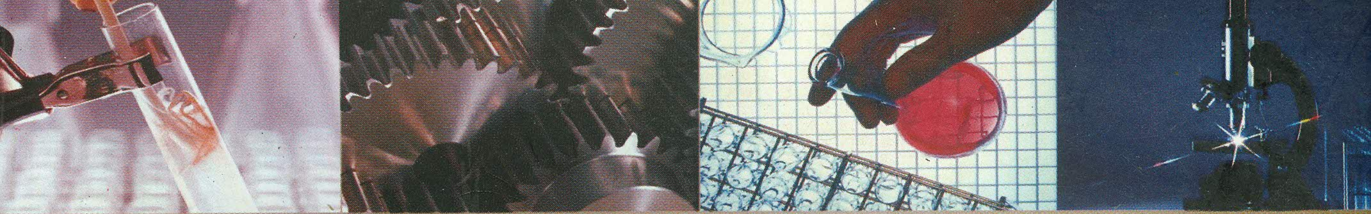

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CHALLENGES OF ECONOMIC RECESSION IN NIGERIA: IMPLICATIONS FOR ENTREPRENEURSHIP EDUCATION

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Abstract

Nigeria's economy is facing the most severe financial crisis. The risk of global recession has heightened significantly. The mainstay of the economy of most developing countries including Nigeria has increased. If this situation continues to deteriorate (negative economic growth) developing countries economy could go into depression. The instability in Nigeria's financial markets poses severe challenges to policy makers requiring urgent measures to stem the tide. The International Monetary Fund (IMF) has projected that Nigerian economy will most likely contract by 1.8 percent this year. If that forecast comes to pass, it will be the first time in about 26years that the nation's economy will record such low level of growth. At no other time in recent history has Nigeria's economy been in this danger. The precarious economic outlook calls for government and policy maker's urgent intervention to ensure sustainable economic growth. The unacceptable high rate of youth unemployment in the country, the low standard of living, low per capital income, capital flight, and the hope of technology transfer which is tending towards a mirage call for entrepreneurship education. Although, several attempts have been made at encouraging entrepreneurship education in Nigeria there is no gain saying the fact that this initiative has failed to produce the desired results. The economic growth of a nation is a function of the level of the resourcefulness of the people which to a great extent relates to the level of quality of the training and purposeful development of education in that nation. The essence of this paper is to give an analytical synthesis on issues bordering on the economic recession confronting Nigeria and to also highlight the role of entrepreneurship education as a panacea to the economic issues.

Keywords: Economy, recession, implication, education, entrepreneurship

Introduction

The Concept of Economic Recession

Economic recession is the period of economic decline from the peak to the trough of business cycle, characterized by decreasing aggregate output and often by rising unemployment. It is a period of general economic decline and is typically accompanied by a drop in the stock market, an increase in unemployment, and a decline in the housing market. A recession is a general downturn in any economy. Recession is associated with high unemployment, slowing gross domestic product, and high inflation. The blame for recession generally falls on the federal leadership, often either the president himself, the head of the Federal Reserve or the entire administration.

A recession is a significant decline in activity across the economy, lasting two quarters (6 months consecutively). It is visible in industrial production, employment and real income, wholesale and retail trade. The technical indicator of a recession is two consecutive quarters of negative economic growth as measured by a country's Gross Domestic Product (GDP), although the national bureau of economic research (NBER) does not necessarily need to see this occur to call a recession.

Recession is an unpleasant part of the business cycle, however, one-time crisis events can trigger the onset of a recession. The global recession of 2007-2009 brought a great amount of attention to the risky investment strategies used by larger financial institutions, along with the global nature of the financial system. As a result of the wide-spread global recession, the economics of virtually all the world's developed and developing nations suffered significant setbacks. A recession is a prolonged economic retraction. It is an extended decline in general business activities.

The National Bureau of Economic Research formally defines a recession as two consecutive quarters of falling gross domestic product. A recession affects different securities in different ways. For example holders of high-quality bond stand to benefit because inflation and interest rates may decline. Conversely, stock holders of manufacturing firms will probably see company profits and dividends drop.

According to the National Bureau of Economic Research (NBER), recession is a significant decline in economic activities spread across the economy, lasting more than 6 months, normally visible in Gross Domestic Product (GDP), real income, employment, industrial production, wholesale and retail sales. More specifically, recession is defined as when business cease to expand, the GDP diminishes for two consecutive quarters, the rate of unemployment rises and housing (mortgage) prices decline (Chizoba, 2016)

Recession Indicators

An indicator is anything that can be used to predict future financial or economic trends. Popular indicators of economic recession include rising unemployment, and inflationary rates. A side from two consecutive quarters of GDP decline, economists assess using several metrics to determine whether a recession is imminent or already taking place. These indicators are divided into two categories: lending indicators and lagging indicators. Leading indicators materialize before a recession is officially declared. Perhaps the most leading indicator is contraction in the stock market. Decline in broad stock indices such as the Doe Jones Industrial Average (DJIA) and Standard and Poor's (S &P) 500 index, often appear several months before a recession takes place.

Lagging indicators of a recession include the unemployment rate, outstanding consumer loans, outstanding business loans, business spending, business profit, book value of business inventories, unit labor cost and consumer price index (CPI).

Though the stock market is not the most important indicator, it's the one that most people look to first. Because stock prices are based in part on what companies are expected to earn, the market can indicate the economy's direction if earnings estimates are accurate. However, there are inherent flaws to relying on the stock market as a leading indicator.

First earnings estimates can be wrong. Secondly the stock market is vulnerable to manipulation. The stock market is also susceptible to the creation of "bubbles", which may give false positives regarding the market direction, market bubbles are created when investors ignore underlying economic indicators and more exuberance leading to unsupported increase in price levels. This can create a "perfect storm" for a market correction. Leading economies indicators are trends that change before the economy starts to pattern.

Another sign of a recession is when publicly quoted companies mostly declare a drop in their revenues or profit, most companies experience massive losses during a recession. Decline in government revenue is also a sign that a country is sinking into recession. In Nigeria for example, we have seen government revenue dip so much that most states have to seek for a bailout to enable them pay salaries. There is massive layoff as most companies cut cost to remain afloat. Since consumer and government spending drops, business can no longer produce at same level and therefore cut back to remain in business, the National Bureau of statistics revealed a few months ago that over 528 thousand Jobs were lost last year.

Another major sign of a recession is that companies in key sectors of the economy such as manufacturing, financial services and insurance typically go bankrupt. Industries that also rely heavily on government expenditure suffer from a recession. Another indicator of recession is that companies in key sectors and insurance typically go bankrupt.

The Challenges of Economic Recession in Nigeria

Nigerian economy has demonstrated particular vulnerability to the emergent global economic crisis. Driven by crude oil and gas, the nation's economy is anchored on the petroleum sector which accounts for 80 percent of government annual revenue and foreign exchange earnings. The petroleum sector also contributes about 50 percent of Nigerians annual gross domestic product. Igbatayo (as cited in Ngwube and Ogbuagu, 2014) opined that in the case of Nigeria, the emergent global crisis has impacted negatively on the nation's financial sector, triggering instability in banks and the capital market.

The currency restriction imposed by the CBN in an attempt to protect the dwindling external reserves obviously prompted investors to flee (capital flight). It also led to the USA dollar shortage that pushed down the value of the naira. Not surprisingly therefore, the IMF forecast of 1.8 percent contraction may worsen in the third quarter of 2016, unless urgent steps are taken to reverse the trends. Thousands of people have lost their jobs since last year and the few who still have jobs are either on half pay or never earned salaries in months. To make matters worse, the government seems not to have a convincing plan to steer Nigeria out of the current conundrum. Failure to diversify the economy, prolonged years of misrule, corruption and policy errors have brought the Nigerian economy to its current state (Eromosele, 2016). The global financial crisis has affected the Nigerian economy severely. The financial crisis affects many parts of the economy like the capital market, the financial markets, Banking sectors, increase in oil prices and increase in debt (Shehu, 2016).

The risk of the global recession and the volatility of commodity prices, which is the mainstay of most developing countries' economy like Nigeria, further increased during the crisis due to the exposure of nascent economy to shocks in commodities price. The Nigerian economy was exposed to the crisis via over-dependence on crude oil for foreign exchange earnings and revenue, and the crisis impacted all the sectors of the Nigerian economy from the financial to the real sector of Nigeria economy.

Nigeria is experiencing its worst economic downturn in over a decade with the country's inflation at an alarming 15.6 percent, government revenues are battered by a crash in oil prices (Mtila, 2016). As the crisis intensified the effects of financial turmoil on Nigeria increased. There is soaring risk in tumbling equity market the stock market bearish period of deteriorated sustainability leading to less of investor's confidence (Shehu, 2016) the danger of an unmitigated progressive depreciation of Naira is that our national currency may lose one of the most critical attributes of money, which is "as a store of value" and should this happen, the concern about the dollarization of the economy will become real.

Problems of Recession

1. **Falling Output:** Less will be produced leading to lower real GDP and lower per capita income. Wages tend to rise much more lowly or not at all.
2. **Unemployment:** The biggest problem of a recession is a rise in cyclical unemployment. Because firms produce less, they demand fewer workers leading to a rise in unemployment.
3. **Higher Government Borrowing:** In a recession, government finances tend to deteriorate, people pay less taxes because of higher unemployment and they need to spend more on unemployment benefit. This deterioration in government finances can cause market to be worried about levels of government borrowing leading to higher interest rate cost. This rise in bond yield, may put pressure on government to reduce budget deficits through spending cuts and tax rises. This can make recession worst and more difficult to get out of (Tejvan, 2011).
4. **Devaluation in Exchange Rate:** Currencies tend to devaluate in a recession because, in recession, people expect lower interest rates and so there is less demand for the currency.

5. **Hysteresis:** A rise in temporary (cyclical) unemployment can translate into higher structural (long-term) unemployment. If someone has been less employable.
6. **Falling Asset Prices:** In a recession, there is less demand for buying fixed assets such as housing. Falling house prices can aggravate the fall in consumer spending and also increase bank losses.
7. **Falling Share Prices:** Lower profit lead to lower level of share prices
8. **Social Problems:** Related to rising unemployment e.g higher rate of social exclusion.
9. **Increased Inequality:** A recession tends to aggravate income inequality and relative poverty in particular unemployment.

The Way Forward

A proper deregulation of the downstream sector of petroleum industry will trigger investment into that industry. The current modulated pricing system has clearly not attracted investors and would not likely attract. A shift from a finished products importing nation to local refining will reduce Nigeria's monthly import bills from #84billion to #82.4 billion. Beyond that, the domestication of our downstream industry will create employment and possibly earn the country foreign exchange from export while we clearly support a more flexible exchange rate management we strongly believe that devaluation alone will not address the problems of the economy. We need a cocktail of policies which will include exchange rate adjustment, creating windows of investments for long-term funds through a concession of commercially viable infrastructure. Full deregulation of the downstream petroleum industry and stimulating investment in sectors where Nigeria has comparative advantage as well as investing heavily in social infrastructure such as health, education, security etc. it is such holistic approach to economic management that will change the structure on Nigerian economy and wean it from dependence on oil for export earnings.

Importance of Entrepreneurship Education

Entrepreneurship is a key driver of our economy. Wealth and a high majority of Jobs are created by small business started entrepreneurially minded individuals. People exposed to entrepreneurship have more opportunity to exercise creative freedoms, higher self-esteem and an overall greater sense of control over their lives. As a result, many experienced business people, political leaders, economics and educators believe that fostering a robust entrepreneurial culture will maximize individuals and collective economic and social success on a local, national and global scale. It is with this in mind that the national standards for entrepreneurship education were developed to train youth and adults to succeed in an entrepreneurial economy.

Entrepreneurship education is a lifelong learning process, starting as early as elementary school and progressing through all levels of education, including adult education. The standards and their supporting performance indicators are a framework for teachers to use in building appropriate objectives, learning activities and assessments for their target audience using this framework, student will have:

progressively more challenging educational activities, experiences that will enable them to develop the insight needed to discover and create entrepreneurial opportunities; and the expertise to successfully start to manage their own business to take advantage of these opportunities.

Goals and Objectives of Entrepreneurship Education

The overall objective of entrepreneurship education is to continuously foster entrepreneurship culture amongst students and faculty with a view to, not only educating them but to also supporting graduates of the system towards establishing and also maintaining sustainable business ventures, including but not limited to those arising from research. The outline of the objects as spelt out by Oborah (in Ediagbonya, 2013).

1. To provide meaningful education for the youths which could make them self-reliant and subsequently encourage them to drive profit and seif-dependent?
2. To provide small and medium sized companies with the opportunities to receive qualified graduate who will receive training and tutoring in the skills relevant to the management of the small business centers.
3. To provide graduate with training in skills that will make them meet the manpower needs of the society
4. To provide graduate with training and support necessary to help them establish a career in small and medium size business
5. To provide graduates with enough training in risk management to make uncertainly almost possible and easy.
6. To provide graduates with enough training that will make them creative and innovative in identifying new business opportunities.
7. To stimulate industrial and economic growths of rural and less developed areas.
8. To foster entrepreneurial mindsets, skills and behaviors among the recipients.
9. To empower students with the competencies and skills necessary to prepare them to respond to their life needs, including running their own business, so that they become productive citizens.
10. To develop innovation in youth and develop their skills to identify, create, initiate and successfully manage personal, community, business and work opportunities.
11. To increase the awareness and understanding of the process involved in initiating and managing a new ventures of small business ownership as serious career option.
12. To identify and stimulate entrepreneurial drive, talent and skills to undo the risk-averse bias of several analytical techniques and to devise attitudes towards change
13. To provide meaningful education for youth which could make them self-reliant and subsequently encourage them to drive profit and be self- independent.
14. To provide graduate with the training and support necessary to help them establish a career in small and medium size business (Maina, 2013).
15. To provide graduates with training skills that will make them meet the manpower needs of the society.

16. To provide graduates with enough training in risk management to make uncertainly bearing possible easy.
17. To stimulate industrial and economic growth of rural and less developed area.
18. To provide graduate enough training tear that will make them creative and innovative in identifying new business opportunities.

Role of Entrepreneurship Education in Economic Empowerment and Development in Nigeria

According to Ewabare (2010) entrepreneurship education program can equip students with entrepreneurial skills that will enable them create and develop enterprises in various areas. Entrepreneurship education helps to boost practical learning. It has the tendency of equipping and making students experts in the production of certain items. The curriculum framework can be designed to channel the creative abilities and skills of students to an area of interest (Agoha, 2011)

Entrepreneurship education can greatly help in addressing the level of poverty in the country. The incidence of poverty in Nigeria is on the high side, where about 70% of the total population has been classified as poor. This state may be seen as a direct consequence of the absence of entrepreneurial spirit and culture which entrepreneurship education is supposed to foster (Ewhrudjakpor, 2008).

Entrepreneurship has been taunted as a means of stimulating economic growth through the generation of greater employment opportunities, the development of local technological base and conservation of foreign exchange earning of national government (World Bank, 1995).

Entrepreneurship education seeks to prepare people, especially youth to be responsible, enterprising individuals who become entrepreneurs or entrepreneurial thinkers and who contribute to economic development and sustainable communities (Simah and Unuigbokhai, 2001).

Quality entrepreneurship education plays a vital role in the social, political and economic development of any nation. This is possible when jobs are created for the citizenry by establishing a lot of business that will accommodate the unemployed youth in Nigeria. A qualified graduate of entrepreneurship education would have acquired enough skills relevant to management of small business centers. This according to Mina (2013) helps reduce the problem of unemployment and other social vices in Nigeria. The entrepreneur does not only provide jobs/employment for himself alone, but provides for others too. This in turn helps the individual to increase per capital income hence improve the standard of living. Entrepreneurship education leads to the promotion of a self-reliant economic development particularly in regard to balance payments solvency and technological self-reliance. It promotes equitable income distribution, social justice and price stability.

Conclusion

Nigeria needs more educational programs and faculty based on entrepreneurship, because Nigeria is lagging in preparing her workforce for the challenges of the rapidly changing national and global economy. Improved and sustainable economy depends on a strong entrepreneurship education.

In this era of shrinking economic activities, governments should endeavor to provide the necessary infrastructures and policies that are required for skill acquisition among its citizenry. This is because without appropriate policy and technological skills, entrepreneurial spirit which drives economic development, through job creation will be lacking.

Recommendations

Government and other stake holders in education should make sure that educational programs at all levels of education are made relevant to provide the youths and graduates needed entrepreneurial skills.

Government should develop and finance and entrepreneurship, education innovation fund that will provide small grants to innovative educational programs.

Tertiary institutions should share information about entrepreneurship education and the world.

Efforts should be made to reduce cost of governance.

Government should step up revenue mobilization and reduce economic leakages.

Government should focus on power, transportation and housing. These three areas will create wealth.

Nigeria should stop being export dependent

Nigeria, as a matter of urgency should specifically, articulate its ongoing reforms as a coordinated program in a dedicated manner

There is the need for government to ensure that objectives of any reform are clearly stated and honesty, dedication and accountability must be directed at the implementation of all stated objectives

There is the need to boost investment and improve good governance, service delivery and the transparency of policies

The economy should be given exchange stability as part of a wider macroeconomic policy package to absorb the present supply shock.

The government should design strategies that can reverse the negative indices that led to the ongoing contraction of the economy

Government should provide sound monetary and fiscal policies that will stimulate economic growth.

Nigeria need to declare an emergency on the economy and come up with policies that can boost its key sectors and investors' confidence

There should be adequate funding and financing of entrepreneurship education

Government should give adequate attention to entrepreneurial development in the country through the provision of good economic environment to encourage individual participation in businesses

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