
Employment Generation and Poverty Reduction for Optimal Economic Performance in Nigeria: Adoption of Skills Acquisition Village Enterprises Development Model

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Abstract

This paper investigated employment generation, poverty reduction and optimal economic performance in Nigeria by adopting Skills Acquisition Village Enterprises Development, a concept developed into a model by the researchers. The purpose was to create a model capable of creating employment, reducing poverty and improving the performance of the economy optimally. This Model houses not less than ten (10) different but complementary skills in one location. The SAVED is designed to play dual roles of providing qualitative goods and services for profit and training youths in the skills housed in its village. Skilled artisans shall be employed to provide services and products in the various skills as well as on-the-job hands-on training of people in the skills. Relevant cost estimates have been provided including a Gant Chart showing planned, actual and cumulative execution stages of the project. A projection of the viability, profitability and sustainability of the project over five years is provided. Over five years, one location of the SAVED will be capable of training 250 skilled youths to be self-employed, create more employment opportunities, reduce poverty, contribute to the GDP of Nigeria and serve as a factor in the optimal economic performance of the country. With a calculation of the NPV at N70.4 million on an initial investment of N25 million and an IRR of 3.5 over five years, the paper concludes these results indicate the project's viability, profitability and sustainability and, therefore, recommends it as an entirely Nigerian Model for employment creation, poverty reduction and optimal economic performance of the country.

Keywords: Employment generation, Poverty reduction, Skills acquisition, Village enterprises development

Background to the Study

At independence, most Nigerians looked up to the Government to put three square meals on their tables, pay their medical bills, children's school fees, provide roads, water and electricity. In fact, provide all the good things of life for them. These were what they erroneously thought were political goods or benefits of freedom from colonialism. Consequently, this wrong concept became the foundation of their attitude towards government whereas the real political goods available to truly independent people according to Almond, Powell, Jr, Strom and Dalton (2004) include "system goods (system maintenance and adaption); system process (participation in political imports, compliance and support); procedural justice (effectiveness and efficiency) and policy goods (welfare, security, fairness and liberty). It did not occur to politicians who championed the cause of freedom from colonialism to back up their efforts with appropriate political education; rather, they began to fight for positions, tribal superiority, control of apparatus of state and resources. Consequently, the people were deprived of the real political goods that constitute the foundation for development. Unfortunately for Nigerians, the retreating colonialists capitalized on the ignorance and gullibility of the people to establish and entrench an exploitative dependence-development philosophy in the country. For instance, none of Shell, Agip, Exxon Mobil, etc., oil multinationals has established a refinery in the country. This is against an obvious economic factor of siting industries close to sources of raw materials.

The importance of business or the private sector in the development of any country cannot be over emphasized; especially when its multifaceted effects on the socio-economic, scientific, technological and political development are considered. For instance, the development of industrialized countries is driven and sustained by the private sector. Many of these countries rely on small-scale and medium enterprises as well as multinational corporations for sustainable development. For example, apart from multinational corporations, the United States boasts of 23 million SMEs that employ more than 50% private work force and generate more than half of the nation's GDP; in the EU countries, SMEs account for 99% of all companies and 65% of business turn over and in Taiwan, SMEs generate 70% of jobs that employ less than 20 workers each with 40,000 firms accounting for 75% of this country's exports" (NIM/NYSC Programme – SMPE 104). Nigeria cannot be an exception.

For Nigeria to join the league of countries that enjoy optimal economic performance and sustained comprehensive development, the citizens must change their attitude from expecting government to spoon feed them to providing them with the real political goods that will enable them drive development from the private sector. This is because successive governments in the country have experienced distractions from providing the real political goods for the people due to political instability, lack of a well articulated economic and industrial development philosophy and policies, a high import-consumption culture and over dependence on government for provision of social amenities. This explains why 55 years after independence, the country has no definite industrial development policy, its economic and integrated development efforts epileptic and educational system, wishy-washy.

Statement of the Problem

Lack of Entrepreneurship development and industrialization are not only the causes of poor economic performance but also the fundamental causes of a myriad of social ills plaguing the country: armed robbery, advanced fee frauds (419), youth militancy, ritualism, prostitution, and so on. Expectedly, youths are gradually but steadily losing faith in the efficacy and ability of government to cater for their welfare; hence a rising wave of lawlessness in the country, Hitler (1961) and Maier (2000). The apparent helplessness of both government and the teeming generations of unemployed youths inspired these researchers to create an innovative concept and model: Skills Acquisition Village Enterprises Development (SAVED). This is an entirely Nigerian strategy for entrepreneurship development, industrialization, employment generation and poverty eradication; never established anywhere else and, therefore, deserves a careful evaluation and implementation for improved economic performance. The researchers have suggested business strategies which, if accepted and put to use, could become an effective strategy for optimal economic performance, fight against unemployment, poverty, under-development and social vices in the country. There has been no research on this problem. The absence of any research evidence on this problem, therefore, provided the focus for this investigation.

Objectives of the Study/Concepts of the Model

The main objectives of developing this model include:

- i. To bring together not less than ten (10) different but related or complementary skills in one location such as
 - a) Specific Computer Skills (Excel, Internet, Networking etc.)
 - b) Brick-laying/masonry
 - c) Soap/detergents/cosmetics
 - c) Fashion design/dress-making
 - e) Bakery (assorted fast foods)
 - f) Electrical wiring/Computer/Cell phone repairs
 - g) Furniture making/upholstery
 - h) Dry cleaning/laundry Services
 - i) Barbing /hair-dressing salons
 - j) Medical Diagnostic Lab.
- ii. SAVED's vision is to train youths in the skills housed in its village absolutely free and employ others as its contribution to employment generation.
- iii. It is a cardinal objective of this model to boost employment generation, poverty eradication and optimal economic performance throughout the 36 states of the country and Abuja.
- iv. To provide a challenging business environment within which the various skills shall compete among themselves for efficiency, productivity, profitability, sustainability and growth.
- v. SAVED is to serve as a business incubator to the various skills, sharing costs that should otherwise be incurred by one businessman if single skills were established separately.

Literature Review

Relevant secondary materials covering the following areas were reviewed: entrepreneurship theories, practice and development; Azuka (2013), Obi (2012), Ohakwe, Chukwumezie, Onuoha, Obuseh and Okparaku (2012) and modern business management strategies; Collins and Porras (2002), Lester (2008), Hindle (2008), Edwards and Edwards (1996) and Collins (2001). The researchers built their concept and model for SAVED from these materials. They also reviewed strategic management principles by Capon (2008), Bateman and Zeithaml (1993) as well as agree with Zander (1990) that the willingness of members of a group to participate in their group's activities is determined by the strength of their motivation: the weight of the motive or desire, incentive or objective and perceived possibility that the incentive or objective can be achieved. This argument is supported by McClelland (1993). "Investments and capital formation are the core drives of business growth", Guest (2004) and Francis (2008). The researchers support the argument that there should be an effective use of seasonal variations in the performance of the various skills housed in the SAVED's village for strategic planning, investment and growth of the ventures. Employees' rewards and compensation were reviewed in works by McCormick and Tiffin (1974), Cole (2005) and Byars and Rue (1997). It is on the basis of this review that the researchers support the treatment of employees as co-owners of SAVED with opportunities to share in profit quotas and bonuses. This will engender the spirit of effective commitment to the ideals of SAVED, its efficiency, productivity, survival and growth. Finally, materials on business ethics, social responsibility and legal conformity were reviewed. The researchers support Mshalia (2014) that there is need to maintain a high degree of responsibility, integrity and honesty in business. These business ethics are expanded by Tucker and Henkel (1992) to include vision, mission, values and objectives, managing conflict of interest, product quality and safety, marketing and selling practices, equal employment opportunity, workplace environment, drug and alcohol abuse, employees' privacy, return on investment, local laws and customs, community support (social responsibility) and reporting violations.

Previous Government Efforts

Government has experimented with several programmes: Cooperatives, SMEs, Cottage Industries, NYSC, NDE (National Directorate of Employment), School on Wheels, School to Land, SMEDAN, Export Promotion Strategies, Supply of Agro-Chemicals, Seedlings, Feeds, Provision of Technical Support Services by Agricultural Extension Workers and so on (Azuka, 2013). Very little has been achieved in this regard. This is why Government has continued to appeal to the private sector to assist in its fight for entrepreneurship development, self-employment and poverty reduction. Unfortunately, Government's efforts in the past to address these problems have been scuttled through administrative bottlenecks and sundry malpractices.

SWOT Analysis of the Model

The strengths, weaknesses, opportunities and threats analysis of this business model is as follows:

- 1) Strengths of the Model - These include the following:
 - i. Generation of sustainable employment for the unemployed.
 - ii. Reduction and eventual eradication of poverty.
 - iii. Boosting rural industrialization and economic growth within the local communities.
 - iv. Contribution to the internally generated revenue of the States and National GDP.
 - v. Serves as a motivator or incubator for the establishment of other business ventures within its local communities.
 - vi. Fixed and overhead costs shall be shared by all the skills while they enjoy pool services such as power, water supply, medical services, transportation, security, warehousing, etc.

- 2) Weaknesses of the Model – These include the following:
 - a. Sources of funding
 - b. Building goodwill
 - c. Breaking into the market and capturing sizeable market share.
 - d. Synthesizing Nigerians on the advantages of the model.
 - e. Possibility of wooing business partners.

- 3) Opportunities of the Model
 - i. Serves as a motivator or incubator for the establishment of other business ventures within its local communities.
 - ii. Fixed and overhead costs shared by all the skills
 - iii. Enjoyment of pool services such as power, water supply, medical services, transportation, security, warehousing, etc.

- 4) Threats to the Model
 - i. Funding – this is one major threat to the implementation of the model through this may be overcome by counterpart equity/PPP funding strategies.
 - ii. Government's Adoption of the Model – another threat is a possibility of government's reluctance to adopt this model as a solution to the problems investigated.
 - iii. Apathy of Would-be Trainees – this threat may be overcome by proper education and sensitization of people in the local areas where the SAVED is located.
 - iv. Harmonization of Business Interests of Operators in the Village – it will take time and effort to blend the conflicting business interests of operators in the village.

Marketing Plan

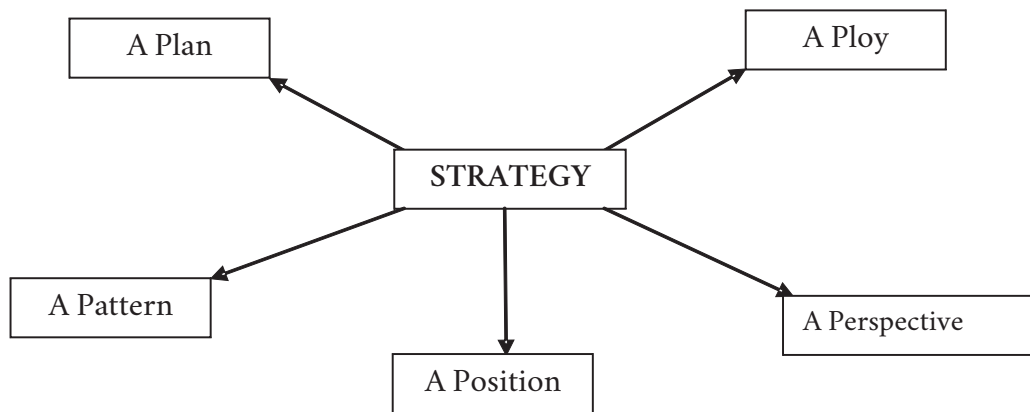
Following is a plan for marketing the products from the Village. The marketing activity used depends on prevailing circumstances, feasibility and profitability. The activities include:

1. In-house showroom display of finished products.
2. Shop at a strategic location of the town or community.
3. Commissioned hawkers.
4. Handbills and print media.
5. Electronic media (radio and television) (Baran, 2004).

Strategic Management Aspects of the Model

This model should utilize the five strategic management principles which, according to Capon (2008) constitute the 5Ps of strategic management: a plan, a ploy, a pattern, a position and a perspective. The inter-relationship between these aspects of strategic management is captured in Diagram 1 below:

Fig. 1: Diagram Showing Strategic Aspects of the SAVED Model



Source: Designed by the Researchers

Funding

The project is expected to be financed through Private Public Partnership (PPP). Individual entrepreneurs are encouraged to invest in this venture in partnership with the Government for the realization of this laudable project. Furthermore, the funding can be achieved through Build, Operate and Transfer (BOT) whereby the investors would recoup the money so invested within an agreed number of years before the project would be transferred to the Government for having raised the initial capital requirement.

Similarly, the young graduates being trained in the Village would be required to work for the Village for a minimum of two years on payment of a stipend so as to contribute their own quota towards the sustainability of the Project. Thereafter, these who have the financial capabilities to establish on their own would be discharged while others would be integrated into the venture as core staff on full wage payment. They can also assist in the training of other inmates.

Methodology

The business site for this project should be strategically located. Youths without employable skills should be trained in the skills for self-employment. There should be a meticulous collection of data on various economic indices of the localities and the SAVED. Data maintained should be used for proper short- and long-term planning and development of the SAVED projects and economic transformation of the local communities. Proper accounting records should be maintained as well as the SAVED production statistics that should be used for planning and other projections. For the local communities, there should be analyses to show economic growth trends, consumption patterns, investment profiles and socio-economic transformation. Skilled artisans shall be employed to provide services and products in the various skills as well as on-the-job hands-on training of people in the skills. Relevant cost estimates (Annexure 4) have been provided including a Sketch Layout, (Annexure 1), Work Plan (Annexure 2) and a Gant Chart (Annexure 3) showing planned, actual and cumulative execution stage of the project. Cooperative management principles should be used in the operation of enterprises under the canopy of the SAVED. A strategy of re-cycling incomes generated in the village should be used for capital formation and building up adequate liquidity/cash flow bases for the enterprises. A qualified accounting staff should be employed to maintain proper accounts and ensure that all transactions in the village are properly documented and bank accounts maintained. Specifically, SAVED shall:

- i. Source funds for capital build up, investment and expansion of its services and production of goods for sale through PPP and other sources.
- ii. Re-cycle income generated to beef up its liquidity or cash flow profiles.
- iii. Provide qualitative services or products on commercial basis; thus generating income for sustainability and growth.
- iv. Treat employees as co-owners of SAVED by devising profit-sharing quotas and bonuses to motivate them for efficiency, productivity and loyalty to the ideals of SAVED.

Results (Expected Outputs/Benefits)

SAVED is a business concept and a model for employment generation, poverty reduction, optimal economic performance and sustainable development of Nigeria that will bring about the following results/outputs/benefits:

- i. Generate sustainable employment for the unemployed.
- ii. Reduce and eventually eradicate poverty.
- iii. Boost rural industrialization, optimal economic performance and growth within the local communities will thus; contribute to the internally generated revenue and National GDP.
- iv. Serve as a motivator and/or incubator for the establishment of other business ventures within its local communities.
- v. Fixed and overhead costs are shared by all the skills while they enjoy pool services such as power, water supply, medical services, transportation, security, warehousing, etc.

Conclusion

This research concludes that the SAVED is a sine-qua-non for employment generation, poverty reduction and economic empowerment of Nigerians. It further concludes that with an initial investment of N25, 000,000 (Twenty five million Naira only) hard work and good business management practices, this project will be able to turn itself over three and a half times in five years (See Annexure 5)! This result strongly indicates its viability, profitability and sustainability. The paper finally concludes that this model is an “open sesame” to Nigeria's solution of the problems of unemployment, poverty reduction and optimal economic performance of the country.

Recommendations

From the foregoing, therefore, the researchers recommend as follows:

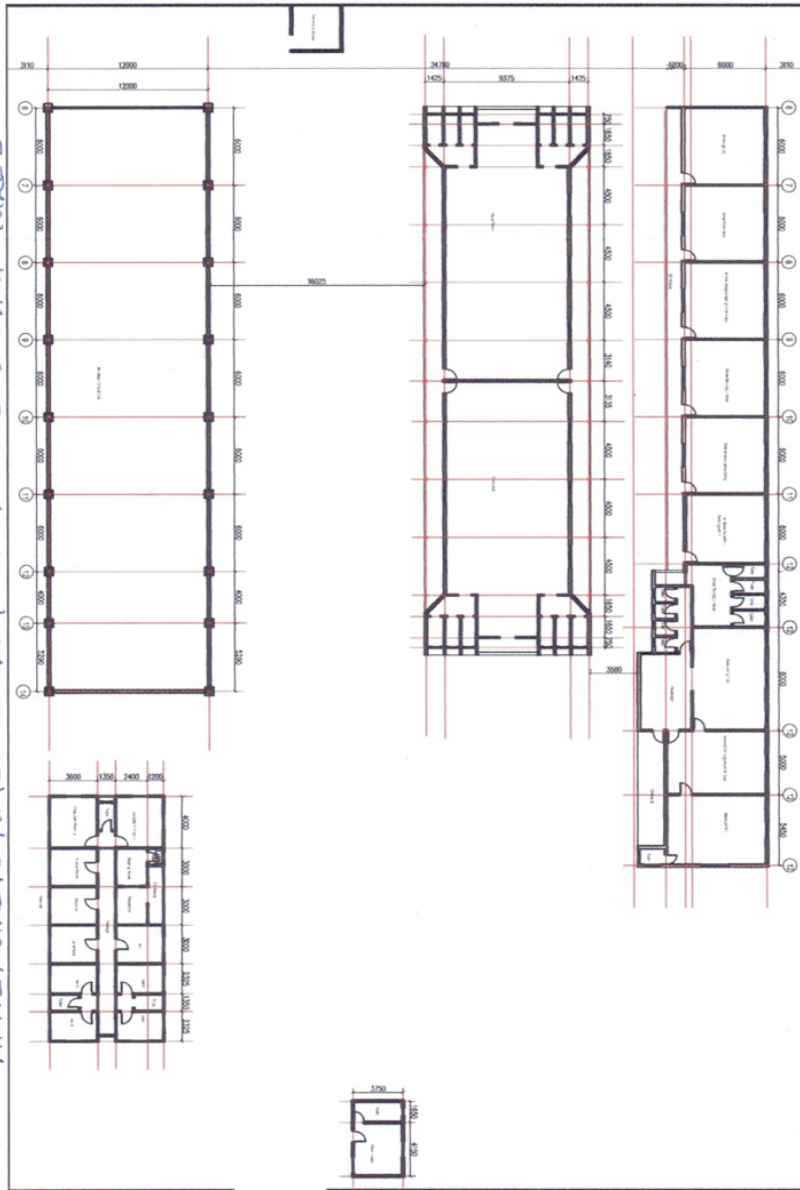
1. Government should embrace the laudable project of SAVED to aid in employment generation and poverty reduction which will in turn reduce the rate of crimes amongst the youth.
2. It is recommended that private entrepreneurs be encouraged to invest in the SAVED project.
3. Young graduates should see the project as a welcome development while waiting for the NYSC programme.
4. Money generated from the Village should also be used in the development of the host community as part of corporate social responsibility. Funding – this is one major threat to the implementation of the model through this may be overcome by counterpart equity/PPP funding strategies.
5. Government's Adoption of the Model – another recommendation is that government should adopt this model for implementation throughout the country.
6. Apathy of Would-be Trainees – there should be a proper sensitization of the target group to disabuse their minds about the benefits of this project..
7. Harmonization of Business Interests of Operators in the Village – it will take time and effort to blend the conflicting business interests of operators in the village. However, concerted efforts should be made to harmonize the business interests of the operators in the village.

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ANNEXURE 1: PHYSICAL LAYOUT OF SAVED'S STRUCTURES



Annexure 2

Work Plan/Time Frame (Based on Activity by Activity)

The execution of this project shall be in two phases of six months each as shown in the Work Plan/Time Frame and Gant Chart details below. Each activity is weighted 10 points. Bracketed figures indicate shortfalls; excesses are indicated by figures without brackets and activities completed as scheduled are indicated in the column for Actual by 10.

Work Plan/Time Frame

Period Phase I	Planned Activities	Actual	Shortfalls/Excesses
Approval to 1 Month	Opening of bank account for SAVED! Acquisition of site, survey and clearing	10	-
2 nd month	Fencing/sinking borehole for water supply	8	(2)
3 rd month	Acquisition of equipment/materials for block Molding for own use and sale/masonry	10	-
4 th month	Commencement of construction work on workshops, moulding blocks for own use and for sale	10	-
5 th month	Workshops' construction/introduction of Bakery skill (assorted fast foods)	10	-
6 th month	Workshops' construction/introduction of Soap/Detergents/Cosmetics skill	10	-
PHASE II			
7 th month	Construction of workshops/introduction of Fashion Designing/Dress-making skill	10	-
8 th month	Completion of workshops' construction! introduction of Barbing/hair-dressing salons	8	(2)
9 th month	Construction of other service unit blocks: Admin/Central Stores, etc.	7	(3)
10 th month	Acquisition of equipment for remaining skills/Block purchase of materials for all skills except the perishables for bakery	10	-
11 th month	Evaluation of the entire execution of the project/putting finishing touches to all aspects of the venture	6	4
12 th month	Commencement of operations by the five remaining skills/fine-tuning of administrative strategies	5	5

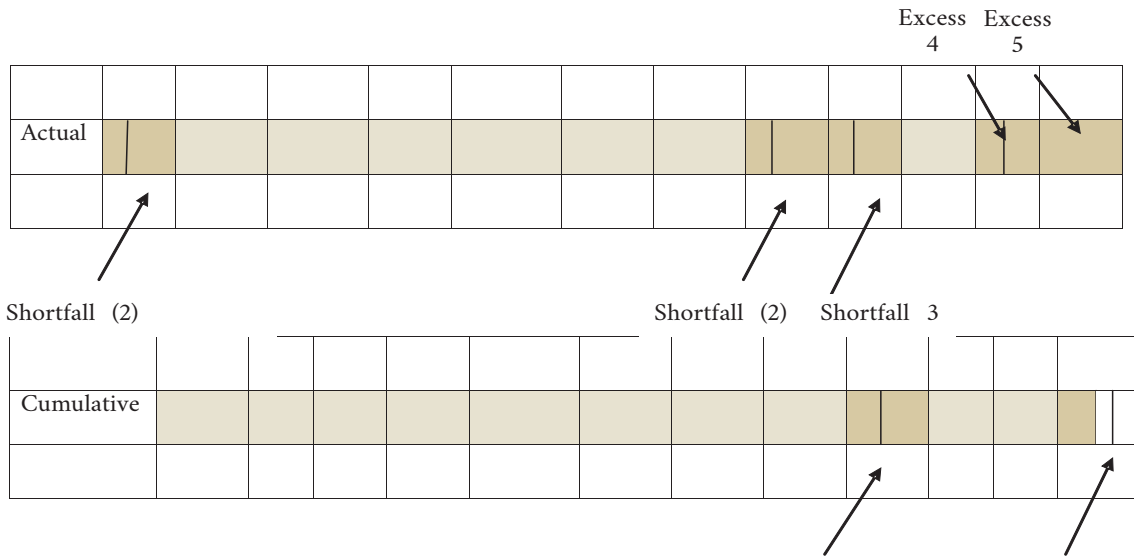
See Annexure 1: A Sketch Showing the Physical Layout of SAVED's Structures.

Annexure 3

Gant Chart for Executing the Project

*Each month's activity is weighted 10 points. The shortfalls and excesses show the attained levels of execution of the project.

	1 st month	2 nd month	3 rd month	4 th month	5 th month	6 th month	7 th month	8 th month	9 th month	10 th month	11 th month	12 th month
planned	See work plan	See work plan	See work plan	See work plan	See work plan	See work plan	See work plan	See work plan	See work plan	See work plan	See work plan	See work plan



Comments:

Although there are shortfalls of (2), (2) and(3) points in the 2nd, 8th and 9th months (Actual), Excesses of 4 and 5 points in the 11th and 12th months (Actual) and shortfall of (7) for Cumulative in the 9th month, the overall project execution shows an excess of 9 points in the 12th month (Cumulative). This is because there will be adequate and timely funds in the later stages of the project.

Annexure 4

Estimated Budget for Establishing SAVED (Activity by Activity)

The following estimates may be adjusted depending on prevailing local market prices, labour costs and other incidentals.

Serial No.	Details of Expenditure	Unit Cost ₦	Total ₦
1	Purchase of 6 plots to house the SAVED	1,200,000	1,200,000
2	Survey of the land and C of O	350,000	350,000
3	Clearing and fencing the premises	2,500,000	2,500,000
4	Sinking of borehole/piping for water distribution	1,800,000	1,800,000
5	Bricklaying and masonry equipment	450,000	450,000
6	1 trailer-load of cement for own use and for sale	1,300,000	1,300,000
7	Sand for bricks moulding and own construction works (100 tippers)	9,000	900,000
8	Architectural drawings of the workshops and other structures	600,000	600,000
9	Purchase of 20 KVA diesel/ sound proof generator	3,000,000	3,000,000
10	Construction charges for workshops and other buildings	1,500,000	1,500,000
11	Wood for roofing and construction jobs	800,000	800,000
12	Roofing sheets for workshops/other buildings	3,500,000	3,500,000
13	Basic equipment for workshops, offices, etc.	6,000,000	6,000,000
14	Purchase of assorted equipment for workshops	2,500,000	2,500,000
15	Electrical wiring materials and workmanship	800,000	800,000
16	Plumbing materials and workmanship	1,200,000	1,200,000
17	Other sundry expenses (miscellaneous)	2,500,000	2,500,000
18	Salaries of first 5 skilled artisans	350,000	350,000
19	10% contingencies	3,730,000	3,730,000
	Grand Total		41,030,000

+See Annexure 2 for calculation of NPV (Net Present Value) and IRR (Internal Rate of Return) for 5 years in respect of the investment in this project.

Annexure 5

Calculation of NPV and IRR

Period	Inflow		
2016	₦0	₦41,030,000	₦41,030,000
2017	25,030,000	7,332,400	17,667,600
2018	16,030,000	22,709,200	6,679,200
2019	0	24,250,000	24,250,000
2020	0	26,880,000	26,880,000
2021	0	25,250,000	25,250,000

NPV Results

1. At 10%, NPV = 3809316.413
2. At 25%, NPV = 1590268.792

Period	Net Cash Flow Reported	Computation as captured in IRR Equation Format
2016	N 25,000,000	-25,000,000/1.2575
2017	16,030,000	16,030,000/1.2575
2018	24,250,000	24,250,000/1.2575
2019	26,880,000	26,880,000/1.2575
2020	25,250,000	25,250,000/1.2575
2021	27,600,000	27,600,000/1.2575

IRR Results Using Net Cash Flow Figures Above:

$IRR = 0 = 25,000,000 + 12,747,515 + 19,284,294 + 21,375,745 + 20,779,523 + 21,948,310 = 70,435,387$ translated to an IRR of 3.5 in 5 years of hard work beginning with N25 million.

Assumptions:

The initial investment was with N25, 000,000 and the investment will last for five calendar years:\

- a. The computations of cash flow were carried out with the best practices in view
- b. The NPV and IRR were computed with figures as given in the estimated cost of the project.
- c. No liabilities. R