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ENVIRONMENTAL FACTORS AND ENTREPRENEURSHIP DEVELOPMENT IN NIGERIA

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ABSTRACT

The interface between entrepreneurship and the entrepreneurial environment has been given attention in entrepreneurship literature. This paper starts by placing the issue of entrepreneurial environment in theoretical context, with particular reference to Nigeria. Two major theoretical perspectives were considered; however, the work dwelt extensively on the demand side perspective, which gives primacy to the compelling influence of environment on entrepreneurial practice. Using resources from academic publications, reports and publications of government agencies and other stakeholders in the field of entrepreneurship in Nigeria, some policy programmes of government were examined with a view to understanding their relevance and states in entrepreneurship development initiatives in the country. It was found that most of the programmes considered were moribund either due to discontinuation by succeeding governments or lack of adequate resources, both human and material, for their operations. In few cases where the programmes were in place, a skewed spread was observed, which was capable of hampering the success of these programmes. The paper recommends the following: an auditing of all the policy programmes to avoid duplication and clashes in spheres of operation; continuity in programme implementation; commitment from credit institutions to spread their activities beyond the “comfort zones” in which they currently operate; and sustained education and enlightenment programmes on the opportunities that abound in the environment amongst others.

Key words: Environment, Entrepreneurship, Development, Nigeria

INTRODUCTION

Entrepreneurial activities have been found to be capable of making positive impacts on the economy of a nation and the quality of life of the people (Schumpeter, 1934; Weber, 1904; Adejumo, 2001; & Morris & Lewis, 1991). Studies have established its positive relationship with stimulation of economic growth; employment generation; and empowerment of the disadvantaged segment of the population, which include women and the poor (Thomas and Mueller, 2000; Reynolds, 1987; Shapero, 1981).

Several studies have linked increased entrepreneurial activities to national socio-economic development (Weber, 1904; McClelland, 1961). For example, Weber (1904) averred that the great development noticed in the Western World in the 19th century was attributable to the entrepreneurial orientation that was present in the society. In a similar vein, McClelland (1961) contended that the presence of quite a number of people with high need for achievement (n-ach) precipitated the

development in the capitalist societies relative to other contexts. Other studies that have trodden a similar pattern of argument include Kets de Vries (1977), Brockhaus and Horwitz (1986), and Sexton and Upton (1990).

Another interesting dimension in the study of entrepreneurship is the differential operations of its roles in different levels of socio-economic development. In other words, entrepreneurial activities have been found to be functioning differently in different levels of socio-economic development. For example, in industrialized nations, increased entrepreneurial activity serves to reposition dying industries; provides new jobs to compensate for employment problems created by corporate restructuring and downsizing; and to generally enhance economic flexibility and growth (Thomas and Mueller, 1999). It is also a catalyst for technological progress (Reynolds, 1987). Shapero (1981) describes entrepreneurship as key to self-renewing economies.

In less developed countries, on the other hand, entrepreneurship functions in the following areas: stimulation of economic growth (Harper, 1991); replacement of crumbling state-owned enterprises, some of which are legacies of colonial rule; a means of employment generation; and an avenue for empowering the disadvantaged segment of the population.

Entrepreneurship researches have established relationships between the business environment and entrepreneurial activities (Dobbin and Dowd, 1997; Borkowski and Kulzick, 2006; Carter and Wilton, 2006). The effective manifestation of the functions and roles of entrepreneurship in socio-economic development have often been attributed to the presence of certain factors in the external environment of the entrepreneur over which he has little or no control. Borkowski and Kulzick (2006) list the interplay between entrepreneurship and environment as follow:

- a. new venture strategies are formed in response to environmental forces;
- b. entrepreneurs are negative towards and will resist political interference; and
- c. unstable environments are negatively related to growth opportunities.

The business environment is inclusive of the physical infrastructure such as transportation, water and electricity as well as non-physical resources like regulatory policies, education, procedures and financial credit. This work attempts to examine the interface between the entrepreneurial environment and entrepreneurial practice in Nigeria.

In this write up, we adopt Thornton's (1999:20) definition of entrepreneurship, which considers it as "creation of new organization..., which occurs as a context-dependent, social and economic process". This definition is a combination of the emphasis of Gartner, (1988); Reynolds, (1991); and Low and Abrahamson, (1997).

THE INTERFACE BETWEEN ENTREPRENEURSHIP AND ENVIRONMENT: THEORETICAL PERSPECTIVES

There has been an array of perspectives put up to examine the connections between entrepreneurial activities and the environment. Prominent among these is the work of Thornton (1999); she attributes entrepreneurial activities in a society to the following explanations; supply-side and demand-side perspectives. The supply-side perspective emphasizes the role of individuals in creating entrepreneurial environment. This perspective, according to Thornton (1999), holds that "special types of individuals create entrepreneurship". This is further linked to economic development or undevelopment. This perspective

attributes economic development of any society to an adequate supply of 'special' individuals with traits that are compatible with entrepreneurial practices.

There are, however, two approaches to the supply-side perspective. These include the psychological supply-side and the sociological supply-side. The former emphasizes the presence of individuals with entrepreneurship-compatible traits while the latter focuses on the presence of groups and cultures that are facilitating of entrepreneurial activities. Each of the two approaches conforms to the focus of the respective academic discipline from which it derives. While psychology sees the individual as the unit of analysis; sociology takes a macro view of society. It is not surprising, therefore, that while psychological supply side focuses on 'special' individuals as precursors of entrepreneurship; sociological supply side emphasizes the role of culture and groups.

It can be arguably said that Thornton got inspiration from the works of Weber (1904) and McClelland (1961). The two scholars had argued in favour of the primacy of entities in engendering entrepreneurship in society. For example, McClelland (1961) believes that the need for achievement by an individual is a precursor of entrepreneurial activities and a strong motivation for engaging in entrepreneurship. Borkowski and Kulzick (2006:481), while corroborating the assumption of McClelland, contend that:

an individual with a high *n*-Ach takes personal responsibility for finding solutions to problems but avoids situations where the outcome depends not on his abilities and efforts but on chance or other factors beyond his control; and tends to set moderate achievement goals and to take "calculated risks" because the individual is not a gambler.

The more macro view, which is more recent in entrepreneurship research, holds that entrepreneurial success is not only a condition of traits and behaviours of individuals but also the environment in which entrepreneurship takes place (Lee and Peterson, 2000). Similarly, Wilken (1979) corroborates the imperatives of a conducive socio-economic environment to the growth of entrepreneurial activities. His analysis attributes a major causal influence to government actions on conditions that are conducive to entrepreneurship development.

Environment, in this sense, is encompassing of such factors as infrastructure, cultural, economic, social and political environments. These environmental forces have been found to be capable of either impeding or facilitating entrepreneurial activities in any society. Gnyawali and Fogel (1994) define the entrepreneurial environment as "the overall economic, socio-cultural and political factors that influence people's willingness and ability to undertake entrepreneurial activities". As Romanelli (1989) notes, availability of resources brings about the emergence of entrepreneurs.

The above view is summed in what is known in entrepreneurship literature as demand side perspective. Glade (1967: 251), as cited in Thornton (1999) defines the demand side perspective, which actually came from the works of Marxists, economists and geographers, as an "opportunity structure, an 'objective' structure of economic opportunity and a structure of differential advantage in the capacity of the system's participants to perceive and act upon such opportunities".

Deriving from the demand perspective is the ecological model, which originally derives from the works of zoologists and botanists. This model explains the rate of entrepreneurship in terms of the availability and distribution of environmental resources. There is little the personal traits of the individual could do in the face of daunting environmental constraints (Agboli & Ukaegbu, 2006).

ENTREPRENEURSHIP ENVIRONMENT IN NIGERIA

Entrepreneurship researchers have identified various environmental factors, which some have tagged external factors. Principal among the factors identified are influences of firms, influences of markets (Thorntorn, 1999); public policies (Dobbin and Dowd, (1997); regulations and policies (Baumol, 1990) and physical infrastructure (Agboli & Ukaegbu, 2006). Some scholars have gone ahead to particularize or associate environmental needs to the level of economic development. For example, Agboli & Ukaegbu (2006) emphasize the imperatives of physical infrastructure of other external factors in their study of Nigerian entrepreneurs.

Table 1: Perceptions of Nigerian Entrepreneurs to Infrastructure Services

S/N	Infrastructure	Major Problem %
1	Electricity	92
2	Water	85
3	Tarred Roads	79
4	Waste Disposal	73
5	Telecommunication	69
6	Security (Police)	66
7	Trucking Services	51
8	Postal Service	27
9	Air Freight Service	12

Source: Agboli and Ukaegbu, 2006

The World Bank (2005), as part of its findings in a study on Doing Business across the globe states that:

- Businesses in poor countries face much larger regulatory burdens than those in rich countries. They face 3 times the administrative costs, and nearly twice as many bureaucratic procedures and delays associated with them. And they have fewer than half the protections of property rights of rich countries.
- Heavy regulation and weak property rights exclude the poor from doing business. In poor countries 40% of the economy is informal. Women, young and low-skilled workers are hurt.

The World Bank's *Doing Business 2008* report quotes Nigeria as ranking 108 among 178 economies compared. The report finds many Sub-Saharan countries like Mauritius, Botswana, Ethiopia, Ghana, Kenya, and South Africa more business friendly than Nigeria.

Where other economies as in developed world may be talking of industry-specific needs, Nigeria is still grappling with needs that are basic to entrepreneurial activity irrespective of the sector of the economy. For example, Idehen (2007, April 26), an industrialist contends that:

Without doubt, the greatest challenge that our business and others in Nigeria are facing is inadequate infrastructure. Of course, a lot of people have explained how lack of infrastructure greatly affects businesses. But the truth remains that the relevant agencies of government have no idea how monstrous the problem is. In our transport division, we spend a lot of money whenever our vehicles travel to other parts of the country, because of the very bad state of the roads. Power supply is the worst. The money we spend on acquisition and maintenance of generators can start a business of its own and employ a lot of people.

In the same light, the World Bank Discussion of 2008 *Doing Business Report* credits Abugu, the National President of the Nigerian Association of Small and Medium Enterprises (NASME), as saying that the yardstick adopted by the World Bank in ranking economies on business environment friendliness is faulty. He argues that the most pressing needs of the Nigerian entrepreneurial environment such as physical infrastructure, credit facilities and favourable tax policy were left out in the parameters for measuring environmental friendliness of economies. Eboh (2007, September 25) quoted Ghanem, the country representative of the World Bank as saying that “the tax burden on Nigerian business is internationally competitive, but the mode of collection is one of the worst in the world. Multiple taxes levied by the three tiers of government have also resulted in a proliferation of taxes, some of which are illegal”.

Some entrepreneurship policy initiatives in Nigeria

The reality of the importance of entrepreneurship to society’s socio-economic development has led various levels of government in Nigeria to institute measures that aim at enhancing entrepreneurial activities. Such measures/programmes are categorized into two:

1. entrepreneurship development programmes and institutions; and
2. finance and micro-credit programmes and institutions.

The first category comprises policies and programmes aimed at stimulating, developing and enhancing the capacities of entrepreneurs, while the second category consists of measures aimed at providing stress-free credit facilities for entrepreneurs as shown in table 1.

Table 2: Selected policy programmes aimed at entrepreneurship development in Nigeria

	Programme	Objective	Remarks
1	Industrial Development Centres (IDCs)	Provision of extension services to SMEs in project appraisal and training	Lack of adequate equipment and funding
2.	Small Scale Industries Credit Scheme (SSICS)	SSICS was set up to provide technical and financial support for the SMEs	Inadequate manpower to monitor advances leading to repayment default
3.	The Nigerian Industrial Development Bank (NIDB)	NIDB was designed to provide medium to long term loans for financing of industrial activities	Financial and administrative constraints and currently embroiled in merger controversy.
4.	The Nigerian Bank for Commerce and Industry	The bank was set up to provide financial services to indigenous business community and to administer the SME 1 World Bank Loan Scheme.	The bank suffered operational problems, which resulted into a state of insolvency (Sanusi, 2003).
5.	National Directorates of Employment (NDE)	Responsible for vocational skills development and small scale enterprises programmes designed to combat unemployment	Lack of commitment by the different tiers of government to its operations.
6.	National Economic Reconstruction Fund (NERFUND)	Fill the gap in any observed inadequacies in the provision of medium to long term financing to small and medium scale industrial enterprises	Currently embroiled in merger controversy.
7.	Family Economic Advancement Programme (FEAP)	Established to provide micro facilities for entrepreneurs.	Discontinued due to change in government
8.	People's Bank	Designed to make banking services more accessible and extend credit to the poor.	Discontinued due to change in government
9.	Community Bank	Designed to make banking credit accessible to the active poor.	Discontinued and substituted with Microfinance Banks
10	Better Life Programmes/Family Support Programme (BLP/FSP)	Aimed at sensitizing and providing micro-credit facilities for women entrepreneurs.	Discontinued due to change in government
11.	Small and Medium Enterprises Development Agency of Nigeria (SMEDAN)	The Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) was established to promote the development of the MSME sector of the Nigerian Economy	The impact is not felt at all levels of societal strata.
12.	Small & Medium Enterprises Equity Investment Scheme (SMEEIS)	To provide credit facilities for small and medium entrepreneurs	Lack of national spread in implementation
13	Micro Finance Banks	Established to provide finance for the active poor in the population	Lack of national spread and high interest rate.

Sources: Sanusi, 2003, Central Bank of Nigeria, 2008

On the whole, the aggregate goals of these policies and programmes include, amongst others, stimulation of economic development, empowerment of the disadvantaged portion of the population, employment generation and invariably, poverty reduction. The question is then asked: how have the operations of these programmes fared to meet the objectives for which they were designed? The answer to this question is not farfetched considering the remarks on the policy programmes in the table above.

Two major strands emerge from the remarks about the policy programmes on the table: the first strand encapsulates programmes that are moribund while the second strand comprises programmes that are not effective in the roles designed for them. The programmes that fall in the first strand have fallen victim of any or a combination of the following: discontinuation as a result of change in government (Family Economic Advancement Programme (FEAP), People's Bank and Better Life Programmes/Family Support Programme (BLP/FSP)); merger of related programmes as in the case of the merger of National Economic Reconstruction Fund (NERFUND), the Nigerian Industrial Development Bank (NIDB) and the Nigerian Bank for Commerce and Industry (NBCI) into Bank of Industry (BOI); or outright replacement with new programme. A clear example of this is found in the recent replacement of community banks with microfinance banks.

The second strand that emerges from the remarks comprises policy programmes that are not performing effectively. For example, Sanusi (2003), in his appraisal of some government initiatives in the area of entrepreneurship development, contends that most of the programmes are not well designed or lack adequate resources, both human and material, for them to meet the desired end.

In situations where resources do not present problem, it has been found that spread and coverage have become the albatross of some of the programmes. The report of the Central Bank of Nigeria on geographical distribution of investments by banks under the Small & Medium Enterprises Equity Investment Scheme (SMEEIS) as at 25th April 2008 presents a worrisome dimension. Lagos State accounts for 55.96% of the total number of projects financed under this scheme within the period under consideration. In the distant second position is Ogun State with 7.65%. The situation is presented in the table below:

Table 3: Geographical distribution of investments by banks under the SMEEIS as at 25th April 2008

Investments as at 25th April 2008					
S/N	State	No. of projects	Amount in Naira	% Number	% Amount
1	Abuja FCT	9	926,336,000.00	2.75	3.74
2	Abia	9	728,400,000.00	2.75	2.94
3	Adamawa	0	-	0.00	0.00
4	Akwa Ibom	2	118,075,000.00	0.61	0.48
5	Anambra	6	422,398,122.82	1.83	1.71
6	Bauchi	1	68,400,000.00	0.31	0.28
7	Bayelsa	0	-	0.00	0.00
8	Benue	3	88,420,000.00	0.92	0.36
9	Borno	0	-	0.00	0.00
10	Cross River	7	3,785,441,646.55	2.14	15.30
11	Delta	7	247,731,000.00	2.14	1.00
12	Ebonyi	0	-	0.00	0.00
13	Edo	8	493,144,958.27	2.45	1.99
14	Ekiti	2	57,600,000.00	0.61	0.23
15	Enugu	2	117,994,000.00	0.61	0.48
16	Gombe	0	-	0.00	0.00
17	Imo	2	214,938,994.39	0.61	0.87
18	Jigawa	0	-	0.00	0.00
19	Kaduna	7	436,000,000.00	2.14	1.76
20	Kano	8	343,898,346.00	2.45	1.39
21	Katsina	0	-	0.00	0.00
22	Kebbi	0	-	0.00	0.00
23	Kogi	0	-	0.00	0.00
24	Kwara	5	274,004,000.00	1.53	1.11
25	Lagos	183	11,320,462,524.03	55.96	45.74
26	Nasarawa	1	153,000,000.00	0.31	0.62
27	Niger	0	-	0.00	0.00
28	Ogun	25	1,808,264,853.94	7.65	7.31
29	Ondo	6	622,700,000.00	1.83	2.52
30	Osun	1	80,000,000.00	0.31	0.32
31	Oyo	18	443,201,792.00	5.50	1.79
32	Plateau	4	194,661,228.00	1.22	0.79
33	Rivers	9	1,724,943,181.11	2.75	6.97
34	Sokoto	1	27,665,000.00	0.31	0.11
35	Taraba	0	-	0.00	0.00
36	Yobe	0	-	0.00	0.00
37	Zamfara	1	50,000,000.00	0.31	0.20
	Total	327	24,747,680,647.11	100.00	100.00

Source: Central Bank of Nigeria, April 2008

Another example is reported by Komolafe (2008, April 30) where it is stated that of the 716 Micro Finance Banks spread across the country, 282 are located in the South West zone, 169 in the South East zone, 106 in the South South zone, 78 in the North Central zone, 48 in the North West zone and 33 in the North East. This skewed spread is likely to affect access to micro financing by the population in the zones where there is low concentration of these banks. The skewed spread is represented in the table below:

Table 4: Distribution of Micro Finance Banks in Nigeria

	Zone	Population	% of Total Population	Number of MFBS	% of MFBS
1	North-West	35,786,944	25.56	48	6.70
2	North Central	20,266,257	14.47	78	10.89
3	North East	18,971,965	13.55	33	4.60
4	South West	27,581,992	19.70	282	39.39
5	South South	21,014,655	15.01	106	14.80
6	South East	16,381,729	11.70	169	23.60
	Total	140,003,542	100	716	100

Sources: Central Bank and National Population Commission of Nigeria, 2008.

One can remark from the above that the policy on Micro Finance Banking has not been placed on a good stead for it to perform the roles for which it was designed.

Conclusion and recommendation

The evidences reported in this paper and their implications for entrepreneurial activities in the country have pointed to a negative direction. Researches have established that there exists relationship between entrepreneurial activity and the environment in which it occurs. From the reviewed literature, it is realized that a blanket approach adopted by International Agencies such as the World Bank and UNDP amongst others in appraising entrepreneurship environment may not be the best for Africa and Nigeria in particular; the reason being that the most important environmental factors that are central to entrepreneurial activity in this context are either ignored or given a secondary place, thereby veiling the major problem that should be given attention.

The remarks on some of the policy programmes that were considered in this work bring to the fore the need for government to put in place some measures in a bid to salvage the situation. Some of these measures include first, an auditing of all the policy programmes aimed at stimulating entrepreneurial activity to avoid duplication and clashes in spheres of operation. Also, programmes should not be sacrificed on the altar of political expediency, rather, they should be judged by their abilities to accomplish the objectives for which they were designed. Government should get the credit institutions committed to spreading their activities beyond the “comfort zones” in which they currently operate. Finally, sustained education and enlightenment programmes on the opportunities that abound in the environment should be put in place.

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