejects or even failures that should perpetually remain at the bottom of the socio-economic ladder.

Politically, Lack of Political Will on the side of our political leaders have been a more hindrance to entrepreneurship development and reduction of unemployment in Nigeria (Onwubiko (2011). The neglect of vocational/technical education has been robbing the nation of the potential contributions of its graduates to national growth and economic development. The inability of policy makers to has lead underdevelopment of Africa. Agbeze al et (2012), writing on the obstacles of Business facing aspiring Nigerian entrepreneurs include amongst others the following:

1. Constrained access to local and international market stunt entrepreneurial expansion and proliferation because entrepreneurs find it difficult to successfully market and expand their business as a result of high cost of doing business. Enterprises can only succeed if awareness of market availability is created.
2. Severe infrastructure deficits (mainly of power and electricity) that hamstring both new and existing businesses. Interestingly, World Bank study carried out in the last ten years or so indicated that if government is able to remove power as a bottleneck, Nigeria will at least gain 30 percent competitiveness in production. It is therefore

imperative that an effective energy policy be developed as business cannot thrive under a bad energy policy.

3. Inadequate access to finance and the absence of a viable credit policy that addresses the specific needs of enterprises.

### **PROBLEMS OF BUSINESS DEVELOPMENT IN YOUTHS UNEMPLOYMENT**

Problems of business development could either be economic resources or human resources. Economic resources are made up of labour, land capital and entrepreneurial abilities, which when combined produce a great output. The key roles of business development include mobilization of domestic savings for investment, significant contribution to Gross Domestic product (GDP) and Gross National Income(GNI), harnessing of local raw materials, employment creation, poverty reduction and alleviation, enhancement in standard of living, increase in per capita income, irrespective of the benefits associated with entrepreneurship, there are lots of barriers that have prevented youths from fully realizing their potentials and assuming responsibilities in the society.

These barriers are however differently grouped by different authors and scholars in the literature, but According to Onwubiko (2011) the barriers to entrepreneurship were grouped under the following sub-headings:

#### **Absence of infrastructural Facilities**

It is a universal belief that certain basic infrastructural facilities aid the development of the mind and body and assist productivity in any environment. These facilities have been identified as good roads, good water supply, constant power, access to information and communication technology and other tools of trade. A case where these are lacking in a country, the growth of the economy will be adversely affected. All these put together have made entrepreneurial activities cost intensive profitable and uninteresting thereby dissuading the youths from assuming entrepreneurial leadership positions.

#### **Inadequate Working Capital**

Even though many scholars such as Onugu (2005) have argued against non-availability of capital as the prime problem of entrepreneurship

development, the availability of capital, says Onwubiko (2011) is central to the establishment and continued existence of any enterprise irrespective of the size, focus and objective. It has been observed that for a entrepreneur in Nigeria to start a business, he/she must have adequate funds. In a situation where the working capital is inadequate or unavailable, it becomes a problem. This is one of the major, if not the major problem that young people encounter when opening a business. Banks are reluctant to give out loans to intending entrepreneurs especially when they are young people. The procedures for accessing such credits are often rigorous and dependent on the provision of collaterals which the potential entrepreneur may not possess. Therefore intending entrepreneurs often fall back on their personal savings or on loans from family members and friends.

#### **Low Standard of Education**

The world today is a global village and since an intending entrepreneur must be conversant and in tune with events around and about him, education becomes a critical factor in preparing and empowering the entrepreneur with the qualities required of him. Unfortunately, the role education in forming young people to become change agents it seems, have been ignored. Year after year, the quality of education in Nigerian institutions has gradually been on the decline, due to strikes and unqualified teachers. While those who stay in the system is as a result of the unavailability of alternative jobs. Government policy or lack of one has been a major bane of education in Nigeria. The schools are not adequately funded, equipped, regulated and managed to bring out their optimum potentials in youths and potential entrepreneurs.

#### **Lack of Adequate Training**

Absence of adequate training for students such as made it difficult to them to meet up the transformation question. This challenges the future of the youth as entrepreneurs. It has been observed that the educational curriculum in Nigeria focuses more on the theoretical without a corresponding practical approach. Most employers are always compelled to retrain their employees due to lack of knowledge of basic work ideas or familiarity with the area of study of the employee. Technology has been

used to improve the quality of life through the use of computers and other technological discoveries such as the internet. Where the youth does not have the knowledge or skill of the latest technology, it affects their outlook to life. This also results in low morale, inefficiency and lack of confidence.

### **Prospects of Business Development In Youths Unemployment**

All the above cited problems notwithstanding, plausibility of business development to generate employment abound hence the government fully appreciates the opportunities business development creates for employment generation, their contributions to economic growth and development as well as the constraints and difficulties in their operating environment. These explain why past forty five years or so, the government has established various support institutions and relief measures specially structured to render assistance and succor to minimize the constraints, which entrepreneurship typically face if not to eliminate them. The support institutions established by the government range from specialized banks designed to focus on the funding of small and medium enterprises to agencies and departments all meant to give a flip to the fortunes of small and medium enterprises. It is also pertinent to note that government policies behind the establishment and operations of the small and medium enterprises support institutions had not been effective and productive. From all indications of observed lapses inherent in them, the policies were either defective in their formulation and conceptualization, or were not truly and religiously implemented. The comfort is that the government (local, state and federal) are neither relenting nor giving up in their bid to revamp and invigorate the fortunes of SMEs as to enable them play the expected role in Nigeria's economic growth and development.

This is evidenced by the government's recent establishment of as well as the mandate given to the bank of industry (BOI) and the small and medium enterprises development agency of Nigeria (SMEDAN), the facilitation of the bankers' committee's institutionalization of the small and medium industries equity investment scheme (SMIEIS), the federal government's drive and focus on realizing the objective of NEPAD, The 2012 global entrepreneurship monitor (GEM) sub-Saharan Africa report- the first to examine entrepreneurial dynamics in the region- was launched in Lusaka,

Zambia, on the November 19, 2013. The government's endorsement and support of multilateral agencies and loans, and the government's backing of international development finance facilities such as the European investment bank (EIB) facilities such and the likes. Other indications relate to the government's programmes aimed at poverty alleviation and providing succor to those whose jobs could be affected by the current government reforms as well as the proposed establishment of a credit guarantee scheme for loans to small and medium enterprises.

Speaking of the prospects of entrepreneurship development in Nigeria in generating employment for the army of the unemployed the business day of 14<sup>th</sup> February 2012, reported that the national directorate of employment (NDE) has disbursed N 2.8million for four unemployed graduates in Cross Rivers State under its Enterprise Creation Fund (ECF) for small scale enterprises the NYSC in 2013 gave out loan to coppers who were engaged in agriculture and they were given moratorium of one year on the loan repayment and are expected to complete the repayment in three years. Again, 100 unemployed youths in the state were undergoing training which was targeted which was targeted as Unemployed Rural Youths Centered on hair dressing, Fashion designing, Carpentry, Electrical Installation, Wielding and Metal Fabrication. (The Nation 2012).

### **Conclusion and Recommendations:**

Therefore it is quiet certain that a good business development can create a strong economy and provides more job opportunities.

Although Nigeria has one the largest oil exporter in the World, youth unemployment in the country appears as a serious challenge to economic growth. With the growing numbers of youth seeking labour market for jobs, business development is encouraged to keep pace of the failing of capturing this problem. It is increasing accepted as a valuable strategy for job creation. Nevertheless, the massive injection of public funds and efforts of policy makers to encourage business development, unless the country overcomes several obstacles and deals with challenges facing the coming generation.

Since business development has an important role in creation of new firms, products, and services, it affects labour market and employment level. Broadly speaking there is limited literature body of evidence on the accurate relationship between unemployment and business development.

The results are often mixed and shrouded with ambiguity. The present paper aims to investigate the role that changes in business development can play in overcoming the problem of youth unemployment.

It is shown that changes in business development clearly have a negative impact on changes in youth unemployment rates. Meanwhile, changes in youth unemployment have no significant impact on changes of business development. Accordingly, the study suggest a better understanding of business start-up by youth, and forces that drives it. Further research based on detailed data in the arena of Nigeria youth business development is recommended. Entrepreneurs' characteristics, motivation, cognitive, skills and entrepreneurial knowledge should be investigated and recorded. Negative attitude towards self-employment, obstacles and barriers to entry and lack of talents and experience are subjects of concern, which need to be studied.

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