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***Revitalizing the
Nigerian Economy
Through Strategic
Entrepreneurship***

A background image of a man with glasses and a red shirt smiling while using a smartphone. He is standing behind a counter with various items, including a large glass jar of lemon water and some jars of food. The image is overlaid with a blue gradient.

Contents

<i>Birds-eye view</i>	ii
<i>Introduction</i>	1
<i>Nigeria's economy last recorded significant growth during the early 2000s to around 2014.</i>	3
<i>Strategic Entrepreneurship has made substantial contributions to economies worldwide</i>	10
<i>Entrepreneurship has been a significant driver of Nigeria's economic growth.</i>	15
<i>Strategic entrepreneurship has the potential to drive significant economic revitalization in Nigeria.</i>	17
<i>How it all comes together</i>	24
<i>References</i>	26

Birds-eye view

- **Though diverse, Nigeria's business landscape and economy remains largely dependent on a few key sectors.** In 2024, Nigeria's oil and gas sector has contributed approximately 5.7% to the country's total GDP. Oil and gas remain crucial for Nigeria's revenue, accounting for over 70% of the government's revenue and roughly 90% of foreign exchange earnings, demonstrating its continued importance despite the sector's smaller share in overall GDP.
- **Access to capital remains a significant challenge for businesses in Nigeria, especially for small and medium enterprises (SMEs).** SMEs represent approximately 96% of businesses in Nigeria and provide about 84% of total employment contributing around 48% to the nation's GDP. However, the sector faces significant challenges, particularly in terms of financing, regulatory barriers, and infrastructure constraints.
- **Employment issues in Nigeria, particularly high unemployment and underemployment rates, significantly impact the country's economic stability and growth.** The Nigerian economy has struggled to create sufficient jobs to keep pace with population growth. With a population growth rate of around 2.6%, the economy needs to generate at least 3 million new jobs annually to prevent unemployment rates from rising.
- **Due to formal employment shortages, the informal sector has become a core part of the Nigerian economy.** The sector which generally lacks job security, benefits, and opportunities for skill development accounts for approximately 65% of employment and influences over 50 percent of household income.
- **Nigeria has one of the most active technology ecosystems in Africa, particularly in fintech.** Lagos has become a tech hub, attracting substantial foreign investment in startups like Flutterwave and Paystack. This sector is growing, yet it still constitutes a small portion of the total economy. The Information and Communications Technology (ICT) sector contributed about 20 percent growth to Nigeria's real Gross Domestic Product (GDP) in Q2 2024.
- **Strategic entrepreneurship has the potential to significantly boost Nigeria's economy by fostering innovation, improving productivity, and generating jobs.** Strategic entrepreneurship can drive diversification beyond the oil sector, which has traditionally dominated Nigeria's economy. By encouraging innovation in sectors such as agriculture, fintech, and manufacturing, new industries can emerge, reducing the country's dependency on oil exports.

Introduction

Nigeria's economy in 2024 remains under significant strain, with current estimates indicating a GDP growth rate around 3.3% for the year, which, although a modest improvement, still falls short of the pace needed to substantially impact poverty levels and employment in a population that grows by 2.6% annually. To meet the economic demands of a population that is projected to exceed 400 million by 2050, Nigeria's economy will need to expand at a considerably faster rate. The International Monetary Fund (IMF) suggests that sustained growth of at least 6-8% annually would be necessary to make significant strides in reducing unemployment and poverty.

In terms of job creation, Nigeria faces a stark reality. With over 40% unemployment and underemployment, creating jobs is a top economic priority. The World Bank projects that Nigeria will need to create 30 million jobs by 2030 to keep pace with its rapidly expanding labor force and to reduce current levels of youth unemployment. However, even with the government's job creation efforts, current projections indicate that at the existing economic growth rate, Nigeria may struggle to generate sufficient employment opportunities to absorb this growing workforce, especially in high-yield sectors such as technology, manufacturing, and agribusiness.

Looking ahead, the energy sector remains a significant barrier to economic growth. Nigeria's inadequate power infrastructure limits productivity, raises business costs, and dissuades foreign investment. Despite Nigeria's potential to generate 12,522 MW of electricity, it currently produces only about 4,000 MW, less than 20% of the country's estimated demand. To address these deficiencies, Nigeria plans to expand its renewable energy capacity, targeting 30% of its total energy mix by 2030, which would not only reduce reliance on fossil fuels but also promote sustainable economic growth.

Inflation, which reached 21.5% in 2024, is another pressing concern, as it continues to erode consumer purchasing power and increase the cost of doing business. This high inflation rate is driven largely by rising fuel and food prices and the depreciation of the Naira. While inflation is expected to moderate to around 18-20% by 2025 as global economic conditions stabilize and government policy interventions take effect, it will remain a persistent issue affecting household incomes and investment confidence.

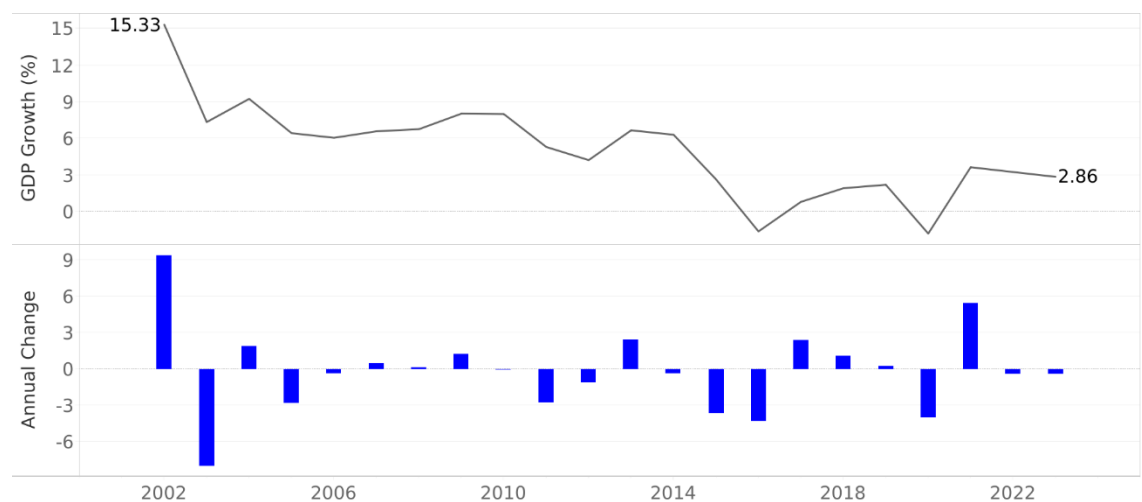
Projections for Nigeria's agriculture sector, which employs a substantial portion of the population, indicate that it could play a pivotal role in future economic

diversification. With strategic investments in modern farming techniques, agro-processing, and export-oriented production, agriculture could increase its contribution to GDP by 20-30% over the next decade. This would help Nigeria reduce its reliance on imports, enhance food security, and create millions of jobs in rural areas.



Nigeria's economy last recorded significant growth during the early 2000s to around 2014.

Nigeria experienced a period of substantial economic growth from the early 2000s to 2014, marking a transformation in the nation's economic landscape. The economy, which had been largely dependent on oil revenues, began to diversify and expand across multiple sectors. In the early 2000s, Nigeria's annual GDP growth rate hovered around 7%, spurred by high global oil prices, structural reforms, and efforts to attract foreign direct investment (FDI). With the government focusing on stabilizing the macroeconomic environment, policies were implemented to modernize the financial sector, reform public sector management, and promote private sector investment, particularly in telecommunications¹ and banking.



GDP Annual Change and %Growth – 2002 – 2014

Data Source: Macrotrends.net – Nigeria GDP Growth rate 1961-2024.

¹ In 2002, telecommunications made a notable impact on Nigeria's economy, contributing approximately ₦2,983.1million to the nation's GDP. This surge was primarily fueled by significant investments and the liberalization of the telecommunications sector, which began in 2001 with the advent of GSM networks. This period marked rapid growth, with the number of connected lines jumping from 450,000 in 2001 to over 16 million by 2004. This expansion helped drive economic activity and improve accessibility to communication services, laying a strong foundation for ongoing economic contributions from ICT in Nigeria

From 2015 to 2024, the economy underwent significant fluctuations, experiencing both growth and contraction due to a variety of internal and external factors. The period began with the economic fallout from the global oil price crash in 2014, which led to a sharp recession in 2016. Oil and Gas, which accounts for a substantial portion of Nigeria's revenues, plummeted in value, exacerbating the country's fiscal crisis. By 2016, Nigeria had entered its first recession in 25 years, marked by a contraction in GDP, high inflation, and rising unemployment.

However, from 2017 onward, Nigeria's economy showed signs of recovery, driven by higher oil prices, reforms in agriculture, and a focus on improving non-oil sectors. Agriculture emerged as a significant growth sector, with the government implementing programs to boost local food production and reduce dependence on imports. By 2017, GDP growth returned to positive figures, though it remained modest in subsequent years, averaging around 1.9% through 2019. Despite this, inflation remained stubbornly high, reaching around 12% by 2019.

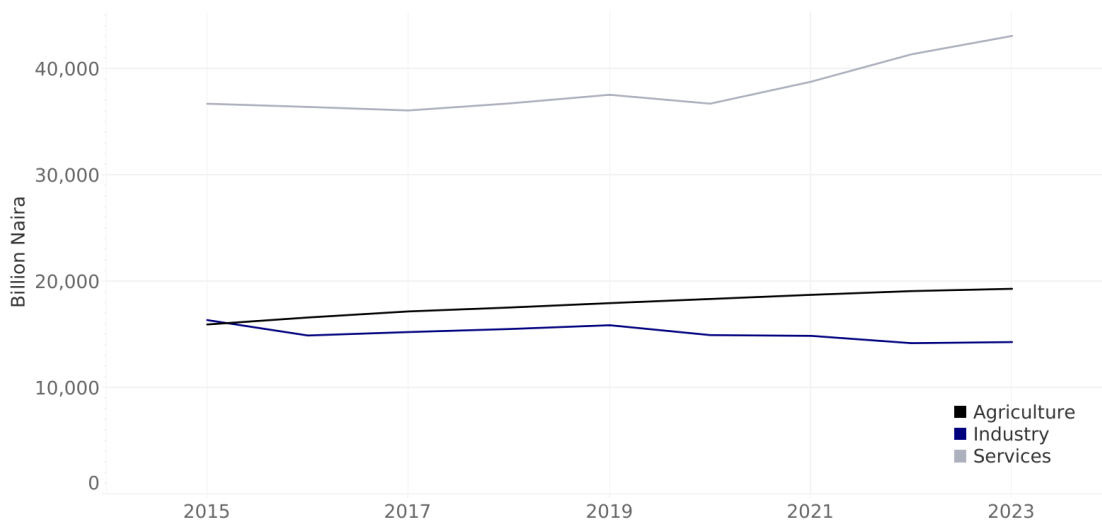
The global COVID-19 pandemic caused another significant setback for the Nigerian economy in 2020. With oil prices dropping once again and global demand declining, Nigeria's economy contracted by 1.8%. The pandemic also disrupted trade and domestic production, further deepening economic challenges. The government's fiscal measures, including stimulus packages and loans to small businesses, aimed to mitigate the impact but were insufficient to fully offset the damage.

By 2021, Nigeria's economy began recovering, with a growth rate of 3.4%. This recovery was aided by an uptick in oil prices, though challenges like inflation, unemployment, and security concerns continued to impede growth. Inflation surged to over 20% in 2022, driven by rising food prices and supply chain disruptions. Oil continued to be a dominant force in the economy, despite efforts to diversify into agriculture, technology, and services.

Throughout this period, Nigeria's economy struggled with high unemployment, which peaked at 33% in 2021, especially among the youth. The country also faced challenges related to security, which affected economic activity and investment. The naira continued to weaken against the dollar, and the gap between official

and parallel market exchange rates widened, further complicating the country's economic outlook.

Overall, while Nigeria made progress in diversifying its economy, it remained highly dependent on oil and faced substantial structural challenges that hindered sustained growth.



Key Sector Contribution to GDP – 2015 – 2023

Data Source: CBN – Real Gross Domestic Product, 2006 - 2023.

Nigeria's economy is primarily driven by three core sectors: industry², services³, and agriculture⁴.

Industrial Sector – Due to the availability of affordable labor cost, availability of natural resources and large market, Nigeria is an ideal location for diverse industrial activities. The industrial sector is a significant contributor to Nigeria's economy, making up roughly 23% of the GDP. The industry sector contributes an annual average of 23% of the GDP. The major activities include oil & gas (9%), manufacturing (7%), and construction (5%).

Over the past decade, Nigeria's industrial sector has experienced moderate growth but continues to face challenges. Between 2014 and 2019, the industrial sector's growth rate fluctuated significantly, particularly due to

shifts in oil prices, which heavily influence Nigeria's economy. In 2016, the oil price crash contributed to a recession, with the industrial sector contracting by about 3.7%. However, growth returned between 2017 and 2019, averaging around 2.5%, as global oil prices stabilized and government reforms began to show impact.

The manufacturing subsector has shown resilience, growing by an average of 3% annually from 2017 to 2019, driven by increased domestic demand and government initiatives under the Economic Recovery and Growth Plan (ERGP), which aimed to boost manufacturing by reducing import dependency. Despite challenges

such as power shortages and costly infrastructure, sectors like food processing, cement, and textiles saw some expansion. By 2022, manufacturing contributed approximately 10% to Nigeria's GDP, a slight improvement, though far from its potential due to structural issues like high production costs and limited access to finance.

In terms of mining and construction, Nigeria has made some progress, especially in construction, which has grown alongside urbanization and infrastructure development. Construction contributed nearly 4% to the GDP in 2023, thanks to increased investments in housing, road, and rail infrastructure

Despite some progress, the industrial sector's contribution to Nigeria's GDP has remained relatively constant, partly due to reliance on oil and the limited diversification within the sector. Efforts to expand mining and manufacturing are ongoing, but high operational costs, regulatory complexities, and dependency on imports for key manufacturing inputs continue to restrain broader growth.

Services Sector – Nigeria stands out as one of the most open services markets in Africa, earning a "virtually open" rating with a score of 27.1 on the World Bank's Services Trade Restrictions Index (STRI). The Nigerian services

sector has shown remarkable resilience, even amid challenging economic conditions. Its

consumer-oriented structure has allowed it to evolve into a substantial economic force, capitalizing on the needs of a growing middle class and latent consumer demand over the past decade.

Supported by government policies and boosted by private investment, the services sector has become instrumental in Nigeria's economic diversification efforts. Today, services account for about 53% of Nigeria's GDP. The most significant areas within the sector include trade (16%), information and communication (12%), real estate (6%), professional, scientific, and technical services (4%), and financial and insurance services (3%). These contributions underscore the sector's pivotal role in Nigeria's economic framework.

A rising Nigerian consumer base has propelled wholesale and retail trade to become Nigeria's second-largest contributor to GDP, making up 16.4% in 2018 with a market size of approximately \$109 billion. The informal sector dominates this space, targeting lower-income consumers, while formal retail—still emerging—comprises about 5% of the market. Nigeria ranks eighth in retail investment attractiveness in Sub-Saharan Africa and twenty-seventh globally, due to its large consumer base and growing

² The industrial sector consists of subsectors like manufacturing, oil and gas, mining and solid minerals, construction, power and energy, automotive, agro-processing, textiles and apparel, pharmaceuticals, chemicals, steel and metal fabrication, cement production, and petrochemicals.

³ The services sector in Nigeria includes banking and finance, telecommunications, information technology, healthcare, education, hospitality and tourism, transportation and logistics, real estate, professional and business services, retail and wholesale trade, entertainment and media, insurance, and public administration.

⁴ The agricultural sector in Nigeria includes crop production, livestock farming, poultry, fisheries and aquaculture, forestry, agro-processing, horticulture, cash crops, food crops, and agricultural biotechnology

middle class. Major international retailers, including Shoprite and SPAR, have expanded into Nigeria, joined by domestic investors building national retail chains.

The e-commerce sector is also thriving, growing at around 10% annually and valued at over \$12 billion. With nearly half of the population being internet-savvy, online retail platforms such as Jumia and Konga lead this market, offering cash-on-delivery to meet the needs of Nigeria's predominantly cash-based consumers. This online market, particularly in apparel and footwear, is projected to grow significantly, enhancing Nigeria's position as Africa's largest e-commerce market.

The information and communication technology (ICT) sub-sector contributed 12% to Nigeria's GDP in 2018, growing at an average rate of 4% over the past five years. Nigeria boasts Africa's largest and fastest-growing telecommunications industry, with tele-density rising dramatically from just 18.9% in 1993 to 124.29% in 2018. This industry accounts for an annual average of 9% of GDP and around 80% of the ICT segment.

With a population of roughly 200 million, of which under 60% are active internet users, Nigeria's ICT sector offers substantial investment opportunities. The digital network has transformed business operations, enabling Nigeria's tech-savvy population to bank, shop, communicate, and conduct transactions seamlessly through electronic platforms, anytime and anywhere internet access is available.

The Nigerian financial and insurance industry has undergone significant reforms, evolving into a more diversified and resilient sector that supports the country's economic growth. Contributing around 3% to GDP, the sector has

integrated electronic payments, reducing the use of physical cash and moving Nigeria towards a cashless economy.

Regulated by the Central Bank of Nigeria (CBN), the banking sector has expanded robustly, driven by technology and electronic services. By December 2018, customer deposits exceeded N33 trillion (US\$100 billion), with over 200 million electronic transactions valued at N9.5 trillion (US\$31 billion). Despite this growth, around 40% of the population remains unbanked, presenting significant opportunities for further expansion.

Nigeria's insurance sector, one of the largest in Africa, faces low penetration due to cultural and religious factors. Nevertheless, the industry remains resilient, with total investment income surpassing N50 billion (US\$160 million). With ongoing reforms like the Pension Reform Act of 2014 and the Central Bank's monetary policies, the industry is expected to grow at an annual rate of 10%. It is regulated by the National Insurance Commission (NAICOM), ensuring effective oversight of the sector.

Agricultural Sector – Agriculture continues to be a major contributor to Nigeria's economy, accounting for approximately 21% of GDP in 2023. The sector employs around 35% of the working population, with rural areas relying heavily on agricultural activities for livelihoods. The sector is made up of diverse subsectors, which include crop production, livestock farming, fishing, and forestry, each of which plays a crucial role in the nation's food security and rural employment.

Crop production, being the largest segment of the agricultural sector, is vital for both domestic consumption and export. In 2023, Nigeria's major crops, including maize, rice, cassava,

and yams, continue to dominate production, with cassava alone accounting for over 34 million metric tons in output. Cash crops like cocoa, palm oil, and cashew nuts also remain key export items, with Nigeria being the world's fourth-largest cocoa exporter (FAO, 2023). However, despite the potential, productivity remains low due to challenges such as limited access to finance, insufficient mechanization, and climate change impacts. For example, Nigeria's rice yield in 2023 stood at approximately 2.2 metric tons per hectare, well below the global average of 4 metric tons per hectare (World Bank, 2023). Government initiatives such as the Anchor Borrowers' Programme and investments in modern farming techniques aim to tackle these issues and improve yields.

Nigeria's livestock sector is pivotal for food security, particularly in northern Nigeria, where cattle and poultry farming are prevalent. As of 2023, the country's livestock population includes over 20 million cattle and 180 million poultry. However, the sector faces significant constraints, including disease outbreaks, poor veterinary care, and the ongoing farmer-herder conflicts that disrupt livestock farming, especially in the Middle Belt and northern regions. These conflicts, exacerbated by climate change and shrinking grazing lands, have significantly affected the productivity and sustainability of livestock farming in Nigeria.

Nigeria has extensive coastal and inland water resources, and the fishing and aquaculture subsector plays an important role in providing protein for the population. The aquaculture industry has seen steady growth, with fish production increasing by 7% per year. However, the sector is still confronted with challenges such as water quality issues, pollution, and overfishing. In 2023, Nigeria's total fish production was approximately 1.5 million metric tons, but the country still has to import significant quantities of fish, particularly to meet the demand for local consumption, with fish imports valued at over \$1 billion annually.

The forestry subsector, while smaller in terms of contribution to GDP, plays an important role in providing resources such as timber, rubber, and firewood, which are vital for both local use and export. Nigeria's forests cover around 10% of the total land area, and the country has a vast rubber industry with production estimated at 2.5 million tons per year. However, deforestation driven by illegal logging, agricultural expansion, and poor forest management practices has become a significant issue, reducing the long-term productivity and environmental sustainability of the sector. The government has introduced initiatives aimed at combating deforestation, such as the National Afforestation Programme, but challenges remain in enforcement and providing alternatives to deforestation-driven activities.

All three sectors offer rich opportunities for domestic and foreign investors, especially when supported by effective policy reforms, infrastructure development, and technological advancement. With strategic entrepreneurship investment, Nigeria's economic diversification can transform its natural resources into a more sustainable and robust economy.



Strategic Entrepreneurship has made substantial contributions to economies worldwide.

Entrepreneurship has become increasingly vital to global economies, with its blend of innovation, competitive advantage, and proactive economic positioning driving notable economic growth, resilience, and adaptation. At the heart of strategic entrepreneurship is the alignment of entrepreneurial ventures with a long-term vision, a practice that not only fosters high-growth businesses but also positions them to respond adaptively to global market trends, disruptions, and advancements.

The top five countries with the most impactful small and medium-sized enterprise (SME) sectors globally are the United States, China, Japan, Germany, and South Korea. Each of these nations leverages a unique combination of policy support, innovation, and access to resources to drive economic growth, job creation, and technological advancement through SMEs. Here's an in-depth look at how SMEs contribute to these economies and the distinctive factors that support their growth and resilience.

1. United States

In the United States, SMEs form the bedrock of the economy. With over 33 million small businesses, accounting for 99.9% of all U.S. companies, SMEs contribute substantially to both employment and GDP. SMEs in the U.S. employ approximately 60 million people, accounting for nearly half of the private workforce, and contribute roughly 44% to the country's GDP. The U.S. government has implemented numerous policies to support SME growth, including favorable

tax policies, access to federal contracts, and programs like the Small Business Administration (SBA) loan schemes, which provide crucial financial support to emerging businesses. Additionally, the U.S. has a robust venture capital ecosystem, which fuels innovation and entrepreneurship, especially in tech-heavy regions like Silicon Valley. Digital transformation and e-commerce have also enabled U.S. SMEs to expand their reach globally, increasing their economic impact.

2. China

China's SME sector is one of the largest and most dynamic in the world, comprising approximately 50 million businesses that account for over 60% of the national GDP and about 80% of urban employment. Chinese SMEs are deeply embedded in the country's industrial and manufacturing sectors, with a significant focus on exports. China's government supports SMEs through tax incentives, grants, and programs like the "Made in China 2025" initiative, which aims to upgrade industry standards and support high-tech SMEs. The digital economy, driven by tech giants like Alibaba and Tencent, has created new opportunities for SMEs to thrive in e-commerce and fintech sectors. The government has also set up special economic zones and export-oriented industrial clusters that further aid SMEs, allowing them to be competitive on a global scale. As China's middle class grows, SMEs are well-positioned to meet the rising domestic demand for goods and services, making them an essential element in China's strategy for sustainable economic growth.

3. Japan

Japan's SME sector, often referred to as "Monozukuri," is characterized by its focus on precision manufacturing, technology, and innovation. SMEs make up 99.7% of Japanese businesses and employ over 70% of the workforce. Contributing significantly to exports and GDP, Japanese SMEs are particularly strong in the automotive, electronics, and precision equipment industries. In response to an aging population and labor shortages, the Japanese government has introduced programs to boost SME productivity and innovation through digitalization and automation. Initiatives like "Future 2020" focus on internationalization, supporting Japanese SMEs in expanding their markets globally. Despite challenges such as limited access to venture capital compared to Western countries, Japanese SMEs are known for their resilience and high-quality products, which have helped maintain their competitiveness in international markets. Furthermore, Japan's SMEs are benefiting from the government's push toward a low-carbon economy, with policies encouraging sustainable business practices.

4. Germany

Germany's SMEs, or "Mittelstand," are the backbone of the German economy, representing 99.6% of all businesses and employing over 60% of the workforce. German SMEs contribute to more than 54% of the country's GDP, with a particular emphasis on high-quality manufacturing, engineering, and industrial technology. Germany's dual education system, which combines vocational training with classroom education, ensures a skilled workforce ready for the demands of the Mittelstand. These businesses have a robust export orientation and are highly integrated into global supply chains. The German government supports SMEs through financial assistance, R&D grants, and favorable export financing. Additionally, Germany's policies prioritize sustainability, offering incentives for SMEs adopting green technologies. This emphasis on sustainable practices has allowed German SMEs to remain competitive while aligning with EU-wide environmental goals.

5. South Korea

South Korea's SME sector is one of the fastest-growing in Asia, accounting for 99.9% of all businesses and employing about 88% of the workforce. South Korean SMEs contribute around 50% of the national GDP, particularly in sectors like technology, electronics, and biotechnology. South Korea's government has played an active role in fostering SME growth through various initiatives, including the Small and Medium Business Administration (SMBA) and programs that support R&D, digitalization, and access to international markets. In recent years, South Korean SMEs have benefited from the country's push towards a knowledge-based economy, with heavy investment in high-tech industries and innovation. South Korea's large corporations, or "chaebols," often collaborate with SMEs, providing them with opportunities for growth within global supply chains. Moreover, South Korea's rapid digital transformation has enabled SMEs to thrive in e-commerce and digital services, tapping into the tech-savvy consumer market.

Comparative Analysis

Each of these countries has developed unique frameworks to support their SME sectors, which play crucial roles in job creation, technological advancement, and economic resilience. While the U.S. and China's SMEs benefit from vast consumer bases and access to venture capital, Japan and Germany emphasize quality, vocational training, and sustainable practices. South Korea, with its emphasis on technology and innovation, provides significant support to SMEs through collaborations with large corporations and a focus on digital growth.

This global comparison highlights how strategic government support, innovation, and a skilled workforce contribute to a thriving SME sector. These factors have allowed SMEs in each country to drive economic growth, create jobs, and contribute to global supply chains, demonstrating the critical role that SMEs play in both developed and emerging economies.

Africa's small and medium enterprise (SME) landscape varies significantly across the continent, with countries like South Africa, Kenya, Egypt, Morocco, and Ghana leading the way in terms of SME contributions to economic growth, employment, and innovation. Each of these countries has unique factors supporting the development of SMEs, from digital ecosystems to government incentives. Here's an in-depth look at the top five SME ecosystems in Africa:

1. South Africa

South Africa has one of the most developed SME sectors in Africa, with SMEs contributing around 40% to the nation's GDP and accounting for nearly 60% of all employment. The South African government has taken significant steps to support SMEs, including establishing the Small Enterprise Finance Agency (SEFA) and other programs within the Department of Small Business Development. This support is crucial given the high unemployment rate, especially among youth. Sectors such as retail, ICT, tourism, and manufacturing are particularly popular among South African SMEs, with a large concentration in urban areas like Johannesburg and Cape Town. The SME sector's growth is also fueled by an established financial services sector, providing access to funding and a skilled labor pool for aspiring entrepreneurs.

2. Kenya

Kenya is known for its innovative SME ecosystem, with SMEs contributing approximately 33% of its GDP and employing around 80% of the workforce. The Kenyan SME sector spans multiple industries, with a strong presence in agriculture, ICT, and retail. The country's highly developed mobile money platform, spearheaded by M-Pesa, has revolutionized financial transactions, enabling SMEs to operate more efficiently and access broader markets, even in remote areas. Kenya's government actively promotes youth and women's entrepreneurship through the Youth Enterprise Development Fund and Women Enterprise Fund. Additionally, Nairobi has established itself as a tech hub in Africa, nurturing a digital ecosystem that encourages the growth of tech-based SMEs, particularly in fintech, mobile services, and digital marketplaces.

3. Egypt

Egypt's SME sector is pivotal to its economic structure, contributing approximately 25% to the GDP and providing over 75% of the country's jobs. The Egyptian government has intensified support for SMEs through the Micro, Small,

and Medium Enterprise Development Agency (MSMEDA), which offers training, credit, and access to market information. The Central Bank of Egypt has also facilitated financing options for SMEs, particularly through low-interest loans aimed at stimulating entrepreneurial ventures. Egypt's SME sector is spread across several industries, with a focus on manufacturing, agriculture, trade, and textiles. The country's large population, strategic geographic location, and government initiatives have created a favorable environment for SMEs, especially those with export potential to regional and international markets.

4. Morocco

In Morocco, SMEs contribute nearly 30% of the GDP and employ around 73% of the workforce. The Moroccan government has taken significant steps to bolster the SME sector, particularly through programs like the Caisse Centrale de Garantie (CCG), which provides financial assistance and loan guarantees. Moroccan SMEs are active in various sectors, including agriculture, tourism, manufacturing, and services. Given Morocco's proximity to European markets, many SMEs focus on exports, particularly in textiles, handicrafts, and automotive parts. The government is also promoting digitalization and technological innovation within the SME sector to increase competitiveness and market reach, positioning Moroccan SMEs to expand beyond traditional sectors.

5. Ghana

Ghana's SME sector, which includes a wide range of micro, small, and medium enterprises, is vital to its economy, contributing an estimated 70% to employment and about 50% to GDP. The Ghanaian government has supported SMEs through institutions like the National Board for Small Scale Industries (NBSSI) and access to credit through the Ghana Enterprise Agency. SMEs in Ghana are largely concentrated in the agricultural, manufacturing, and service sectors, with significant growth in retail and food processing. With initiatives aimed at financial inclusion and digital transformation, Ghana's SME sector is gradually modernizing. Additionally, the booming cocoa sector and a rapidly growing e-commerce landscape are creating new avenues for SME development.



Entrepreneurship has been a significant driver of Nigeria's economic growth.

Entrepreneurship and Micro, Small, and Medium Enterprises (MSMEs) in Nigeria are closely linked, as entrepreneurship forms the foundation for the creation and growth of MSMEs. Both are essential to Nigeria's economic structure, contributing significantly to employment, innovation, and GDP growth.

According to Schumpeter (1934), entrepreneurship is seen as the act of innovating and creating new businesses or products that disrupt existing markets, creating value and driving economic growth. Furthermore, the OECD (2018) defines entrepreneurship as the ability and readiness to develop, organize, and run a business enterprise, along with any of its uncertainties to make a profit.

Nigeria's MSMEs account for 96% of the total number of businesses in the country and contribute about 50% to the national GDP. In terms of ownership structure, 73% of MSMEs are sole proprietorships while 14% are private limited liability companies. The balance of 13% are Partnerships (6%), Faith based organizations (5%), Cooperatives (1%) and Others (1%). In terms of gender, only 23% of females operate formal SME businesses in Nigeria. SME owners in Nigeria are typically between the ages of 20 to 60 years old.

Table 1: Bank of Industry's (BOI) Definition for Micro, Small, and Medium - size Enterprise

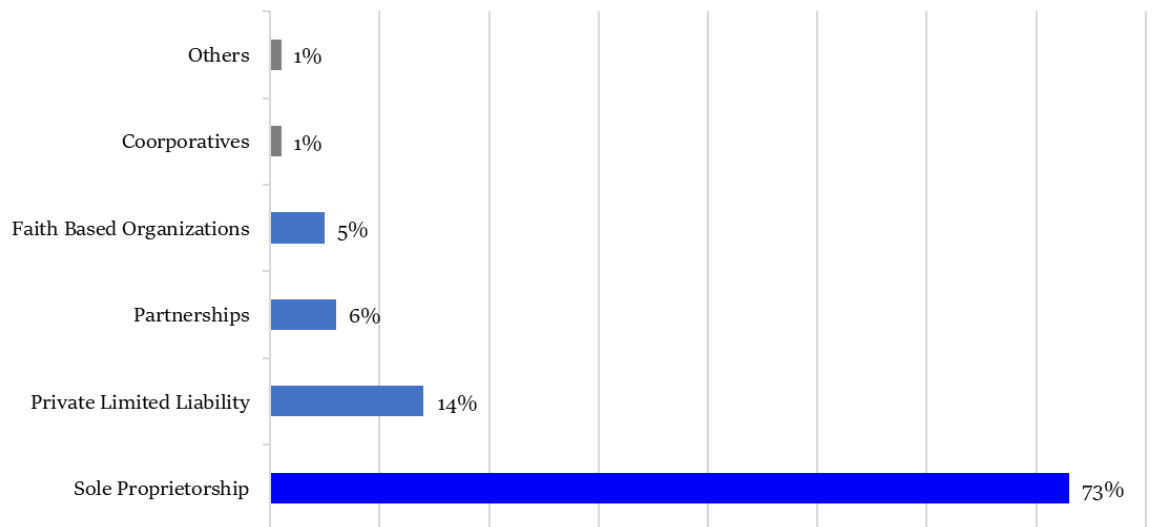
Enterprise category / Indicator	Micro Enterprise	Small Enterprise	Medium - size Enterprise
Number of Employees	≤ 10	>11≤50>	>51≤200
Total Assets (₦)	≤ 5 million	>5 ≤100 million	>100 ≤500 million
Annual Turnover (₦)	≤ 20 million	≤100 million	≤500 million

Table 2: SMEDAN National Policy on MSMEs Definitions

Enterprise category / Indicator	Micro Enterprise	Small Enterprise	Medium - size Enterprise
Number of Employees	≤ 10	10- 49	50- 199
Total Assets (₦)	≤ 5 million	≥5 ≤100 million	≥50 ≤500 million

Ownership structure of SMEs

Data Source: SMEDAN, NBS.



In Nigeria, over 41.5 million MSME businesses operate in the country, according to a survey conducted by the National Bureau of Statistics and the SME Development Agency of Nigeria (SMEDAN) in 2018. By 2020 that number had dropped to 39.6 million indicating a 4.5% decrease. The agricultural and wholesale or retail sectors accounted for the largest proportions of informal micro enterprises (MEs) operating in Nigeria in 2020. In that year, the number of wholesale MEs reached approximately 12.8 million, while for the agricultural sector, the count reached around 14.8 million.

Strategic entrepreneurship has the potential to drive significant economic revitalization in Nigeria.

Strategic entrepreneurship is the integration of entrepreneurial actions—such as opportunity-seeking—with strategic behaviors aimed at achieving competitive advantage. This approach enables businesses to explore new opportunities while leveraging existing strengths to create value sustainably. It combines innovation, resource optimization, and long-term strategic planning to enhance organizational performance and societal impact.

Key definitions –

Hitt et al. (2001): "Strategic entrepreneurship integrates opportunity-seeking and advantage-seeking actions to design and implement strategies that create wealth."

Ireland et al. (2003): "It involves simultaneous opportunity and advantage-seeking behaviors, leading to superior firm performance."

Kraus et al. (2011): "It captures efforts to exploit current advantages while exploring future opportunities to sustain success."

By bridging entrepreneurship and strategic management, strategic entrepreneurship allows entrepreneurs to innovate and adapt to dynamic markets while maintaining competitiveness and focusing on long-term goals. It emphasizes resource mobilization, risk-taking, and sustainable value creation, making it an essential framework for growth-oriented organizations in uncertain environments.

Key Features of Strategic Entrepreneurship include;

Innovation: Developing new products, services, or processes to address market gaps.

Opportunity Identification: Recognizing and exploiting emerging opportunities in dynamic environments.

Resource Optimization: Efficiently using financial, human, and technological resources to maximize output.

Long-term Vision: Prioritizing sustainable growth while maintaining flexibility to adapt to change.

Risk Management: Balancing calculated risks with strategic foresight.

Strategic entrepreneurship spurs economic growth by encouraging investments in innovation and technology, which are critical for improving productivity. The results in improved employment opportunities as new businesses emerge from entrepreneurial drives. The end result of all these aligning with each other is a vibrant economy.

Countries like Israel have leveraged strategic entrepreneurship through their “Startup Nation,” which integrates entrepreneurship into national strategy, fueling an economy that spends over 4.5% of GDP on R&D and hosts 6,000 startups. South Korea has become a leader in technology-driven industries, such as semiconductors and electronics, contributing significantly to its GDP growth by flying on the wings of strategic entrepreneurship.

So how can strategic entrepreneurship can revitalize Nigeria’s economy? –

Strategic entrepreneurship can play very transformative roles in addressing Nigeria’s economic challenges as it has the potentials to;

Nigeria’s over-reliance on oil, which contributes over 85% of its export revenue, has left the economy vulnerable to global oil price fluctuations. Strategic entrepreneurship can diversify revenue sources by spurring growth in other sectors such as agriculture, technology and manufacturing.

With agriculture contributing 23% to GDP already, innovations like precision farming and supply chain optimization can bolster the sector’s contribution to GDP. This approach involves integrating innovation, strategic planning, and resource management to address inefficiencies in the sector while unlocking its vast potential for growth. The agricultural sector faces several challenges, including low mechanization rates, poor infrastructure, limited market access, and high post-harvest losses. Addressing these issues through strategic entrepreneurship can lead to higher productivity, increased export earnings, and improved sustainability.

Strategic entrepreneurship has the potential to significantly bolster Nigeria’s tech ecosystem. The tech sector, which contributed 18.44% to Nigeria’s GDP in 2022, is already one of the most vibrant in Africa. Strategic entrepreneurship can amplify this by addressing critical gaps and harnessing opportunities for growth.

One of the core pillars of strategic entrepreneurship is innovation. In the Nigerian tech space, this involves developing and scaling disruptive solutions in fintech, edtech, agritech, and healthtech. These innovations are already transforming traditional sectors. For example, Nigeria’s fintech industry raised over \$12 billion in 2022, accounting for 30% of total tech funding in Africa. Platforms like Flutterwave and Paystack exemplify how strategic innovation can create

scalable solutions with regional and global appeal, positioning Nigeria as a hub for technology-driven solutions.

Addressing infrastructure deficits is critical. Nigeria's manufacturing sector suffers from unreliable electricity supply, which adds up to 40% to production costs due to the heavy reliance on alternative power sources like generators (PwC, 2022). Strategic entrepreneurship can encourage public-private partnerships to invest in reliable energy infrastructure, including renewable energy solutions such as solar and wind power. Such initiatives could reduce overhead costs and enhance the profitability of manufacturing firms.

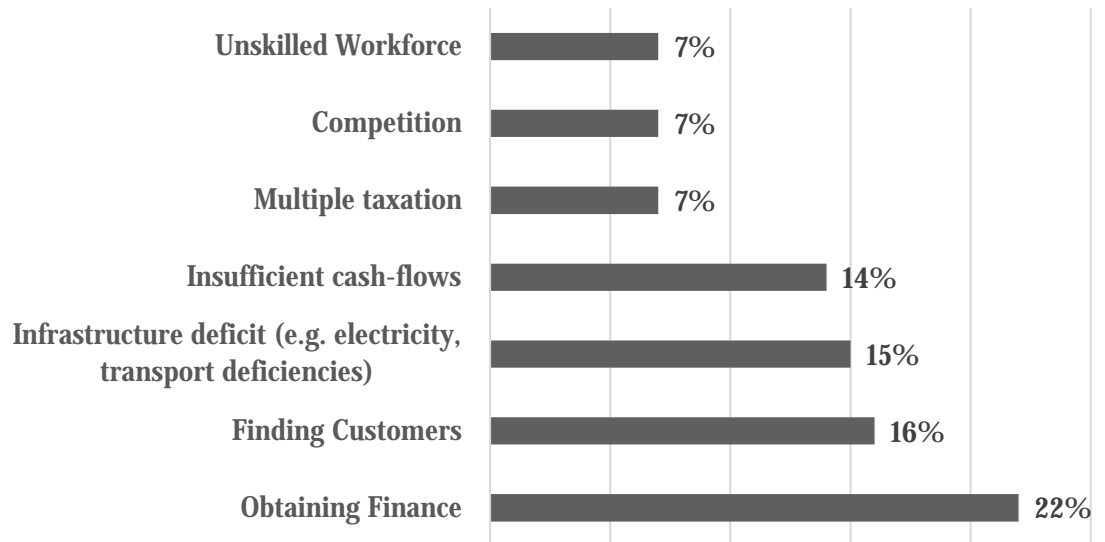
Diversified industries increase resilience to global shocks, such as fluctuating oil prices, by creating alternative revenue streams.

By fostering growth and innovation across key sectors, the Nigerian economy can be spurred to achieve better results as these key sectors will experience a surge in employment opportunities and enhanced productivity.

The challenges facing the MSMEs also need to be mitigated for efficiency to be achieved. To resolve the challenges faced by MSMEs in Nigeria, a combination of strategic reforms, infrastructural development, and financial support systems needs to be put in place.

The Financing Challenge – Obtaining finance is the most pressing problem MSMEs face. Family & friends were the most used financing for 48% of businesses in Nigeria in the last 12 months. Findings from the NBS SMEDAN MSME survey 2019 reveal that for most enterprises – both Micro and SMEs – personal savings was the most common source of capital. Nationally, only 49.5% of SMEs (that are sole proprietorships) reported having access to bank credit. Majority of Micro-businesses started with less than N50,000 in initial startup costs. Only 4.7% start with more than N300,000. 75% of SMEs start up with less than N10 million in capital. 6% of MSMEs however start with over N40m in capital.

Access to finance, in particular credit, is a critical enabler for the growth and development of small and medium enterprises. The SME credit market, however is notoriously characterized by market failures and imperfections. Hence, in emerging markets and developing economies, 55% to 68% of formal SMEs are either unserved or underserved by financial institutions, leading to a total credit gap estimated to be USD5.1 Trillion.



Responses showing the top 7 challenges facing SMEs

Data Source: PwC SME Survey 2020

A PwC SME Report (2020) estimates the financing gap for Nigerian MSMEs to be about N617.3 billion annually (pre-COVID-19 pandemic). Based on analysis of data from the CBN annual statistical bulletin, small businesses accounted for less than 1% of total commercial banking credit in 2018. According to the National Bureau of Statistics (NBS), less than 5% of SMEs have been able to access adequate finance for working capital and for funding business growth/expansion. Yet, SMEs still contributed a staggering 50% to GDP.

Finding customers, infrastructure challenges, and limited cash flow are some of the primary obstacles for MSMEs in Nigeria, with multiple layers of taxation adding to the burden. Businesses often feel that outdated tax policies need reform, with greater alignment needed across different government levels. Additionally, about 7% of business owners cite an unskilled workforce as a concern, underscoring the importance of upskilling in an increasingly digital economy. While many Nigerian SMEs currently serve mainly local markets, digital transformation and workforce development could enhance their global competitiveness, especially under the African Continental Free Trade Area (AfCFTA) framework, which began in January 2021.

To address the financing issues facing Nigerian SMEs, a combination of structural reforms, innovative financing solutions, and supportive government policies can be implemented. Here are several strategies that could effectively bridge the financing gap:

Strengthening Microfinance Institutions and Development Banks: Microfinance banks and development finance institutions like the Bank of Industry (BOI) and Nigeria's Development Bank can play a key role in SME financing by offering accessible, low-interest loans and tailored financial products. Expanding their

outreach and capabilities would allow them to better serve SMEs, particularly in underserved areas. Strengthening these institutions through regulatory support, capital infusions, and partnerships with international development organizations can increase their lending capacity.

Government-backed Credit Guarantee Schemes: Credit guarantee schemes help mitigate the risk for commercial banks and financial institutions, encouraging them to lend to SMEs. By providing partial guarantees for loans, the government can encourage banks to extend credit to small businesses that may not have significant collateral. The Nigerian government has already made moves in this area with the Credit Guarantee Scheme for SMEs. Expanding these schemes and improving transparency can enhance their impact.

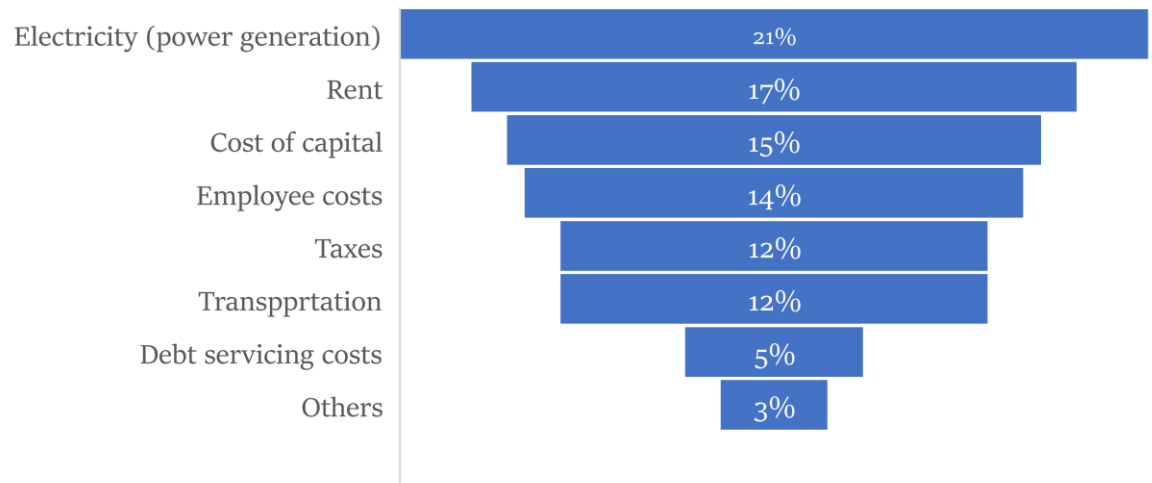
Promoting Alternative Financing Options: Traditional bank loans are not always accessible to SMEs, so alternative financing sources like venture capital, angel investors, and crowdfunding can help bridge the gap. Creating an enabling environment for these financing methods, such as tax incentives for investors or regulatory support for equity-based crowdfunding, can encourage their growth. In recent years, venture capital investment has shown promise, particularly in Nigeria's tech sector.

Encouraging Fintech Solutions: Fintech companies in Nigeria, such as Flutterwave and Paystack, have started offering SME-focused products that facilitate loans, payments, and financial management. Digital financing solutions from fintech companies can ease access to credit by using alternative credit assessments, such as transaction histories and mobile payment data, to assess loan eligibility. Supporting these fintech firms through regulatory frameworks that encourage innovation can help SMEs gain access to financial services.

Implementing Targeted Fiscal and Monetary Policies: The Central Bank of Nigeria (CBN) can create more funding programs specifically targeted at SMEs, such as the existing SME Fund. Additionally, policies that reduce inflation and stabilize the

Running Cost Reduction – Electricity costs are among the highest operational expenses for Nigerian SMEs. The power sector faces challenges from inefficiencies and infrastructure deficits, leading to inconsistent electricity supply that hampers business growth and burdens the economy. The International Monetary Fund (IMF) estimates that unreliable power costs Nigeria approximately \$29 billion annually. Research from the Centre for Democracy Development (CDD) and SOAS University of London highlights the impact on SMEs, which receive only 1 to 5 hours of electricity daily, severely limiting their operations. According to PwC, inadequate electricity supply is a critical factor

forcing roughly 1 in 7 businesses to close each year due to the economic strain caused by power shortages.



Responses showing the biggest cost challenges SMEs face

Data Source: PwC SME Survey 2020

The electricity challenges that SMEs face in Nigeria are significant barriers to growth, as unreliable power supply increases operational costs and reduces productivity. However, there are several ways to mitigate these challenges:

Investment in Renewable Energy: The government and private sector can increase investments in renewable energy solutions, such as solar and wind energy, which are more reliable and sustainable than the national grid. The Nigerian government has introduced policies such as the Rural Electrification Fund (REF), which provides solar-powered solutions to underserved areas. Solar power can significantly reduce SME reliance on expensive fuel-powered generators. A study by PwC showed that SMEs could save up to 40% in operational costs by using solar energy instead of relying on diesel generators.

Government- Private Sector Collaboration for Off- Grid Solutions: Collaboration between the government and private investors in off- grid electricity solutions is another way to reduce energy costs for SMEs. This approach would involve public- private partnerships (PPPs) focused on expanding the reach of mini- grids and other off- grid power solutions. In addition, programs such as the Nigerian Electrification Project (NEP) provide funding for off- grid projects that directly benefit SMEs in rural areas.

Promoting Energy Efficiency Practices: SMEs can be encouraged to adopt energy- efficient technologies and practices. The use of energy- efficient equipment and building materials can reduce electricity consumption and lower

operational costs. Government-backed programs that provide grants or incentives for energy-efficient upgrades would also be beneficial.

Decentralized Power Generation: Encouraging SMEs to engage in decentralized power generation, such as creating small-scale power generation systems (e.g., combined heat and power systems), can help alleviate power challenges. This model allows businesses to have more control over their energy sources, ensuring greater reliability. The National Power Training Institute of Nigeria (NAPTIN) has been working to train businesses in managing these decentralized systems.

Improved Grid Infrastructure: While off-grid solutions are essential, improving the national grid's infrastructure should remain a priority. Investments in modernizing transmission and distribution networks would reduce power outages and the inefficiencies that lead to energy wastage. According to a report by the World Bank, upgrading Nigeria's power infrastructure could save the economy over \$29 billion annually, as improved electricity supply directly benefits businesses and SMEs.

Subsidies and Incentives for SME Energy Use: Providing subsidies or financial incentives for SMEs to install alternative energy solutions, such as solar panels, can lower initial setup costs and make it more affordable. Programs like the Solar Power Naija initiative aim to make renewable energy more accessible for SMEs, offering financial assistance to reduce the upfront costs of solar installation.

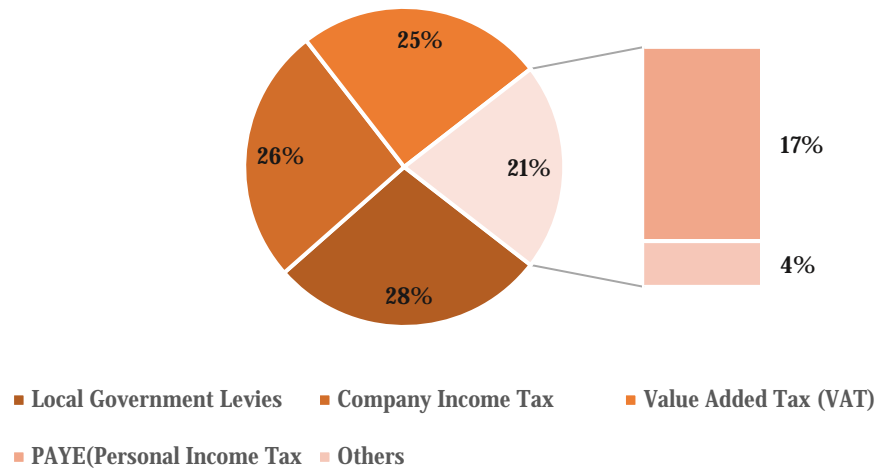
Taxation Challenges – Nigeria is the largest economy in Africa but the country lags behind South Africa, the second largest, in terms of the tax to GDP ratio. Whereas Nigeria's tax to GDP is estimated at about 6%, South Africa's is 28%, while the average tax to GDP in Sub-Saharan Africa is 17%.

Nigeria likely has one of the highest numbers of tax authorities in the world, second only to the United States. However, unlike the U.S., which benefits from a well-established and centralized database for tax payments, Nigeria's tax administration system is fragmented and inefficient. As a result, Nigeria's tax-to-GDP ratio is significantly lower than that of the U.S., standing at just a fraction of the 26% rate observed in the United States.

A PwC survey indicates that MSMEs in Nigeria face considerable challenges due to the complexity of the tax system. The multiplicity of taxes and levies, lack of coordination between federal and state agencies, and the absence of a unified digital platform for tax payment make compliance difficult and time-consuming. According to the Doing Business 2020 report, Nigerian businesses spend, on average, 343 hours per year preparing, filing, and paying taxes such as VAT, profit tax, and labor contributions. On top of this, businesses are required to

make an average of 48 separate tax payments each year, further complicating operations.

In an effort to streamline the tax system, the Nigerian government amended the Taxes and Levies Act in 2015, but the result was an expanded list of taxes, from 39 to 61, with many of these levies imposed by local and state governments. This increase in taxes has only added to the burden for SMEs, significantly impacting their operational costs and hindering their growth potential.



Data showing the most difficult taxes for SMEs to comply with

Data Source: PwC SME Survey 2020

MSMEs in Nigeria find compliance with local government levies the most challenging, followed by Company Income Tax (CIT) and Value Added Tax (VAT). Several factors contribute to this difficulty, including the complexity of the tax system, the multiplicity of taxes and levies, and the lack of coordination between federal and state tax agencies. Additionally, the absence of a unified technology platform for tax payment adds to the challenge, making the process inefficient and time-consuming.

Other issues include the lack of a comprehensive tax payment schedule or notification system, which makes it harder for businesses to stay up to date on their obligations. Furthermore, businesses often face physical harassment or intimidation from local tax collectors, exacerbating the challenges of compliance. Additionally, the absence of fully functional tax refund schemes at both the state and federal levels further burdens MSMEs, making it harder for them to maintain financial stability and growth.

To improve tax revenues and support the profitability and growth of SMEs in Nigeria, the following strategies could be considered:

Tax Law Reforms: The current tax system, which gives each tier of government distinct taxing powers, causes overlap and inefficiency. A more streamlined and harmonized approach is necessary. Regular review and amendment of the tax laws through annual Finance Acts could help avoid complexity and ensure that tax policies are up to date. A shift towards reducing direct taxes on income and increasing indirect taxes on consumption, as seen in many developed economies, could provide a more sustainable framework.

Centralized Technology Platform: Implementing a unified digital tax administration platform would facilitate smoother tax payments, enhance transparency, and reduce compliance costs. By using a centralized platform, Nigeria could significantly reduce the administrative burden on businesses and encourage more timely payments. This approach could also help plug any gaps in the tax system, ultimately boosting tax collection efficiency.

Single Tax Authority: Adopting a single tax authority model, like the UK's HMRC or South Africa's SARS, could streamline tax administration and improve the collection process for both corporate and personal taxes. This would eliminate the confusion and inefficiencies caused by multiple agencies collecting taxes, leading to higher compliance rates and a more consistent tax policy across the country.

Formalizing the Informal Sector: The informal sector, which remains largely outside the tax net, contributes to the significant tax evasion and non-compliance issues. By easing the transition of informal businesses into the formal sector, Nigeria can expand its tax base. This could involve simplifying registration processes, providing incentives for formalization, and ensuring that tax collection systems for small businesses are both efficient and transparent.

By tackling these areas, Nigeria can reduce the burden of multiple taxes on SMEs, improve tax compliance, and foster a more favorable business environment, ultimately contributing to higher tax revenues and a more robust economy. These reforms would also encourage entrepreneurship and job creation, which are key to Nigeria's economic development.



How it all comes together

While Nigerian SMEs face numerous challenges, addressing key issues such as funding, reliable power supply, high overhead costs, and complex tax structures could lead to significant revenue growth for the sector. However, estimating the precise impact is challenging due to the broad range of obstacles SMEs encounter. Beyond funding and infrastructure, Nigerian SMEs also struggle with inadequate access to skilled labor, regulatory red tape, and limited digital transformation. For example, many SMEs report difficulties in finding skilled employees, a problem compounded by limited digital skills in a rapidly evolving market. They also face issues related to multiple regulatory requirements and compliance costs, which can hinder growth.

According to the National Bureau of Statistics (NBS), Nigerian SMEs face considerable financing challenges, with more than 80% of SMEs lacking access to formal financial services. Addressing this could lead to increased productivity and innovation. A study by the International Finance Corporation (IFC) suggests that improving access to finance could boost SME contribution to GDP by 15-20%. With the Nigerian SME sector currently contributing about 48% of GDP, a 15-20% increase could add an estimated \$15-20 billion to Nigeria's economy.

As previously stated, Nigeria's power sector problems cost businesses an estimated \$29 billion annually (IMF). Improvements here would reduce operational costs and boost productivity across SMEs, potentially increasing business revenues by up to 10%, particularly in sectors such as manufacturing and agriculture (PwC).

A reduction in overhead costs, particularly related to unreliable power supply, logistics, and regulatory hurdles, could free up capital for reinvestment and growth. According to the World Bank, SMEs spend about 50% more on overhead costs compared to similar businesses in developed countries, primarily due to poor infrastructure. Addressing these inefficiencies could improve the operating margins of SMEs and increase their profitability by an estimated 10- 15% annually.

Nigeria's tax system remains fragmented and burdensome for SMEs, with many businesses spending significant time on compliance. PwC's report as referenced above shows that it takes, on average, 343 hours annually to comply with taxes, and the country's tax-to-GDP ratio is one of the lowest globally. If tax administration were streamlined, businesses could save time and resources, translating into higher productivity. According to the World Bank's Ease of Doing Business Index, streamlining tax payments could boost SME revenues by reducing compliance costs by as much as 5- 10%.

Together, these enhancements could drive a potential \$50 billion or more in additional revenue, significantly boosting Nigeria's SME sector and, by extension, the overall economy. The exact figure depends on the execution and scale of reforms, but the growth potential is substantial, particularly if implemented in tandem with other reforms that support a more business-friendly environment.

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