

**THE IMPACT OF ENTREPRENEURSHIP ON RURAL  
DEVELOPMENT:  
A CASE STUDY OF KARU LOCAL GOVERNMENT**

**BY**

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**BEING A PROJECT WORK SUBMITTED TO THE SCHOOL OF  
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THE AWARD OF MASTERS IN BUSINESS ADMINISTRATION  
(MBA)**

**MAY, 2018**

## **DECLARATION**

I hereby declare that this project has been written by me and it is a report of my research work. It has not been presented in any previous application for Masters in Business Administration (MBA). All quotations are indicated and sources of information specifically acknowledged by means of references.

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## CERTIFICATION

This project entitled “The Impact of Entrepreneurship on Rural Development. A Case Study of Karu Local Government” has been read and approved by the undersigned as meeting the requirement for the award of Masters in Business Administration (MBA) of Nasarawa State University Keffi.

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## **DEDICATION**

I dedicate this project to the glory of God.

## **ACKNOWLEDGMENTS**

I remain grateful to God Almighty, the giver of life who has given me the enablement to write this project work.

I sincerely appreciate my Supervisor, Dr. R.A. Andah who despite her tight schedules have been able to guide me through this project work. I also want to appreciate the Head of Department of Business Administration Department, Dr. B.E. Barde.

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## ABSTRACT

*The objective of this study examines the impact of entrepreneurship on rural development in Nigeria, particularly in Karu local government area of Nasarawa State. This study has been able to identify issues that relates to entrepreneurship and rural development and recommendation on how to attain positive development has been suggested. The data generated from questionnaires were tested at 0.05 level of significance using chi-square statistics. The study confirmed that rural entrepreneurship is a means of improving the quality of life of the people and has the ability to create jobs in the communities but it has not significantly impacted on rural development due to some problems identified in the study as hindering the growth of entrepreneurship in the study area. The study therefore recommends that encourage microfinance banks to extend their services to rural areas, Government should organized and sponsor trade fair and exhibition to provide opportunity to rural entrepreneurs to show case and exhibit their products and services and also encourage citizens to patronize locally made goods and service especially one produced by local entrepreneurs, and also incentives should be provided to rural entrepreneurs in the form of tax relief and concessions to encourage them plough back earnings for expansion.*

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the Study

For many decades, entrepreneurship has been identified as a critical element in the structural and functional transformation of any economy. In every economy both developed and developing, one cannot rule out the importance of entrepreneurs. The history of Japan for instance replete with examples of entrepreneurs who started their enterprises at back of their houses and by slow and steady progress became the financial magnets of their time.

Rural development is more than ever before linked to entrepreneurship. Institutions and individuals promoting rural development now see entrepreneurship as a strategic development intervention that could accelerate the rural development process. Furthermore, institutions and individuals seem to agree on the urgent need to promote rural enterprises: development agencies see rural entrepreneurship as an enormous employment potential; politicians see it as the key strategy to prevent rural unrest; farmers see it as an instrument for improving farm earnings; and women see it as an employment possibility near their homes which provides autonomy, independence and a reduced need for social support. To all these

groups, however, entrepreneurship stands as a vehicle to improve the quality of life for individuals, families and communities and to sustain a healthy economy and environment.

The entrepreneurial orientation to rural development accepts entrepreneurship as the central force of economic growth and development, without it other factors of development will be wasted or frittered away. However, the acceptance of entrepreneurship as a central development force by itself will not lead to rural development and the advancement of rural enterprises. What is needed in addition is an environment enabling entrepreneurship in rural areas. The existence of such an environment largely depends on policies promoting rural entrepreneurship. The effectiveness of such policies in turn depends on a conceptual framework about entrepreneurship, i.e., what it is and where it comes from.

More than 1.3 billion people in this world live in extreme poverty, that is, one in every five person.(United Nations Report, 1997) As the world's economies become more interdependent, solving a problem as big and as difficult as poverty demands international alliances. According to the International Fund for Agricultural Development (IFAD), the Millennium Development Goals set forth by the United Nations are a guiding light for

international cooperation for development, in particular the target to halve the proportion of hungry and extremely poor people by 2015. But the starting point to achieve this target must be the recognition that poverty is predominantly rural. Three quarters of the world's poor, about 900 million people, live in rural areas where they depend on agriculture and related activities for their livelihoods. The reality is that the Millennium poverty target cannot be met unless the world addresses rural poverty.

According to Steinhoff and Burgess (1993) Small business through which entrepreneurship is given freest expression, is the backbone of the market economy of the U.S and the rest of the world. In fact, the economic "Miracles" of the much celebrated Asian Tigers- South Korea, Malaysia, Indonesia, Singapore etc., is a veritable manifestation of the impact of entrepreneurship on a nation's economic progress; it is on this note that the Nigerian government is putting concerted effort in developing and promoting the indigenous entrepreneurs.

The World Bank's new strategy launched in 2002, called 'Reaching the Rural Poor' focuses on improving the lives of those living in rural areas. Ekekwe, (2001) states that the World Bank strategy is contributing to the increase of productivity in rural areas, and have a very positive impact on

other sectors of the national economy. Petrin (1994) affirms that rural development is now being linked more and more to entrepreneurship. Entrepreneurship stands as a vehicle to improve the quality of life for individuals, families and communities and to sustain a healthy economy and environment.

Nigerians especially graduates, school leavers, and the unemployed are now realizing that governments is no longer ready to offer them employment short of alternative, they are now entrepreneurship oriented by searching for and launching themselves into various business ventures (Ugbaya, 2003).

The acceptance of entrepreneurship as a central development force by itself will not lead to rural development and the advancement of rural enterprises. What is needed in addition is an environment enabling entrepreneurship in rural areas. The existence of such an environment largely depends on policies promoting rural entrepreneurship. The effectiveness of such policies in turn depends on a conceptual framework about entrepreneurship (Petrin, 1994).

## **1.2 Statement of the Problem**

In spite of the federal government's effort through programme and initiatives such as the Nigerian indigenization and enterprises Decree, the establishment of the industrial development centre (IDCS), small scale industries credit scheme (SCICS), small scale industries and graduate employment programme (SSIGEO), Nigerians Banks for commerce and industries (NBCI), world bank SMEII loan scheme, National Directorate of Employment (NDE), National Economic Reconstruction fund (NERFUND) Nigerian Agricultural cooperative and Rural Development Bank (NACRDB) National Poverty eradication programme (NAPEP), research Institutes etc perhaps the development of entrepreneurship in Nigeria has not been able to deliver the much desired results despite the huge amount of resources expended and a vast lot of programmes initiated by previous administrations. However, entrepreneurial activities are pivotal to the generation of employment within any country thereby reducing the ills associated with unemployment such as poverty, social crimes, waste of human resources etc. In Nigeria, effort towards entrepreneurship areas, as evidenced by the disparity in poverty level between rural and urban dwellers and the high rate of urban-rural drift.

### **1.3 Objectives of the Study**

Given the statement of problem outlined above, the overall objective of this research is to establish and sustain the effect of entrepreneurship on rural development. In order to achieve this, the study attempts to achieve the following specific objectives:

1. To ascertain the influence of management/managerial capacity in the development and growth of entrepreneurs in rural areas in Nigeria.
2. To identify the major constraints faced by entrepreneurs in rural areas and the initiatives that can assist their development
3. To find out how promoting entrepreneurship as a force of economic change have been able to guarantee the survival of rural communities.
4. To suggest policies that is necessary in order to create an environment in rural areas conducive to entrepreneurship.

### **1.4 Research Questions**

The study will examine the following questions:

1. To what extent has rural entrepreneurship contributed to the growth of and development of the country?
2. How has rural entrepreneurship been able to guarantee the survival of rural communities?
3. What are the constraints that are confronting rural entrepreneurship?

4. What policy measures could be adopted to redress the business environment in the rural areas?

## **1.5 Research Hypothesis**

The hypothesis to be tested in the course of the analysis is stated below:

H<sub>0</sub>: Entrepreneurship does not have significant impact on rural development

H<sub>1</sub>: Entrepreneurship has significant impact on rural development

## **1.6 Scope and Limitation of the Study**

The study covered Mararaba, Masaka, Ado, New Nyanya and One Man Village in Karu Local Government Area, Nasarawa State. The study will cover a period of five (5) years i.e. from 2005-2010.

This period of time is considered adequate in the sense that entrepreneurs who have been in business for this period would have adapted to the terrain and will be relevant in gathering data for this study.

During the research work, the researcher encountered difficulties in obtaining information. The study was limited to Karu local government area in Nasarawa State and the findings may not be applicable to other rural communities.

## **1.7 Significance of the Study**

The study of the impact of entrepreneurship on rural development of Nigeria is significant in the following areas;

1. It will help to reveal the role of entrepreneurship activities in solving the basic problems of unemployment, poverty, and hunger;
2. It will equally assist to appraise the policies of the government that have been directed towards the improvement of small businesses;
3. It will expose the forces behind the poor performance of entrepreneurs in spite of the various policy measures taken so far to address the situation.

## **1.8 Plan of the Study**

The study shall be divided into five chapters. The first chapter provides the background of the subject matter justifying the need of the study. Chapter two presents related literature on the subject matter. The research methodology which includes research design, population of the study, sampling techniques, method of data collection and analysis, are stated in chapter three while data presentation and analysis were made in chapter four. Concluding comments in chapter five reflects on the summary, conclusion and recommendations based on the findings of the study.

## **1.9 Definition of Terms**

### **Entrepreneurship**

Entrepreneurship is the process of opportunity recognition and implementation. It often begins with a vision or idea for a product or process coupled with a passion or zeal to make that idea a reality. Entrepreneurship is fundamentally less about technical skills than about people and their passions.

It also pertains to any new organization of productive factors and not exclusively to innovations that are on the technological or organizational cutting edge, it pertains to entrepreneurial activities both within and outside the organization.

### **Entrepreneur**

An entrepreneur is a person who either creates new combinations of production factors such as new methods of production, new products, new markets, finds new sources of supply and new organizational forms; or as a person who is willing to take risks; or a person who, by exploiting market opportunities, eliminates disequilibrium between aggregate supply and aggregate demand, or as one who owns and operates a business.

## **CHAPTER TWO**

### **REVIEW RELATED LITERATURE**

#### **2.1 Introduction**

The experiences of developed economies in relation to the impact of entrepreneurs on rural development cannot be overemphasized especially among the Less Developed Countries (LDCs) or rather Developing Countries. In order to high light the significance of entrepreneurship in relation to the growth and development of a given economy, Small and Medium Scale Enterprises have been variously referred to as the “engine of growth” (Fabayo, 2009). This stems from the fact that almost all countries that have focused on the SMEs sector and ensures its vibrancy have ended up succeeding in the significant reduction and its attendant enhancement in the quality and standard of living, reduction in crime rate, increase in per capita income as well as rapid growth in GDP among other salutary effects (Ogunsanya, 2007).

It is in this vein that this chapter is set to unveil the conceptual issues of entrepreneurship, the rural entrepreneurship, the role of rural entrepreneurship, the forms of finances available to rural entrepreneurs and the problems of rural entrepreneurship.

## **2.2 Entrepreneurship: Conceptual Issues**

In order to understand the role played by entrepreneurs in developing an economy it is first important to understand the concept of entrepreneurship. (Petrin, 1992) While choosing a definition for entrepreneurship most appropriate to the rural area context, it is important to bear in mind the skills that will be needed to improve the quality of life for individuals, and to sustain a healthy economy and environment. Taking this into consideration, one can find that each of the traditional definitions has its own weakness.

Schumpeter (1934) sees entrepreneur as maximize of opportunities; Shapero (1975) opined that, entrepreneur takes initiative, organizes some social and economic mechanisms, and accepts risk of failures; Vesper (1980) views that entrepreneur are seen differently by economists, psychologist, business persons and politicians. Pinchot (1983) discovered intrapreneur as an entrepreneur within an already established organization; Hisrich (1985) defines entrepreneurship as the process of creating something different with values by devoting the necessary time and effort; assuming the accompanying financial, psychological and social risks; and receiving the resulting rewards of monetary and personal satisfaction.

It has been difficult reaching a consensus about that the definition of entrepreneurship and also has been argued that the term, entrepreneurship, in itself has three levels of meaning. This as advanced by Ahmed and McQuaid (2005) view that, in the first level, entrepreneurship refers to small firms or enterprises, in the second level, it refers to new firm formation and at the third level, it entail innovation and a system- wide coordination of complex production.

According to Gana (2001) the sociologist, psychologist, anthropologist and economist, all have different perspective about entrepreneurship. For the sociologist, entrepreneurship is governed by the society's values and status hierarchy. They analyze the characteristics of entrepreneurs in terms of taste, family, social status, and value system and so on. To the sociologist, it is believed that entrepreneurship will flourish in a society where status movement in the society is dependent on hard work, initiative and good performance.

The psychologist in the other hand tends to isolate entrepreneurs from the general population on various personality traits such as need for achievement, creativity, propensity to take risks, independence, and leadership and so on. This concept emphasizes the inner forces of the

individual as the prime mover for risk bearing and innovation. The psychologists believe that entrepreneurship is brought about by the intuitive capacity of the individual to develop new ideas.

The economists consider the structure of the economic incentives that are found in the economic and market environment as relevant to the development of entrepreneurship. This goes hand in hand with the managerial skills which enable a person to exploit and obtain economic gain. In the same direction, Vesper (1980) views that, to an economist, an entrepreneurs in one who brings resources, labour, materials and other assets into combinations that make their value greater than before and also one who introduces changes, innovations and a new order. To psychologists such a person is typically driven by certain forces- the need to obtain or attain something, to experiment, to accomplish, or perhaps to escape the authority of others. To one business man, an entrepreneur appears as a threat, an aggressive competitor, whereas to another business man, the same entrepreneur may be an ally, a source of supply, a customer, or someone who creates wealth for others, as well as finds better ways to utilize resources, reduce waste and produce jobs that others are glad to get .

In his own view, Doyle (1993) sees entrepreneurship as an economic process of creating incremental wealth by individuals who assume the major risks in terms of equity, time or, career commitment or providing value for the same product or service.

Ike (1998) describes the term as the phenomenon of setting up, financing and managing a business outfit by an individual whose objective is to make profit by exploiting business opportunities and taking risks. Worthy of note also is Drucker's (1986) perspective wherein he identified entrepreneurship as the purposive and organized search for changes, and in the systematic analysis of the opportunities such change might offer for economic or social innovation. Drucker hereby opined that an entrepreneur is someone who "always searches for changes, responds to it and exploits it as an opportunity".

While each of these definitions of entrepreneurship is seen from a slightly different perspective, each contains similar notions: changes, newness, organizing, creating wealth, risk taking and independence employment generation.

### **2.3 Rural Entrepreneurship: Conceptual Issues**

Stathopoulos et al (2004) defined rural entrepreneurship as creating new employment opportunities in rural areas, via the generation of new business ventures. From this perspective, rural entrepreneurs may be seen as individuals living in rural locations and the difference between them and urban entrepreneurs may be found on the impact of the entrepreneurial process.

However a more comprehensive definition was given by Osuagwu (2006) as rural entrepreneurship being the creation of a new business organization that introduces new good/services, serves or creates a new market, or utilizes a new technology in a rural environment.

### **2.4 Environment of Rural Entrepreneurship**

Rural entrepreneurship does not operate in a vacuum. It's existing within an environment which is the totality of the factors that affect its operations. Stoner et al (1995) defined environment as “all element outside an organization that are relevant to its operation”. The major environmental factors affecting rural entrepreneurship include:

## **A. Physical Environment**

According to Osuagwu (2006), the three major features of the physical environment that affect entrepreneurship in rural areas include location, natural resources and landscape. Location is related to the distance from major markets and accessibility to customers/ clients, suppliers, information sources and relevant institutions. The existence of important natural resources as well as the landscape affects entrepreneurial activity by presenting opportunities for the environmentally sound utilization of resources. Distances and remoteness have favoured the preservation of unique landscapes and environmental features, important traditions or traditional methods of production that may give rise to entrepreneurial opportunities. Physical environment also determine the type of ventures, for instance, rural entrepreneurial ventures are mostly Agricultural and processing.

## **B. Economic Environment**

The remoteness and consequently high transportation imposed significant constraints in the establishment of competitive small business enterprise in rural areas. Investment in infrastructure is highly desirable feature of entrepreneurship in rural places. Other economic variables that exert influences on rural entrepreneurship include the economic policies of

government (i.e monetary and fiscal policies), the income and wage level of rural dwellers, the price level of goods and services and the level of competition.

### **C. Political/ Legal Environment**

The political system in a country is an important force which also produces threats and opportunities for rural entrepreneurs, such forces comprise government system, and policies. For instance in 1990, government established the people Bank of Nigerian and followed it up with the licensing of community (now Micro Finance) banks to complement the effort of rural banking scheme by addressing the financial problems of rural entrepreneurs. Another instance is the Nigerian enterprises promotion decree of 1972 as amended in 1977 designed to promote entrepreneurial activity in Nigeria.

### **D. Socio- Cultural Environment**

The social factor relates to the nature and attitude, norms and behaviour of people (Olagunju 2004). The value systems of the people in terms of their orientation will go a long way to affect the operations of rural enterprise. For instance, in the northern Nigeria and in strong Christian community, many people do not take alcohol because of religious demand. The implication is

that all the rural potentials for brewery remain untapped. In the rural area, the cultural heritage and occupations of the people play vital role with respect to the nature of business, for instance, cloth weaving is predominantly small venture in Akwaete's in River state, Igbo's are predominantly traders, poultry is predominant in Ilorin, carving in Benin Kingdom, liquor processing in coastal area, Hausa are predominantly Farmers, Fulani's are predominantly Herds men etc. Such cultural beliefs as witchcraft, charms, ill-luck, misfortunes, superstitious belief etc are detrimental to rural entrepreneurship.

#### **E. Technological Environment**

Osuagwu (2006:315) points out that, the limited scale and scope of local markets, force rural entrepreneurs to develop innovative products and effective marketing to compete with urban-based counterparts, and that, information and communication technology hold a central role in this process. On the other hand, areas which fail to participate in developments of ICT risk increasing marginalization. The adoption of ICT by rural small business enterprises is also highly dependent upon external pressure and organizational size. Proper use of ICT in rural small business enterprises is important for the growth of entrepreneurship in rural areas.

### **2.4.1 Forms of Rural Entrepreneurship**

There are basically four forms in which rural entrepreneurship finds expression and these are:

**(a) Start ups:** - There are entrepreneurial activities in exploring and planning a new business or a business within the first three years of operation.

**(b) Small Businesses:** - These are entrepreneurial activities in business operation for three or more years, trying to survive or expand.

**(c) Growth entrepreneur:** - These are rural entrepreneurs that engage in commercializing new technology and/or expanding rapidly to capitalize on major opportunities.

**(d) Social entrepreneur:** - These are entrepreneurs that are involved increasing and growing enterprises that are primarily for public and community purposes.

### **2.5 The Role of Rural Entrepreneurship in Employment Generation and Poverty Reduction**

The following are basic economic importance of rural entrepreneurship in generating employment and reducing poverty.

- (a) **Wealth Creation:** Rural entrepreneurship enables individuals to use their potentials and energies to create wealth for themselves in the society.
- (b) **Poverty Reduction /Eradication:** Poverty is a condition of living that is characterized with lack of the basic necessities of life. The rural people are those who are entangled more in the poverty web (Akpan, 1997). Since the majority of Nigerians still live in rural areas (Idachaba, 1985), and unemployment being reason for the poverty level (Igbo, 2004), the generation of employment in rural areas will therefore reduce the level of poverty.
- (c) **Rural- Urban Migration:** The burgeoning problems of urban unemployment and population congestion owing to the rapid rural urban drift find its ultimate solution in the restoration of a proper balance between urban and rural economic opportunity. Rural entrepreneurial activity in generating employment is the link achieving this balance.
- (c) **Reduction of Crime Rate:** It is strongly believe that unemployment and poverty is responsible to a large extent for the level of social complication of armed robbery, political thuggery, ritual killing, hot

men or hired assassination, drugs peddling, prostitution, advance fee fraud (aka “419”), money laundering, currency counterfeiting, oil bunkering, e-mail scam, mercenaries, war- mongering and other such related crimes among Nigerians. When individual are unable to satisfy their needs, most often, frustration occurs. These frustrations breed fraudulent practices as earlier listed. Employment generation in the rural environment therefore will reduce the level of frustration and consequently, crime rate.

- (d) **Raise Standard of Living:** Rural entrepreneurship through job and wealth creation raises the standard of living among rural dwellers. Owing to higher income earning and availability of disposable income, they can therefore, afford to acquire the basic necessities of life such as housing, clothing and food, education, good health care delivery, etc.
  
- (e) **Rural Development:** Rural enterprises through employment generation stimulate rural development and the achievement of a meaningful level of broad economic development. It decreases inequality in distribution of rural real income and reduces urban - rural imbalances in income and economic opportunities.

**(f) Encourages Capital Formation:** One factor responsible for the poor state of the economy is capital. When individuals are employed, they can afford to save out of their disposable income. Rural entrepreneurs can therefore, facilitate the use of these untapped savings thereby stimulating capital formation/accumulation, which is the engine of economic growth.

**(g) Skills acquisition and increase in General Productivity Level:** Rural employment can be a training ground where individual discovers or acquires and develops skills for creativity leading to a general increase in productivity level.

## **2.6 Sources of Financing to Rural Entrepreneurship**

One of the most talked about problems facing businesses in development countries is finance. Funds are very critical in starting a business, and when business has commenced operations, funds are indeed required for its growth and survival. The following are the sources of funds for rural entrepreneurs:

**(a) Inheritance/ Personal Savings:** Most rural venturing owes its funding from the materials and assets which the entrepreneur receives out of the properties of his/her dead parents or relatives. The personal

savings are the accumulated assets over a period of time owing to the saving habit of the entrepreneurs.

- (b) **Gratuity:** This is also another source of personal funding for entrepreneurs who venture into business after retiring from government/ civil services.
- (c) **Loans or Contributions from Friends, Relatives and Well-Wishers:** In a rural or traditional society, most entrepreneurs rely on the generosity of friends and relatives for startup- capital.
- (d) **Co- operative Societies:** These are forms of business organization in which interested individuals come together to contribute certain amount (according to one's ability and interest) and uses the amount contributed by members to do business for profit. The profits are shared among members and one can borrow as much as twice the total amount contributed to the society at an agreed interest.
- (e) **Trade Credits:** Here, credit is extended by a supplier to the purchaser. The purchaser is allowed to take delivery of goods, operate a trading concern and allowed to make payments later say in three (3) months' time.

**(f) Social Clubs/ Age Grade Societies / Town Unions and “Susu”**

This is common among the Ibos doing businesses in the rural areas.

These are indigenous source of funds pooled together by members.

- (g) Bank Loans:** Most of the loans made available for rural ventures in rural area are from the Nigerian Agricultural, Co- operative and Rural Development Bank (NACRDB). The projects for which the Bank provides assistance include horticulture, poultry, Piggery, fisheries, forestry, timber production, animal husbandry, processing of agricultural products, as well as storage facilities and marketing of such products. Community banks (now micro finance banks) spread all over the rural areas has been a tremendous source of short- term finance for rural entrepreneurs.

## **2.7 The Problems of Rural Entrepreneurship**

The development of rural entrepreneurship is not without constraints.

Among these are:

**(a) Finance or Capital**

One factor responsible for the poor state of the rural economy is capital. According to Akpan (1994) private business operate on subsistence level because their operators lack funds to acquire the

necessary inputs. In most cases, rural entrepreneurs do not possess credit worthiness or collateral to win bank funding.

**(b) Inadequate Infrastructure**

This is the greatest challenge to the development of rural entrepreneurship. Vital infrastructures like good road network, power, communication, portable water, schools, hospital etc. are virtually lacking in the rural areas and where available, they are poorly distributed and functionally erratic. These compel most entrepreneurs to use alternative source of energy (power generators), bore-hole etc. All these add up to the overhead cost and double capital outlay. Consequently, product price becomes too high for customers to purchase.

**(c) Government Policies and Regulations**

Government policies and regulations affect rural business. Various business obligations to the government in the form of registration, tax, custom duties, excise duties if is high, de-motivates rural entrepreneurs.

**(d) Illiteracy**

Lack of educational knowledge regarding the know-how or technicalities of business venturing. Also, rural areas lose what might be their best assets as the college-educated children of rural families build their futures in urban areas, attracted by better jobs, higher wages and broader lifestyle opportunities.

**(e) Perceptions and Attitudes of Consumers**

Investigators consider one's attitude towards any product to the intensity with which he expects that product to serve his own value. The sum of the products of the consumers rating of its product provides a measure of the individuals' attitude towards it. Thus, if he highly prices the product, his attitude towards it will be positive and vice versa. Hence perceived value gives rise to attitude which determines whether or not a consumer will buy a product. Products from the rural entrepreneurs are perceived as substandard and are looked down upon; indicating a mark of inferiority. For instance, foreign rice was preferred to locally processed rice. This has limited the rural entrepreneurs as it lowers the rate of product and service turnover which determines the profitability of the venture.

## **(f) Negative Socio/Cultural Practices**

Several cultural and social practices impede rural entrepreneurship and these include:

- i. Polygamous practice:** The practice whereby one man marries more than one wife. The practice of polygamy makes a man to become financially overburdened as he has to take care of his wives, in-laws and train his children. Therefore, he is left with little or nothing to put into any investment or venture.
- ii. Extended family System:** The communal practices where properties owned by one person belong to all members of the family makes one to be overburdened with demand from family members and therefore inhibit rural entrepreneurship development as what should have been saved is used to solve family problems.
- iii. Belief in and practice of Witchcraft:** This has a tremendous devastating effect on rural business. It is observed that many people who have innovative skills are most at times afraid to put them to practice because this may attract “evil eyes” or witches and wizards when they become successful.
- iv. Traditional belief and practices of burial rite:** This also has a tremendous devastating effect on rural venturing. For instance, when a

family member of an entrepreneur dies, he/she has to close down business operation for a particular numbers of days, months or even for a year depending on the closeness of the dead person.

**v. Others:** Other problems facing rural entrepreneurship include: a sense of isolation, both from other entrepreneurs, the large business and political community. Many felt ignored and unappreciated by local economic development agencies and chambers of commerce that focus on lager employers; lack of knowledge about emerging markets; limited understanding about available business support services and how to use them; need for more training and education programs tailored for different levels of entrepreneurial experience.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter entails the examination of the research instruments, research design, and type of data needed, data sources and the operational procedures for collection and analysis of data. These instruments will assist the researcher to achieve the key objective of the study which is to examine the impact of entrepreneurship on rural development.

#### **3.2 Research Design**

Research design according to Jaiyeoba and Salami (2006) is a plan or structure of investigation conceived to obtain answers to research questions. It is simply the blue print that is used as a guide in collecting and analyzing research questions.

For the purpose of this study, the quantitative instruments of measurement of variables will be adopted. The quantitative component of the research design will involve the survey design method and a case study. Survey method was chosen because of its inherent advantages over other research methods (Adewumi, 1981).

This type of survey falls into the descriptive research method. That is why the research is concerned with information obtained from the sampled population. Survey research design is the process of observing what is happening to sample subject or variable without any attempt to manipulate or control them. According to Mohammed (2005), Survey design is conceived as a research in which a group of people or items is studied by collecting and analyzing data from only a few considered being a representative of the entire group.

### **3.3 Population of the Study**

According to Abdul Maliq (2006), population is described as all conceivable elements, objects, or observations relating to a particular phenomenon of interest to research. The population of the study comprises 108 entrepreneurs in karu, the study area.

### **3.4 Sampling Technique**

The sampling procedure to be used for this study is the simple random sampling technique. This method is used in the selection of the entrepreneurs to express their views on the impact of their activities on rural development. This is to give every member an equal representative or a fair chance of been selected.

Sample formula =

$$n = \frac{N}{1 + N(e)^2}$$

Where

n = desired sample size

N= size of the population

e= Limit of error tolerance which was assured to be 5% (0.05); confidence limit.

Computing with the above formula, the number of questionnaires to be administered was obtained by;

$$N = 130$$

$$e = 5\% \text{ or } 0.05$$

$$n = 1300$$

$$1 + 130 (0.05)^2$$

$$n =$$

$$n = 108$$

Therefore in order to arrive at a statistically valid conclusion, we administered at least 108 questionnaires

### **3.5 Method of Data Collection**

Both secondary and primary data were used in generating information on the impact of entrepreneurship on rural development as expressed by their entrepreneurs in Karu Local Government Area, Nasarawa, Nigeria. The main instrument of collecting this data is the questionnaire. Information was also extracted from textbooks, journal, internet and newspapers.

The questions are structured in a very simple and straight forward manner to allow the respondents find them easy to answer.

### **3.6 Method of Data Analysis**

The responses that will be gathered from the questionnaires will be analyzed using the following statistics;

Descriptive statistics will be used for all the questions. Tables and frequencies of the responses will be converted into percentage for easy application and manipulation. The reason for this is to aid easier reference and understanding into the observed phenomenon.

The data obtained will be analyzed and studied carefully using the chi-square statistics ( $\chi^2$ ). The chi-square is defined as the ratio of square of sum of the

differences between the observed frequency (O) and the expected frequency (E). This is written as;

$$X^2 = \sum \frac{(O-E)^2}{E}$$

The degree of freedom  $v = k - i$

Where;

O = Observed value of the sample

E = Expected value of the sample

$\sum$  = Summation of

$X^2$  = Chi-square

K = No. of parameters

V = Degree of freedom

The reason for using the chi-square statistics is to make and draw inference about the research population relying on the content of the information in the sample.

### **3.6 Justification for Research Method Used**

The study made use of questionnaire so as to enrich the study immeasurable.

The use of simple random method was justified by the nature and distribution of our population and also to encourage high degree of representativeness, thereby reducing the sampling error (Anyanwu, 2000).

Chi-square ( $X^2$ ) test was used in the study because of the discrete nature of our data and it will help to determine the relationship between observed and

expected phenomenon. This method seems to be the most appropriate for study of this nature because it will facilitate the successive conclusion and useful recommendations that will be useful and beneficial to all.

## CHAPTER FOUR

### PRESENTATION AND ANALYSIS OF DATA

#### 4.1 Introduction

This chapter explains the procedures employed in analyzing the data. A total of 108 questionnaires were administered and only 82 questionnaires were returned. The returned questionnaires will be used for the analysis.

#### 4.2 Responses to Questionnaire

The response rate to questionnaire distributed was 100 %. The response rate was determined using simple calculations as stated below.

Response Rate = Total No. of Responses / Total No. of questionnaire distributed x 100

$$RR = 82/108 \times 100 = 76 \%$$

**Table 4.1: Sex of the Respondents**

Sex	No. of Respondent	%
Male	39	47.6
Female	43	52.4
Total	82	100

**Source: Field Survey, 2014**

Table 4.1 revealed that there were 39 male and 43 female respondents representing 47.6% and 52.4% respectively.

**Table 4.2: Marital Status**

Status	No. of Respondents	%
Married	68	82.9
Single	14	17.1
Total	82	100

**Source: Field Survey, 2014**

The table above shows that 82.9% of the respondents are married, while 17.1% of the respondents are single.

**Table 4.3: Educational Background**

Status	No. of Respondents	%
Primary	10	12.2
Secondary	26	31.7
Tertiary	46	56.1
Total	82	100

**Source: Field Survey, 2014**

The table above shows that 56.1% of the respondents went to tertiary institution while 31.7% of the respondents are WAEC holders and 12.2% of the respondent re primary school leavers. This shows that the respondents

have greater ability to grow their business, learn new things and be highly productive.

**Table 4.4: Is your environment attractive for entrepreneurship**

<b>Option</b>	<b>Frequency</b>	<b>Percentage</b>
Yes	79	96.3
No	3	3.7
Total	82	100

**Source: field survey 2014**

The data in table 4.5 shows that the environment in karu local government is attractive to entrepreneurs. This statement is confirmed by 96.3% of the respondents.

**Table 4.5: Entrepreneurship is a booster to the economy**

<b>Years</b>	<b>Frequency</b>	<b>Percentage</b>
Yes	61	74.4
No	21	25.6
Total	82	100

**Source: field survey, 2014**

Majority of the respondents representing 74.4% confirmed that entrepreneurship is a booster to the economy.

**Table 4.6: Has Rural Entrepreneurship Contributed to the Growth and Development of the Country**

<b>Option</b>	<b>Frequency</b>	<b>Percentage</b>
Yes	40	48.8
No	42	51.2
Total	82	100

**Source: field survey 2014**

The table shows that most of the respondents, representing 51.2% think rural entrepreneurship have not contributed enough to the growth of the country.

**Table 4.7: Rural Entrepreneurship is a Means of Improving the Quality of Life of the People**

<b>Option</b>	<b>Frequency</b>	<b>Percentage</b>
Yes	71	86.6
No	11	13.4
Total	82	100

**Source: field survey, 2014**

The data presented in table 4.7 shows that 86.6% of the respondent confirmed that rural entrepreneurship is a means of improving the quality of life of the people.13.4% of the respondents do not think so.

**Table 4.8: Entrepreneurship is a Vehicle for Sustaining a Healthy Economy and Environment**

<b>Option</b>	<b>Frequency</b>	<b>Percentage</b>
Yes	56	68.3
No	26	31.7
Total	82	100

**Source: Field Survey, 2014**

Majority of the respondents (68.3%) opined that entrepreneurship is a vehicle for sustaining a healthy economy and environment.

**Table 4.9: Rural Entrepreneurship have been able to Create Jobs**

<b>Option</b>	<b>Frequency</b>	<b>Percentage</b>
Yes	68	82.9
No	14	17.1
Total	82	100

**Source: field survey, 2014**

Table 4.9 shows the distribution of respondents on the ability of entrepreneurship to create jobs in rural communities 82.9% acknowledges that rural entrepreneurship have been able to create jobs, while 17.1% view it differently.

**Table 4.10: Rural Entrepreneurship is able to guarantee the Survival of Communities**

<b>Options</b>	<b>Frequency</b>	<b>Percentage</b>
<b>Yes</b>	79	96.3
<b>No</b>	3	3.7
<b>Total</b>	82	100

**Source: Field Survey, 2014**

Table 4.10 shows that 96.3% of the respondents believe rural entrepreneurship is able to guarantee the survival of communities. While 3.7% of the respondent confirmed that rural entrepreneurship cannot guarantee the survival of communities.

**Table 4.11: Entrepreneurship has a Significant Impact on Rural Development**

<b>Option</b>	<b>Frequency</b>	<b>Percentage</b>
Yes	48	58.5
No	34	41.5
Total	82	100

**Source: Field Survey, 2014**

The table above shows that 58.5% of the respondents revealed that entrepreneurship has a significant impact on rural development while 41.5% do not think entrepreneurship has significantly impacted on rural development.

**Table 4.12: What is the Greatest Problem Confronting Entrepreneurship in your Area?**

<b>Options</b>	<b>Frequency</b>	<b>Percentage</b>
Policy Instability	12	14.6
Access to Finance	22	26.8
Managerial Problem	10	12.2
Non availability of raw materials	20	24.4
Unfair Competition	18	22
Total	82	100

**Source: Field Survey, 2014**

Access to finance has been identified by 26.8% of the respondents as the worst problem confronting rural entrepreneurship. Other problems also

identified include: political instability, unfair competition, managerial problem, and non-availability of raw materials.

### 4.3.1 Testing the Hypothesis

In order to validate the findings from the study a quantitative analysis was carried out through the use of statistical instrument. To this end, the following hypothesis was formulated for testing.

$H_0$ : Entrepreneurship has significantly impacted on rural development. The distribution in table 4.11 will be used to test the hypothesis at 5% level of significance

**Table 4.11b: Observed Frequency**

<b>Option</b>	<b>Frequency</b>
Yes	48
No	34
Total	82

Expected frequency (E) for this table is calculated as total frequency divided by 5.

**Table 4.13: Observed and Expected Frequency**

S/No	Observed frequency(o)	Expected frequency(e)
1	48	41
2	34	41
	82	82

**Table 4.14: Presentation of Chi-Square Test**

S/No	O	E	O-E	(O-E) <sup>2</sup>	(O-E) <sup>2</sup> /E	X <sub>0.05</sub>
1	48	41	7	49	1.2	-
2	34	41	-7	49	1.2	-
	82	82			2.4	3.84

Since, the strategies are categories into five, K=2, V=k-2=2-1=1 Thus;

$$X_{0.05} > X_c = (3.84 > 2.4)$$

Calculated Chi- Square ( $X^2$ ) - 2.46 is lesser than Chi- Square ( $X^2$ ) tabulated- 3.84. The distribution is significant. Therefore the study rejects  $H_0$  and concludes that entrepreneurship have not significantly impacted on rural development.

## CHAPTER FIVE

### SUMMARY, CONCLUSION AND RECOMMENDATION

#### 5.1 Summary

Entrepreneurship have been fully recognized by governments and development experts as the main engine of economic growth and a major factor in promoting private sector development and partnership.

The summary of findings from the study revealed that the response rate to the distributed questionnaire was 76%. It also shows that there were 39 male and 43 female respondents. 82.9% of the respondents are married, while 17.1% of the respondents are single.

The study also revealed that Karu local government is an enabling environment for business and this serve as a booster for development. 86.6% of the respondent indicated that rural entrepreneurship is a means of improving the quality of life of the people and has the ability to create jobs in the communities but it has not significantly impacted on rural development.

The study also identified problems confronting rural entrepreneurship to include; access to finance, political instability, unfair competition, managerial problem, and non-availability of raw materials.

## **5.2 Conclusion**

The importance of entrepreneurship in generating employment cannot be overemphasized (Onojaife, 2006). Rural entrepreneurship has high potential for creating new Jobs. In the high of Ayozie and Farayola (2005) a lot of youths, retired workers (mostly, victim of today's industrial downsizing) and out of school graduates are now gainfully employed, thereby reducing the unemployment rate and its attendant social complication of armed robbery and white collar crimes. The basic job creation (also meaning wealth creation) principle is, finding a need and meeting it is a function of entrepreneurial imitateness. According to

Avurakoghene (2006) we need to understand that every problem is a potential business. An entrepreneur discovers these needs, seizes them as opportunities and converts them into profitable businesses. The alternate Job creation principle is creating a need and meeting it.

This is the ability of the rural entrepreneurs to stimulate a desire in the minds of prospects with the intention devising means to meet them. All these are manifested in the rural ventures such as small retail shops, cottages, restaurants (bukas) poultry farms, GSM shops and milling of rice, groundnut, corn, cassava etc, manufacture of local pomade, local textile and dying (adire) toiletries etc.

By its very nature, rural entrepreneurship has a much higher capacity to generate more employment per unit of invested capital and per unit of energy consumed (Venkataraman,1984). They also have more employment perspective as they utilize more labour- intensive modes of production.

Perhaps, the ever increasing level of the unemployment is as a result of governments' inability to create more jobs, this is attributed to lack of comprehensive industrial development plan which lead to many unemployed teeming populace discovering their entrepreneurship talent and skills. It is widely held that majority of the rural entrepreneurs were inspire to venture into entrepreneurship as the last resort to break the circle of unemployment.

However, government intervention is necessary in providing necessary, infrastructures and providing a conducive atmosphere in the rural areas that will stimulate the growth and development of rural entrepreneurs to provide

the platform in offering job opportunity and to address the imbalance between the rural- urban drift.

Esene (2006) Opined that most Nigeria entrepreneurs lead to be concentrated in the large urban centre where there is considerable wage package. Since the enterprises produce consumer goods and services, they tend to be located where purchasing power is sufficiently high to sustain profitable operation. Similarly, the rural areas are unattractive to prospective businessmen because the infrastructural facilities to support the smooth running of business is lacking or inadequate. Thus, entrepreneurial activities are pivotal to the generation of employment.

### **5.3 Recommendations**

1. Government should as a matter of policy establish rural entrepreneurship development scheme a plat form in selecting, training and developing rural entrepreneurs.
2. Government should establish rural infrastructural development agency whose function should be basically to provide infrastructures such as access road, electricity and pipe borne water to reduce over-head cost and the incessant hard ship in the rural areas and this can serve as a stimuli in boasting the rural economy and curbing rural –urban drift.

3. Micro finance banks should be encourage to extend their service to rural area as and as well extends micro credit to rural entrepreneurs as way a of improving and alleviating the financial constraint facing rural entrepreneurs in financing production and distribution.
4. Government should provide incentives to rural entrepreneurs in the form of tax relief and concessions to encourage them plough back earnings for expansion.
5. Government should organized and sponsor trade fair and exhibition to provide opportunity to rural entrepreneurs to show case and exhibit their products and services and also encourage citizens to patronize locally made goods and service especially one produced by local entrepreneurs.
6. A national rural entrepreneurship programme should be aired both in the print and broadcasting media as way of showcasing to the rest of the world local made products and services and well as marketing products and services through free publicity.

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## APPENDIX A

**Research Project Questionnaire**  
**Department of Business Administration**  
**Faculty of Business Administration**  
**Nassarawa State University, Keffi**

### **Introduction**

This questionnaire is aimed at generating data for a study on the impact of entrepreneurship on rural development. The information gathered by this questionnaire is strictly for academic purposes and will be treated with utmost confidentiality.

Thank you for your anticipated co-operation

### **Section A: Socio – Demographic Data**

Please mark “X” against your appropriate choice

- (1) Sex: (a) Male ( ) (b) Female ( )
- (2) Marital Status: (a) Married ( ) (b) Single ( )
- (3) Educational Qualification: (a) Primary ( ) (b) Secondary ( )  
(c) Tertiary ( )

## SECTION B

Please assess the impact of entrepreneurship on rural development by ticking the alphabet, which matches your opinion about the subject matter. The following alphabet stand for the feelings listed against some of the questions.

a- Yes b – No

### **Section B: Please circle alphabet as appropriate**

- (1) Entrepreneurship is a booster to the economy (a) Yes ( ) (b) No ( )
- (2) Rural entrepreneurship been able to guarantee the survival of rural communities. (a) Yes ( ) (b) No( )
- (3) Entrepreneurship has a significant impact on rural development. (a) Yes ( ) (b) No ( )
- (4) Is your environment attractive for entrepreneurship? (a) Yes ( ) (b) No ( )
- (5) What is the greatest problem confronting entrepreneurship in your area?  
(a) Policy instability (b) access to finance (c) Managerial problem (d) non availability of raw materials (e) unfair competition

- (6) Has rural entrepreneurship contributed to the growth and development of the country? (a) Yes ( ) (b) No ( )
- (7) Rural entrepreneurship is a means of improving the quality of life of the people (a) Yes ( ) (b) No ( )
- (8) Entrepreneurship is a vehicle for sustaining a healthy economy and environment (a) Yes ( ) (b) No
- (9) Are you aware of government support/specialized institutions aimed at providing assistance to SMEs? (a) Yes ( ) (b) No ( )
- (10) Rural entrepreneurship have been able to create jobs (a) Yes ( ) (b) No ( )