

**PUBLIC POLICY AND ENTREPRENEURSHIP PERFORMANCE:  
THE DIVIDE AND NEXUS IN WEST AFRICA**

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**December 2019**

## **Declaration**

By submitting this thesis electronically, I, Akinseye Uwem Olowu, declare that the entirety of the work contained therein is my own, original work, that I am the owner of the copyright thereof (unless to the extent explicitly otherwise stated) and that I have not previously in its entirety or in part submitted it for obtaining any qualification.

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**A.U. OLOWU**

December 2019

## Dedication

This accomplishment is dedicated to God, to inspire my children – Joshua, Jeremy and Jemima to attain greater heights in life. My message to them is that, there is no difficulty that cannot be defeated and there is no victory that cannot be achieved, if they put their trust in the almighty God and believe in themselves. However, one first has to win in one's mind before winning in life. Indeed, *'the heights reached and kept by great men were not attained by sudden flight, but they, while their companions slept, were toiling upward in the night'*. If I could earn a PhD degree, then just nothing is impossible for you to attain in life. Have patience, all things are difficult before they become easy. Always bear in mind that, *with God, all things are possible*.

The world is yours, rule it!

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## Abstract

This study examined the effect of selected public policies on entrepreneurship activities in the anglophone and francophone divides of West Africa in order to determine the nexus of performance, using several analytic techniques. Based on previous studies, a region specific framework for measuring entrepreneurship at national levels was developed otherwise known as TEA. The data used were obtained from both secondary and primary sources originating from institutional organisations and ethnographic research in ten selected countries from 2000 to 2018. Among other findings between the phenomena investigated, the study established the link between macroeconomic policy instruments and their implications on entrepreneurship in the business environments of West African countries. From the analysis of TEA, the anglophone divide was found to be more entrepreneurship enhancing than the francophone divide, however, the economies in the region were all factor driven. The enacted entrepreneurship policies in countries show that the governments in both divides have made entrepreneurship a policy focus. Nevertheless, many of the efforts made have been largely supported by the government in the anglophone divide, while the francophone divide has been more open to private sector participation in its drive to promote entrepreneurship. However, it was also found that most of the entrepreneurship initiatives in the countries focused more on the agricultural sector and development of SMEs. The empirical evidence reveals that, while monetary policy was more significant in promoting TEA in the anglophone divide, fiscal policy did better in the francophone divide. Government expenditure on infrastructure had a positive and most significant relationship with TEA in the short and long run results across the region. Therefore, public policy should focus on infrastructural development, financial support and maintain an effective regulatory framework for entrepreneurship activities. The study recommends that governments should harness, formulate and execute the best of monetary and fiscal policies in West African countries. The contribution of the private sector partnership in the drive to promote entrepreneurship should also be encouraged so that the economies in the countries can aim towards innovative and efficient competitiveness in democratic societies.

**Key words:** Entrepreneurship, TEA, monetary policy, fiscal policy, performance, West Africa

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## List of acronyms and abbreviations

AfDB	African Development Bank
AMP	Austrian market process
ARDL	autoregressive distributed lag
BRVM	<i>Bourse Régionale des Valeurs Mobilières</i>
DFI	development finance institutions
ECM	error correction model
ECOWAS	Economic Community of West African States
FDI	foreign direct investment
GEM	Global Entrepreneurship Monitor
GDP	gross domestic product
HAC	hierarchical agglomerative clustering
ICT	information and communication technology
MASLOC	Microfinance and Small Loans Centre
MDG	Millennium Development Goal
MSEs	micro, small, and medium enterprises
NDE	National Directorate of Employment
OECD	Organisation for Economic Co-operation and Development
SME	small and medium scale enterprises
SVAR	structural vector autoregression
TEA	total entrepreneurship activity
UEMOA	West African Economic and Monetary Union
VAR	Vector autoregression

# CHAPTER 1

## INTRODUCTION AND STUDY BACKGROUND

### 1.1. PREAMBLE

Public policy is the medium by which the government in countries addresses the request of its populace, through specific actions defined by its laws, mandates, or regulations established through political processes (OECD, 2014). It is what public officials within government, and the extension of the citizens they represent, choose to do or not to do about public problems (Dye, 2013; Kraft & Furlong 2018). Rinfret, Scheberle and Pautz (2018) contended that public policy is a course of action adopted or created by the government in response to public problems. It stipulates the decisions that are to be taken by government and it deals with matters of public concerns. Specifically, it is a decision made by government to either act, or not act, in order to resolve a problem through policy statements, enactment of policies and declaration of policy interventions. According to Pennock (2018), Chrisinger (2017) and Anderson (2011), these public problems can be addressed through government action, private action, or where individuals or corporations take the responsibility, or a combination of the two (Kraft & Furlong 2018). In a given case, the choice depends on how the public defines the problem and the prevailing societal attitudes about private action in relation to government's role in solving the problem. A response to a public problem could entail the enactment of laws or may involve an executive, such as the president or a legislative action or a governor directing a government agency or ministry to do something to address the problem. However, government commits much energy, time and resources to the development of policies. Some of these policies even take years to develop, but once finalised, they are emphasised as the guide for disseminating the enactment of government in various matters such as entrepreneurship issues. These definitions imply that there is a difference between government's specific actions and the general programme of action towards a given goal which distinguishes meta policy from mega policy respectively, as it is explained in Chapter 2 of this study.

Entrepreneurship plays a crucial role in public policy design and implementation (Gilbert, Audretsch & McDougall, 2004; Karlsson & Andersson, 2009). In recent times, public policies in

many countries have explicitly recognised the importance of entrepreneurship as a specific goal and therefore have made general statements about their commitment to increase its activities (Lundström & Stevenson, 2005). In a bid to explain the link between entrepreneurship and policy, Audretsch, Grilo and Thurik (2007) opined that “entrepreneurship policy is considerably more pervasive, embracing a broad spectrum of institutions, agencies and different constituency groups”. Nevertheless, entrepreneurship is a double-edged sword. For instance, on the one hand, Bloyd (2017) supported that:

“Entrepreneurship is the engine of economic change, the generator of economic growth, and the main cause of job creation. Consequently, policy is often used in different ways to support entrepreneurs to thereby create benefits from the positive effects of entrepreneurship.”

On the other hand, *William Baumol* theory in Mccaffrey (2018) identified that:

“The outcome of entrepreneurship is not necessarily productive and a boom to the economy. Rather, entrepreneurship performance can be both productive and unproductive—and even destructive—depending on the institutional framework in which it takes place”

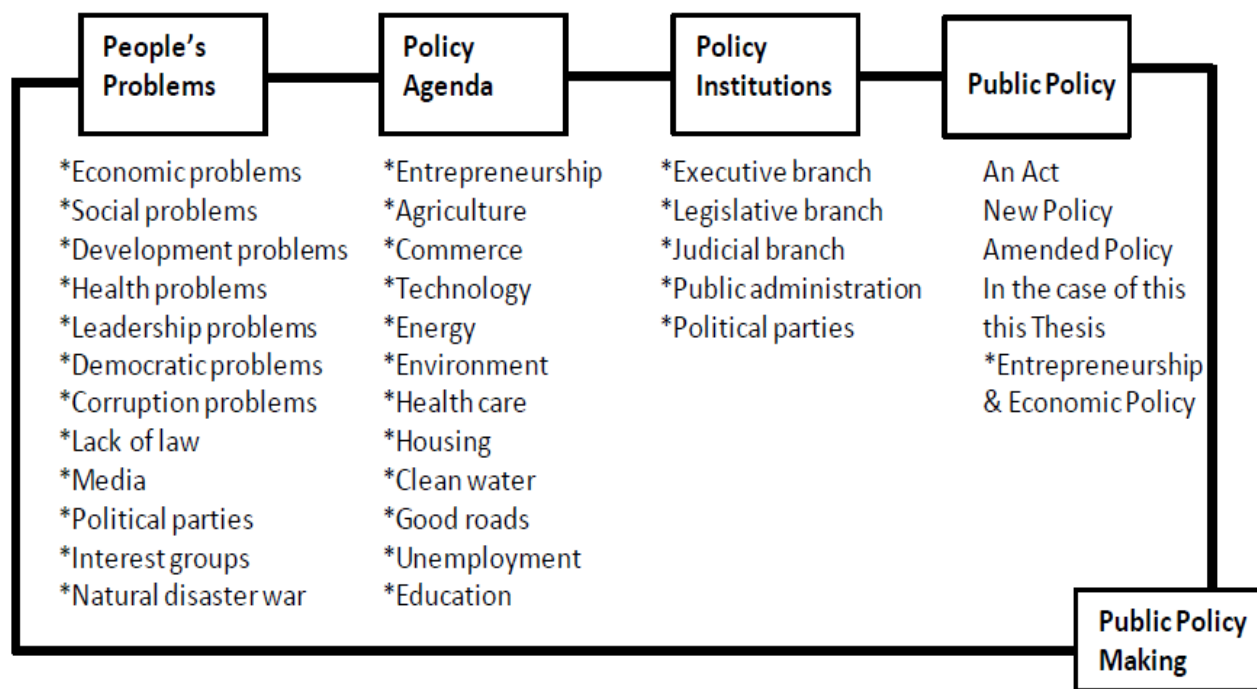
Entrepreneurship also requires more than a formal education. Public policy places a crucial role in helping citizens in both developed and developing countries to develop the ability to learn, develop skills, and knowledge as well as be independent thinkers (Daniel & Radebaugh, 2018). In addition, entrepreneurship movement is accelerating, and many new, smaller businesses are emerging. Nevertheless, in order to improve the business environment in countries, more direct approaches are advanced to reduce certain challenges that could be encountered by entrepreneurs (Ahmad & Hoffman, 2007). According to Bylund (2017), policy is used to support entrepreneurship. Specifically, it performs a balancing role by assisting and facilitating productive entrepreneurship while avoiding incentives that can lead to unproductive behaviour. However, public policy is often saturated with various advocacies as well as criticism. Referring to ‘rules of the game’ by North (1990), the framework in which entrepreneurship activities take place may sometimes constitute uncertainties that can harm market situations (Bylund & McCaffrey, 2017). For instance, to ask to what effect is public policy, is for many people to draw their attention to the payoff, outcomes or performance of such policies in the society. Apart from



political scientists, few people are likely to be interested in studying government action for its own sake. Nevertheless, in the spate of recent reawakening of the global recognition of entrepreneurship, almost every entrepreneurial endeavour is subject to existing government rules and regulations. In other words, more and more people are now more concerned about government policies. Interestingly, learning from different experiences in policy regimes, there is the likelihood of unintended consequences, which make it both complex and fascinating especially when considering the effects on the economy and across countries. However, interested parties are particularly concerned by the performance of public policies, the key ingredients as well as their abilities to achieve set objectives. Likewise, policymakers, researchers, analysts and development consultants across the world have continued to attract the attention of governments' intervention in entrepreneurship endeavours, which happens to positively drive the growth of the economy in countries (Audretsch & Thurik, 2001). For instance, Sanusi (2012) is of the opinion that public policies have indeed gained significant attention as a new paradigm of bridging market failure gaps and to complement the private sector's efforts especially in developing countries, thereby paving the way for entrepreneurial opportunities.

The focus of public policy as a means of driving entrepreneurship is relatively new and very little research has been conducted in this regard. Government policies have mainly been centred on industrial, monetary and fiscal actions, to mention a few (Blackburn & Schaper, 2012). Nevertheless, entrepreneurship does have a substantial record of accomplishment and is no longer in its infancy stage anymore. The main policy areas that focus on entrepreneurship performance are those that are widely recognised in their role in engendering a healthy business environment for all potential investors, i.e. foreign, local, SMEs and multinational enterprises. These specific policies are fiscal, monetary and social policies, among others, which encourage or hamper entrepreneurship activities. Indeed, public policies project entrepreneurship as a peripheral inclusion in economic development pursuits. Bearing in mind that the performance of public policy can be evaluated to gain a better understanding of the causes and consequences of policy outcome, the concept of public policy is of immense importance to governments, private organisations, individuals and to drivers of entrepreneurship activities. This in turn improves knowledge about the business environment; nevertheless, the linkage that exists in policy

analysis establishes a need for policy advocacy, as illustrated in Figure 1.1. In this pursuit, public policy is perceived as an independent variable and its impact on the business environment can therefore be investigated empirically. As a corollary, many studies support the idea that the effects of public policy on entrepreneurship activities contribute to economic growth, increased output, income generation, wealth creation and unemployment reduction in countries (Obstfeld, 1998; Janoski, Alford, Hicks & Schwartz, 2003; Olofin & Afangideh, 2008). In general, there are common factors which either support entrepreneurship or act as barriers to entrepreneurship and such factors can be economic, social, institutional, political, etc. The negative influences create an inhibiting milieu to entrepreneurship activities, while the positive ones are enhancing. This study considered some of these factors in measuring the performance of public policy with respect to entrepreneurship activities in selected West African countries.



**Figure 1.1: Conceptual linkages in policy analysis**

Source: Conceptualization (Dibie, 2019).

People have diverse problems and government pays attention to the needs of its people through public policy. Problems within society are caused by one of three factors: individuals, culture

and structures (Ahuja, 2002). According to a book titled: '*Public Policy: Politics, Analysis, and Alternatives*' by Kraft and Furlong (2018):

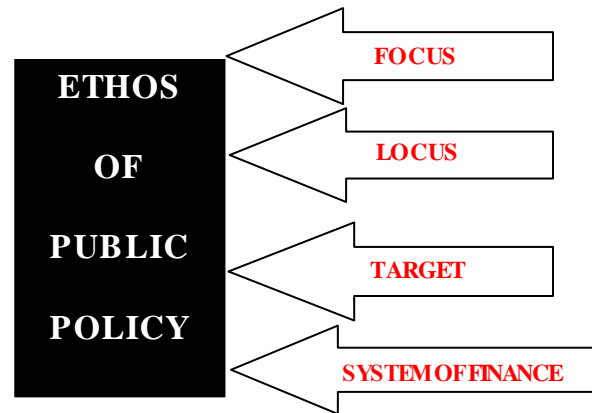
“Public problems refer to conditions the public widely perceives to be unacceptable and therefore requires intervention (Kraft & Furlong, 2018; Peters, 2018). Problems such as economic development, economic recession, slow small business development, lack of entrepreneurship, environmental degradation, insufficient access to health care, consumer safety, energy generation crisis, low agricultural harvest, bad roads and so on are resolved with public policies (Dibie, 2018)”.

However, all problems, be they economic, social, developmental, health, leadership, democratic, corruption, lack of law, media political parties, interest groups, national disaster or war are situations which have injurious consequences for society. Nevertheless, government embarks on specific agenda, programmes or initiatives in a bid to ameliorate these problems. Specifically, much attention is given to entrepreneurship, agriculture, commerce, technology, energy, environment, health care, housing, clean water, good roads, unemployment and education. The focus of public policies on these agenda creates solutions to the problems mentioned and makes living in a country conducive for its people. According to North (1990), rules govern a society. In this respect, the executive, legislative, judicial, public administration and political parties act as a policy institution for making rules to meet people's needs through public agenda. These efforts, otherwise referred to as public policymaking, are what culminate into enacted public policies. In this study, the focus is on how economic policies are used to solve entrepreneurship problems in West African countries, while variations thereof are observed in the two divides.

Promoting entrepreneurship through policy is a common theme in the economic strategies of government all round the world (Burton, 2006; Blackburn & Smallbone, 2008). However, public policies on their own do not create enterprises; they assist the environment to create business opportunities. One could take a cue from Dogaru (2018), who opine that, “policy arises from a process over time”. Across West Africa, which was the focus group in this study, the entrepreneurship situations are not all the same just as public policies in individual countries also differ. The countries within the region have witnessed structural changes over time, with some having faced changes due to the dynamics of their environment such as globalisation,

technological changes and politics. Others have undergone the transformation from an undeveloped economy to emerging economies, which are all subject to the tenets of the public policies' operation in individual countries. Particularly, these changes can also be attributed to the aftermath effects of their historical antecedents, natural resources endowment and cultural differences. The change situation explains the transformation from 'managed economies' to 'entrepreneurial economies' as put forward by Chandler (1990), Audretsch and Thurik (2001) respectively, following such classification. The countries within the West African region can as well be categorised based on their colonial ideology, i.e. the 'anglophone' divide and 'francophone' divide. The aftermath of the colonial historical antecedents in the region classifies the countries into the 'divides' as referred to in this study. The 'divide' was orchestrated due to the antecedent of British policy of indirect rule and the French policy of assimilation and later policy of association respectively, derived during the colonial era. Nevertheless, similar classifications of countries have earlier been researched and documented by scholars. For instance, Ceccihetti (2002), Atkeson and Kehoe (2007) and Murdock (2009) focused on the concept of the new economy and reiterated that the transformation of economies from managed to entrepreneurial structure encourages greater opportunities for increased entrepreneurship development and innovation. These studies also labelled the 'old' economic structure as 'entrepreneurship inhibiting' while the 'new' economic structures were regarded as the 'entrepreneurial structure'. Although the classification of countries into their colonial historical divides seems static and is not subject to changes or transformations, it serves as a justification for grouping the countries into clusters in order to measure their entrepreneurship performances in this study. These clusters, which hereafter are referred to as the 'divides', form the basis for the comparative public policy analysis in Chapters 5 and 6 of this study. However, the individual country context of the phenomenon investigated helps to understand the 'nexus' between public policy and entrepreneurship performance across the countries in the divides. Hence, the reason for making use of the comparative public policy approach, which compares different scenarios in order to establish both positive and negative lessons from the phenomenon investigated. Moreover, Dodds (2012) explained what public policy is and why it should be comparative. Nevertheless, the most common approach in public policy studies comprises those designed to explain policy process in the most similar policy environment (Sabatier, 2007).

The process of comparing policies often reveals unseen assumptions that exist within countries and thus alerts stakeholders to observe latent opportunities and constraints that would otherwise go unrecognised. This is especially the case when the result from a comparative study serves as a guide in designing effective policies. Various comparative research options are available because countries employ different strategies for solving problems. A careful comparative research disentangles some outcomes that may be due to unique circumstances in certain countries. The approach aligns itself with the relatively new monitoring and evaluation practice in the public sector domain which, according to Ijeoma (2009), is an operational tool that permits countries, institutions, and management to compare the progress of set objectives against planned activities, detect deviations, and identify bottlenecks in order to take corrective actions. In this case, the experiences within the two divides in West Africa should provide evidence that will inform policymakers on the specific type of policy interventions that governments should enact in order to promote entrepreneurship activities in countries, considering the peculiarities that exist within them. This will identify the intricacies of an effective policy for the use of diverse interest groups as well as highlight the ability of government interventions to achieve their set objectives. Also, it will provoke and guide new ways of public policy formulation and dissemination in the countries. For instance, a question such as; ‘what interventions seem to be successful given the peculiarities of countries’ will be better answered. However, it is convenient to evaluate the effect of public policy on entrepreneurship in economies using these four measures: the focus, the locus, the target and the system of finance of the public policy (Murdock, 2009; Audretch & Thurik, 2001), as shown in Figure 1.2. These measures otherwise known as the ethos of public policy in economies are explained and they form the basis for evaluating the effect of selected policies on entrepreneurship activities in Chapter 5 of this study. However, given the respective uniqueness of the divides, there are other elements of varying competitiveness within the anglophone and francophone countries which are discussed in the latter chapters.



**Figure 1.2: Ethos of public policy analysis**

Source: Culled from Murdock (2009), Audretsch and Thurik (2001).

Entrepreneurship plays a central role in promoting the economic growth and competitiveness of country performance. There have been debates on the focus of competitiveness in regional economics (see: Schumpeter, 1911; Grossman-Helpman, 1991; Krugman, 1991 & Lambooy, 2002), although it is not part of this study's intention to jump into the ocean of definition of competitiveness through the comparative evaluation. Nevertheless, for the purpose of coming to terms with the point of view of this study, it is necessary to state that the entrepreneurship competitiveness referred to is more or less the 'nexus' investigated. Specifically, it has been achieved by determining the 'effects' of the selected policies on entrepreneurship activities in the two divides. According to Harper (2003), the populace in a competitive entrepreneurial economy is usually equipped with the resources to take advantage of profitable opportunities in both local and international markets. These opportunities are made possible by the dictates of policies in countries. It is obviously of interest to know the specific contributions of public policy in encouraging the growth and development of entrepreneurship; especially now that the United Nations along with many development organisations recognise the need to increasingly support local private sector and enterprise development in developing countries as a basis for achieving their development policy objectives. For instance, the seventh Millennium Development Goal (MDG 7) targets to ensure environmental sustainability, which ensures that people's economic needs, are sufficiently satisfied, among others (Burnell & Randall, 2008). Indeed, "a policy can be thought of as a broad statement of purpose and process for addressing a particular social, economic, or environmental issue" (Dogaru, 2018). Against this backdrop, it is high time

countries evaluate their public policy architecture to ascertain if they are delivering on their specified goals. This can be determined by a performance evaluation in countries.

## **1.2. BACKGROUND OF THE STUDY**

Historically, entrepreneurship has been reported to play essential roles in the development of economies (Akinyoade, Dietz & Uche, 2017). As the entrepreneur is sovereign of productive activities and the key to economic development, it follows that the degree of vigour of entrepreneurship matters is in determining the level of economic activities. This is because economic development can be directly linked to the level of entrepreneurial activity in a country (Schumpeter 1934, Bird 1989). Apart from countries that depend heavily on their natural resource endowment, economic prosperity depends on the innovative, strong and competitive business enterprises that are in operation (Ncube, 2015). This no doubt informed the decision of the World Bank to identify the role entrepreneurship plays in an economy as well as to embrace it as an agent of positive economic transformation, especially in Africa (World Bank, 1989). However, as part of the strategies to determine the dynamics of development in economies, some economists suggested that governments should own and control public institutions (Lewis, 1955; Myrdal, 1960; Gerschenkron, 1962). This came across as a development view which empowered the public sector to handle issues such as credit allocation, instilling financial trust and curbing fraudulent practices that discourage the supply of finance (Francisco, Mascaro, Mendoza & Yaron, 2008). Moreover, the role of entrepreneurship in driving economies is widely acknowledged and understood by the world's foremost body on entrepreneurship known as the Global Entrepreneurship Monitor (GEM), which greatly enhances the understanding of the entrepreneurial phenomena in countries. According to GEM, entrepreneurship creates new economic activities, which includes the aspects such as venture creation and new economic activities of established businesses (Gartner, 1989; Audretsch & Keilbach, 2003). To this end, governments all over recognise the nature of their economy and advance public policies capable of addressing peculiar challenges and opportunities within the economy. It is also evident that policymakers in many countries make attempts to improve the entrepreneurial environment (OECD, 2007; Lundstrom & Stevenson, 2005; Hart, 2003) by designing favourable policies to suit business environments (Ahmad & Hoffman, 2007).

Following on the sustainability agenda of the MDG 7 mentioned earlier, the two main instruments by which government institutions all over the world stimulate market conditions are through the macroeconomic functions of their monetary and fiscal policy instruments (Alan & Stuart, 1999). The two public policies are instrumental in achieving optimal outcomes in macroeconomic management (Muscatelli & Tirelli, 2005). This wave of thought brought about the institutionalisation of policies around the world, including Africa starting in the 1950s and 1960s. However, economists have long claimed that economic institutions perform important functions in growth pursuits. Their role in channelling resources for production uses such as entrepreneurship activities cannot be overemphasized. Nevertheless, a conducive environment with well-functioning institutions facilitates the growth of entrepreneurship activities (Banerjee, 2012).

The role of regulatory institutions or authorities such as the central banks in enterprise development was first recognised by Schumpeter (1912). Likewise, various studies have contributed to this debate by investigating the relationship between institutional structure and the level of development (Ogun, 1986; Oyejide, 1998; Edo, 1995; Akinlo & Akinlo, 2007. Ezrim, Moughalu and Alasis (2005) made it clear that the essence of such interventions, policies and stimulation is to positively and significantly impact macroeconomic magnitudes, such as aggregate output, for ultimate economic development. In recent times, the Index of Economic Freedom, Ibrahim Index of African Governance (IIAG) and GEM are useful regulatory agencies for policies that affect business environments where entrepreneurship activities take place.

The historical context of anglophone and francophone adopted in this study helps to understand the relationship of public policy and entrepreneurship performance. This clarifies the key ingredients and diverse interest groups as well as highlighting the ability of government interventions to achieve their set objectives. Entrepreneurship acts as an imperative strategy required for engendering development in countries. With the aid of government-assisted programmes, it leads to substantial economic growth in countries (Stevenson & Lundström, 2001; Welter & Smallbone, 2011, Audretsch, 2011). Nevertheless, the avalanche of entrepreneurship activities informs the development of various analytical techniques to ascertain its performance (Storey, 2000). Although the operational structure of entrepreneurship determined by the existent policies in countries differs, some general patterns are common. Over



the years, public policy formulation processes have taken these diversities into consideration. For instance, the public policymaker advances strategies and as a result, expects entrepreneurship activities to first experience arrested development in its nascent years, then later experience increments through the boost of activities (Blackburn & Schaper, 2012).

However, the amount of economic input determines the entrepreneurship output, while both are reliant on the policies, laws or regulations that exist in the environment within which entrepreneurs operate. As a measurable effect, the policies may either enhance or act as a constraint to entrepreneurship. This reiterates and explains the extent to which public policy is instrumental to entrepreneurship performance. It is important to note, that when certain public policies are unfavourable for the entrepreneurs, there will be little impact or no impact of entrepreneurial outcomes. Therefore, on the premise that a business environment providing a healthy climate for entrepreneurship activities attracts competition, jobs, new products and services (UN, 2013), it is expected that policymakers through public policies attempt to increase entrepreneurial activities in numerous ways. A critical question that arises is, ‘what role does public policy play in entrepreneurship performance?’

### **1.3. STATEMENT OF THE PROBLEM**

Ineffective public policy undermines entrepreneurial behaviour and reduces public welfare (McCaffrey, 2015). Although the role of entrepreneurship has been identified as a common issue in economic development through public policy advocacy, scholarly researches on the comparativeness of the phenomenon across countries have been relatively scarce. Nevertheless, public policy and entrepreneurship touch on a number of cogent issues that need to be addressed before policy formulations can be suggested in countries. An overlook of this fact may lead to policy failure, or unforeseen effects of public policies (Parker 2007). For instance, the link between government expenditure and the level of entrepreneurship activities has been woefully under-researched (Islam, 2015). However, entrepreneurship activities all over the world, have been found to have positive effects on the economy of a country and thus to improve the living standards of the people. Yet, these entrepreneurship activities are often hampered by the conditions in their business environment in most developing countries (Ncube, 2015).

The *who, why and how* of entrepreneurship activities have been the main interest of entrepreneurship scholars, thereby leaving the quest about the impact or performance of entrepreneurship unanswered in most countries (Shane, 1997; Bruto *et al.*, 2008). This lacuna has been described by Audretsch *et al.* (2007) as a scholarly disconnect. However unclear, available research reveals that a considerable amount of economic growth performance can be attributed to contributions of entrepreneurship activities. Specifically, Reynolds, Hay and Camp (1999) reported that entrepreneurship is responsible for one-third of economic growth, while Zacharakis, Bygrave and Shepherd (2000) ascribed about half of national economic growth rates to the contribution of entrepreneurship activities. This uncertainty motivates an inquiry for the true position in countries.

Public discourse is saturated with the advocacy or criticism of various policies. For instance, it is common to hear of advocacies or criticism of macroeconomic policies. Also common are policy statements, enactment of policies, policy intentions and the commitment of large sums of money ranging in millions and billions in favour of entrepreneurship. McMullen, Wood and Kier (2016) asserted that:

“If a policy flops, society must bear the cost of that failed social experiment. But even when a policy change is successful, policymakers can only speculate as to why it had the desired effect.”

Nevertheless, the gap between policy interventions and research evidence is wide in Africa as a whole, particularly in West Africa. Oftentimes, there are communication barriers between those parties interested in policy. Policymakers and researchers do not seem to effectively make use of respective knowledge or experience with each other, despite the fact that the outcomes of policies are around us to decipher their performance. According to Storey (2008), the lack of informed evidence available to make systematic and credible evaluation of policy effects deters new efforts to improve on existing policies. In most cases, policy interventions fail to address the purpose for which they have been implemented due to their poor conception; others are well conceived but never implemented due to complexities (Greene, Mole & Storey, 2008; Bennett, 2008).

Specifically in West African countries, most governments have sought out ways to support, cultivate, and develop entrepreneurial activities in their respective countries through a growing panoply of policies. In actual fact, there are too many initiatives for entrepreneurship and what countries need is not necessarily many interventions; rather, higher positive impacts of the policies are desirable. One of the reasons for policy failures in this regard is that the theories and context of entrepreneurship were not understood in their proper context. Critics have questioned the effectiveness of most of the policies, attributing the lack of effectiveness to the way in which policies have been implemented (Curran & Storey, 2002; Huggins & Williams, 2009; Williams, 2013). According to Shane (2009), another reason why the effects of entrepreneurship policy are not seen is that they are 'bad' policies with much evidence showing that some policies encourage entrepreneurs to embark on businesses that have no prospect of survival, generate little or no employment and have minimal economic impact. However, despite the fact that evidence proves that 'the key to economic growth and productivity improvements lies in the entrepreneurial capacity of an economy' (Prodi, 2002), entrepreneurship scholars have not paid enough attention to the policy aspect of enterprise formulation, processes and performances (Dennis, 2011).

This lacuna calls for a need for policy analysts and researchers alike to be able to make international comparisons of entrepreneurship across countries to extract hidden knowledge. In the absence of concise definitions that demystify the concept of entrepreneurship to all and sundry, and entrepreneurship indicators that are globally comparable, policymakers are left somewhat uninformed when it comes to developing policies, particularly when they relate to learning from international best practices (GEM, 2010). From the foregoing, policy advocacy cannot be silent or impotent in the face of economic crises detrimental to entrepreneurship performance. It has an obligation to advance specific public policies for entrepreneurship. Cumulatively, the effects of government policies could either be entrepreneurship enhancing or inhibiting depending. However, despite the wide range of policy measures implemented to enhance entrepreneurship performances in countries, the empirical evidence on the relationship between the public policies and entrepreneurship remains unresolved. According to Dennis (2005), policies aimed at promoting entrepreneurship are merely re-inventing the wheel, or poorly accumulated for sharing of knowledge and experiences. In reality, the lacuna between policy and research does not appear to be closing, especially in West Africa (Onwuka, Ugwu & Kalu, 2014). How effectively and under which conditions these policies affect entrepreneurship

in the two West African divides are subject to questions which this study has attempted to answer so as to contribute knowledge to the studies in national entrepreneurship and to reshape public policy designs in favour of entrepreneurship activities in countries.

#### **1.4. OBJECTIVES OF THE STUDY**

There are various perspectives through which entrepreneurship can be understood, especially as it ranges across various phases, i.e. from small and medium enterprises to large and multinational enterprises in different countries. This study focused on entrepreneurship at national level in its attempt to determine the performance of the selected public policy instruments and their effect on entrepreneurship activities. With this understanding, this study specifically examined the effects of two macroeconomic instruments on entrepreneurship activities at country level in West Africa. This objective was further split into the following specific objectives using a variety of approaches. The specific objectives are:

- (1) To establish the concept of public policy and the implications of the macroeconomic policy instruments to entrepreneurship activities, through theoretical and empirical evidence in the literature.
- (2) To establish stylised facts on entrepreneurship indicators and policies and the influence of some entrepreneurship initiatives on the business environment in West African countries.
- (3) To determine and compare the effects of the selected macroeconomic policy instruments on the TEA in anglophone and francophone West African countries.

#### **1.5. JUSTIFICATION OF THE STUDY**

In order for public policies to achieve their intended outcomes, ‘policy design and public management should be tightly connected’ (Mintrom & Luetjens, 2017). The study aimed to shed light on how public policy impacts entrepreneurial performance. Entrepreneurial activities can be studied as a systemic phenomenon with emphasis on national entrepreneurship, rather than focusing attention only on the entrepreneur as a person (Guerrero & Peña-Legazkue, (2013). However, public policy and entrepreneurship activities are undisputedly linked to each other. This search for performance of public policy and entrepreneurship is an attempt to gain in-depth knowledge about the relationships between them. However, some already existing policies guide

the policy designs in other countries depending on their outcomes. For entrepreneurship to function successfully in this interdependent world, the problem-solving approaches of various countries need to be understood contextually.

Taking a cue from the GEM data which focuses on two elements, namely (1) the entrepreneurial behaviour and attitudes of individuals; and (2) the national context and how that influences entrepreneurship, this study examined the interplay between macroeconomic instruments and entrepreneurship in order to understand the business environment in national context in West Africa. At the core of development of any economy stands entrepreneurship. However, government depends on business enterprises to satisfy the economic needs of the populace.

In the literature, there has been much interest in the role entrepreneurship plays in achieving economic development objectives, such as economic growth, innovation and equity (Bagehot, 1873; Schumpeter, 1934; Gurley & Shaw, 1955; 1960 & 1967). Likewise, entrepreneurship as a production factor that contributes to economic growth and development has been receiving increasing attention in the theoretical and empirical literature (OECD, 1996; Feldman & Audretsch, 1999; Audretsch & Thurik, 2001; Audretsch & Keilbach, 2003). An empirical example is President Obama's stimulus package<sup>1</sup>, which relied on fiscal policy reform in its economic recovery pursuits. The policy reform empowered entrepreneurs through the American Recovery and Reinvestment Act in order to stimulate economic performance in 2009. The purpose of the Obama stimulus policy was to reinvigorate the economy and prevent or reverse a recession through a fiscal policy measure, i.e. by boosting employment and spending. The upsurge of entrepreneurship activities at the time played a great deal in realising the set objective of the act. Another example can be attributed to the success of the activities in Silicon Valley where thousands of firms experienced growth due to the policies that supported innovation and entrepreneurship activities. Of interest is the fact that notable economists such as *Martin Feldstein*, *Daron Acemoğlu*, *Larry Summers*, and Nobel Memorial Prize in Economic Sciences winners, *Joseph Stiglitz* and *Paul Krugman*, favoured a larger economic stimulus to counter the economic downturn in the United States at the time. Research findings indicate that public policy

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<sup>1</sup> *A stimulus package is an economic strategy harnessed by government to stimulate a poor performing economy. It aims to prevent recession through fiscal policy measures i.e. by boosting employment and spending.*

can be harnessed to positively influence the type and level of entrepreneurship (Storey, 1994; Henrekson & Stenkula, 2009). This further reiterates the importance of public policy in entrepreneurship performance. To this end, measuring the influence of public policy on entrepreneurship activities cannot be overemphasised.

Finally, the findings and recommendations of this study provide an evidence-based research to inform policymakers on the type of interventions they should promote in order to attract entrepreneurship development in countries. Thereby, it fills the gap between public policy needs and research evidence. The findings should provoke and guide new ways of public policy formulation. Lastly, to the best of the researcher's knowledge, only one similar research has been conducted on the phenomenon in the European countries and none yet in Africa, let alone West Africa. This study adds to knowledge by pioneering such a study at country level in the region and continent through its different methodological approach which ensures that the phenomenon is not investigated through a single lens, but rather through a variety of lenses, allowing for a scenario of multiple facets of the findings revealed.

## **1.6. PLAN OF THE STUDY**

The thesis is divided into seven chapters. Chapter 1 provides the introduction, problem statement and objectives, while Chapter 2 presents a review of some related literature, conceptual framework of public policy and its economic functions, macroeconomic policies and their implications for entrepreneurship, as well as a theoretical and empirical framework. Chapter 3 focuses on the measurability of entrepreneurship in the context of the study. Chapter 4 presents the research methodology used for the research. Chapter 5 centres on stylised facts about the entrepreneurship indicators, policies and influence of some entrepreneurship initiatives on the business environment in West Africa. Chapter 6 examines the relationships between macroeconomic policies and entrepreneurship activities, while Chapter 7 provides a discussion, summary of the findings, conclusion, recommendations, limitation and suggestions for further studies.

## **CHAPTER 2**

### **LITERATURE REVIEW**

#### **2.1. INTRODUCTION**

This chapter establishes the relevance of the selected public policies, through a literature expository of their theoretical implications and empirical evidence in respect to entrepreneurship activities. The chapter achieves its aim by means of a broad review of conceptual, theoretical and empirical literature as it pertains to public policy, performance evaluation, macroeconomic policy instruments, and the implications on entrepreneurship performance. It is indeed important to review literature on the concepts examined in the study in order to provide a deep and broad background for the analysis that follows in subsequent chapters. This helps to understand the ways in which policy operates; its key ingredients and diverse interest groups as well as the ability of initiatives to achieve their entrepreneurship objectives in different geographical business environments. The chapter ends with a conceptual framework that explains the scope of the study.

#### **2.2. BASES FOR PUBLIC POLICY AND ANALYSIS**

The concept of public policy is directly linked to the sovereign powers of a nation, state or country in both policy practice and scholarship (Stone & Ladi, 2015). Public policy is also a function of the input of researchers for policymakers (Eneanya, 2010b). The focus on public policy is to determine what government does and why they do it. Nevertheless, ‘policy-making is about the future’ (Dogaru, 2018), while policy design is the responsibility of legislators, their advisors, policy analysts and government whose primary role is to guide policy directions (Mintrom & Luetjens, 2017). The concept of public policy once again is central to governments all over the world (Sutcliffe & Court, 2005) and all governments commit much time, energy and resources to the development of public policies (Abegunde, 2015). Once policies are made, much focus remains on explaining how actions fit into existing policies. In fact, the impression the ordinary man derives from the much ado about policy is that policymaking is all that government does (Ikelegbe, 1996).

According to (IISD, 2006), the basic building blocks required for policymaking are: options and plans for implementation; consideration of associated side effects of the policy; knowledge of mitigating actions useful for reducing risk; information on whether a corrective action is needed; critical values that lead to policy reassessment if the need arises; availability of corrective strategies when the policy has lost validity. However, public policy orchestrates the need for policy analysis; it explains and describes the cause and consequences of government actions. Policy analysis describes the scope of public policy; it assesses the effect of environmental forces on public policy; it analyses the impact of institutional processes and arrangements; and it evaluates the effect of public policies on society, both in terms of expected and unexpected performances.

### **2.2.1 Conception and characteristics of public policy**

Since time immemorial, public policy simply comprises government actions directed at achieving certain goals. Carl Friedrich (1975) defined it as an action of the government. To Howard Leither (1979, p. 19), it is a series of goal-oriented actions taken by governmental actors. Ira Sharkansky (1975, p. 10) regarded public policy simply as the actions specifically embarked upon by government. Mlekwa Victor (1976) defined it as official statements supported by law to determine the plan of action or what the government wants to do. It entails integrated courses and programmes that government uses to direct action and practices in certain problem areas. Summarily, the term public policy explains what ‘government chooses to do or what it chooses not to do’ (Dye, 2013). A more explicit and recent definition emerges from a book titled: *Public Policy: Politics, Analysis and Alternatives* by Kraft and Furlong (2018), which conceptualises public policy as:

“what public officials within government and by extension the citizens they represent choose to do or not to do about public problems (Dye, 2013; Kraft & Furlong, 2018). Rinfret et al (2018) contend that public policy is a course of action adopted or created by the government in response to public problems.”

By and large, the characteristics of public policy have to do with the government. It is action taken by public authorities. Public policy is the output or product of the governmental process and activity. Consequently, public policy involves and affects the wide variety of areas and



issues with which governments have to deal such as entrepreneurship, education, social welfare, economy, defence, health, foreign affairs, transportation and housing. Public policy involves the use of state coercive agencies such as the central banks and other regulatory institutions to ensure compliance. It also involves the expenditure of considerable public resources. In fact, a large percentage of national resources is spent on the implementation of public policy programmes. Generally, public policies aim to resolve problems within the society or economy, especially those that require collective or public action. According to Pennock (2018), Chrisinger (2017) and Anderson (2011), these public problems can be addressed through government action, private action or where individuals or corporations take the responsibility, or a combination of the two (Kraft & Furlong 2018). In any given case, the choice depends on how the public defines the problem and the prevailing societal attitudes about private action in relation to government's role in solving the problem. A response to a public problem could entail the enactment of public policy or laws or may involve an executive, such as the president or a legislative action or a governor directing a government agency or ministry to do something to address the problem. Interestingly, most public policies are made and implemented within a political context. This is mainly because policy is an output of a political process. Policies are made public through legislative laws, executive decrees or orders, government budgets, executive or official statements, and decisions of the judicial arm of government or political manifestos (Janda, 2015).

### **2.2.2 Conceptualisation of public policy**

Policies have been classified based on several criteria. Theodore Lowi (1964) classified policies based on intent, operating processes, issues and clientele. He thus classified policies into distributive, regulatory and redistributive policies. Others have classified policies in terms of policy sectors or areas. For example, a classification on the basis of standard government categories may be educational health, social welfare and defence policies. Public policy could also be categorised in terms of its impact on society. McKinney and Howard (1979, p.64) classified policies on this basis into fundamental policies, major policies, functional policies and rules and standard operating procedures. However, governments are also responsible for many other things, such as conflict resolutions within societies and they are also involved in resource allocation to members of society. They derive their financial resources from members of society and certain activities that take place in a country through taxation. Therefore, public policies may

be regulative, organisational, distributive, or extractive. Public policies touch on a number of areas in society such as foreign policies, urban development education, welfare concerns, highways, taxation, security affairs housing, defence, social security, health, economic opportunity, inflation, recession and so on. Yehezkel Dror (1971) summarised policies as two important types that have not been accommodated much in previous classifications and research attention. These are mega policy and meta policy.

*(i) Mega policy*

This policy forms a guide from which other but related policies are derived. The subsequent policies are often referred to as secondary or minor policies. The mega policy provides the blue print as well as the discretion required to guide other policies. It also provides the major assumptions and goals for other policies. So it is a kind of general or comprehensive policy framework or plan which guides and is actually followed by more specific and detailed policies. The policy stipulates the pace of more specific policies in relation to the time, orientation, levels of change and scope. It also dictates or sets implementation strategies, operational levels, structure of programmes and targets, instruments of implementation and level of change. Eneanya (2010a) reiterated that the mega policy provides a general guideline for all specific policies to follow. National goals such as economic growth, social justice and the like are examples of mega policy (Sapru, 2011). In relation to this study, the mega policy may relate to the general vision or mission of a country's or an institution's policy. For instance, the objective of a certain central bank may be inflation targeting while market stability is the focus of another central bank. Although the main goal may not directly address entrepreneurship activities, it may have an indirect ripple effect on entrepreneurs within the country.

*(ii) Meta policy*

This policy relates to the systems and context approach to policymaking. It aims at making better policies to be an improvement from already existing policies. It pays particular attention to the operational mode of policies at macro-scale level and its interpretation of problems is of a structural nature. Specifically, meta policy is concerned with the processes, guidelines, requirements and features of a policymaking system. The policy takes a more intrinsic approach by seeking ways to improve on already existing mega policies. It explains the influences of some economic, political and socio-cultural factors. The ultimate goal is to design and redesign

policymaking systems in terms of the patterns, procedures, structures, output levels, models, methods, components, personnel and requirements. Meta policies therefore shape and direct policymaking systems. They aim at positively influencing and improving policymaking systems. The meta policy approach is a systematic and context approach. It has a macro-scale scope that aims at explaining the contextual factors of public policies such as political, economic and socio-cultural influences. This study took a toll from meta policy, hence, it focused on examining the performances of macroeconomic policy instruments such as money supply, inflation, interest rate, exchange rate and government expenditure on infrastructure. In this situation, the macroeconomic policies are the mega policies while their contents are the offshoots of meta policies.

### **2.3. THEORETICAL REVIEW OF PUBLIC POLICY**

Policy involves choices that affect people and the society. The concept has generated considerable interest across various disciplines. Specifically, this interest in policy is centred on ways of understanding the policymaking process through the aid of theories and models. However, policymaking is not a simple act of choice between alternatives. Rather, policymaking is and can be a tortuous process of problem determination, goals determination and clarification, generation of alternatives, data gathering, political bargaining and choice. The task of policymaking is difficult, not just because of the requirements and bargaining but because of the uncertainties, risks and numerous constraints that characterise policymaking. In addition, policymaking is not just an act; it is the culmination of an entire process within a given condition or environment and circumstances. The process embraces the entire span of time and space of making policies, the various stages involved in the situations, conditions and variables that restrain, facilitate or influence the policy.

The theories discussed below relate to policymaking. They enable better explanation of the policy process. However, unlike the elite and group theories that focus on the main actor, influencers or beneficiaries of policies, the systems theory explains that the environmental needs, demands and orientation inform policy objectives. Both the elite and group theories, as discussed next, recognise the role of the political system in converting environmental incentives into policies. Hence, the two theories best describe the focus of the study.

*(i) Elite theory*

Elite theory views public policy as the preferences and values of the nations' governing elite. Experts or elite dominate policy development. Elites include social, business, cultural and government leaders as well as issue network members also dominate the policymaking process. Elite theory suggests that the people are apathetic and ill-informed about public policy as a result elite actually shape mass opinion on policy questions more than masses shape elite opinion. The theory is controlled by a few minorities, popularly consisting of the economic elites. It argues that public policy gives priority to the preferences and values of the elites. This is because elites have a lot of concerns in economic issues, which determine the retention of their societal status. They influence policy formulation in order to protect their personal interest. For this reason, policies are bound to be conservative, regimented, non-innovative and beneficial to only a few people in support of the interest of the elites but to the detriment of the masses. Even those that seem to support the masses at the initial stage of implementation, eventually tilt towards the gains of the elites in the long run. According to the postulation of the theory, it is the elites that make policy decision which is executed by government officials. The elites comprise the capitalists who use their wealth to invest in business activities such as the entrepreneurs. Due to the relevance of entrepreneurship in attracting economic prosperity, the entrepreneur is a formidable or an indispensable member of a society who has substantial influence in the policy arena.

Despite the fact that the masses usually outnumber the elites in a society, the influences, interest, values and rules are forced on the masses. The elites occupy strategic positions in the society to the extent that their decisions and values cannot easily be relegated in policy formation processes. For instance, there are elites in the military, religious, bureaucratic, political and traditional spheres within an economy. Many of the elites do not formally have legitimate authority to be involved in policymaking processes, they have the wherewithal to manipulate and teleguide public policy formations and actions from behind the scene. This move can also be referred to as a state of political gerrymandering where the elites covet political advantage through lobbying and other undemocratic means. It is always the wish of the elites to control the productive resources of the society, such as wealth, education and the economy. Unfortunately,

the masses have little or no influence over the elite, thereby making the elite superior, unquestionable and unanswerable to the masses.

The masses needing the assistance of government are somewhat ignorant about politics, governance structure and their rights as stakeholders. This is often due to their lack of encouragement, knowledge and interests in political activities. According to the elitist theorists, *Mills, Mosca and Michels*<sup>2</sup>, the masses are atomised, not organised for concerted political action, caught in their own milieu, and have an unclear perception about policy processes. Even in democracy representations, the masses have limited or no control over political outcomes because the elites control and influence the candidates and manipulate voters through their resources and propaganda. Despite the fact that democracy depends on majority rule which naturally should be an advantage to the masses, the methods of democratic monitoring and accountability do not discourage elite supremacy and control because the elites do control and manipulate both the mechanisms and the society. Thus, public policy in most societies reflects and continues to reflect the values and preferences of the elite. In summary, the elite hold absolute power which is independent of democratic elections. The masses on the other hand, have little or no influence over public policies.

#### *(ii) Group theory*

Public Policy is dominated by interest groups. Interest groups shape policy incrementally, as well as engage continuously struggling among each other. Group theory assumes that public policy is a balance of interest groups influence that could result in policies change when particular interest groups gain or lose influence. Unlike the elite theory, the group theory takes cognisance of various interests in formulating government policies, believing that conflicting interest can be harnessed to provide good governance. According to Mintrom and Luetjens (2017), “Public policies and programs that effectively meet public needs are achieved through collective and collaborative processes”. A group is a collection of individuals such as entrepreneurs, who have common traits and interact on the same frequency because of their common interest. It can also be referred to as an organised body of persons within a society who share common goals and make efforts to influence public policy. The government is the main focus of the group theory.

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<sup>2</sup> *Wright Mills* –Modern elite theorist, *Gaetano Mosca and Robert Michels* –Classical elite theorists

Government and its institutions are the centres of interest of group power and the object of the means of group objectives and interest (Eneanya, 2010a). However, a group may become a political group that dictates government decisions. The different opinions, struggles, competition and interaction between existing groups can result in policy. The relevance of the group is determined by the size, age, wealth, leadership, organisational strength as well as its access to policymakers. Conflict within groups can be embraced and decorum can be reached by harnessing the best of interests. The theory postulates that the political system should establish and maintain the rules of the game, enforce and adjudicate the law. Groups are formed in situations where there are agitations to lead the people to come together to resist certain changes within the society. The group theory believes that in any group there are various concerns that compete for the attention of public policy. While each interest tends to make superior claims over the other, the group theory takes the criticism, antagonism and altercation from the different interests into consideration when forming policies. In most societies, especially the developed ones, groups have influence in the policy formulation and implementation process (Eneanya, 2010a). Hence, the theory is biased or one-sided. However, the group theory still avails policy analysts the opportunity to attend to and understand the role of groups in the policy design. Entrepreneurs sometimes operate in groups to influence policy decisions. This can be linked to the imperialist term referred to as oligarchy, where a small group of people have control of a country or organisation.

### *(iii) Institutional theory*

Institutional theory focuses attention on the efforts of political and government institutions regarding public policy. The theory argues that the structure and process of institutions dominate the policymaking process. Thus, institutions such as government, corporations, non-profit institutions and non-governmental organisations (NGOs) dominate the policymaking process.

### *(iv) Public choice theory*

Public choice theory assumes that individuals and organisations seek to maximise their own benefits in politics. For example, parties and candidates whose policy views may be distinctly liberal or conservative move to the centre at election time to win the most votes. Thus, public choice theory challenges the notion that individuals act differently in politics from the way they

do in the marketplace. The theory assumes that all political actors, e.g. voters, taxpayers, candidates, legislators, bureaucrats, interest groups, parties, and government, seek to maximise their personal benefits in politics as in the marketplace.

*(v) Rational choice theory*

The rational choice theory is an economic model. It argues that government should choose policies that maximise societal gain and minimise cost. This means that government should choose policies resulting in gains to society that exceed cost by the greatest amount, and government should refrain from policies if costs exceed again.

*(vi) Games theory*

This theory portrays public policy as the outcome of an interaction between two or more rational participants. It assumes that rational decision-makers are involved in choices that are inter-dependent. Players must adjust their conduct to reflect not only their own desires and abilities but also their expectations about what others will do. A player may be an individual, a group, or national government, as well as anybody with well-defined goals and who is capable of rational action (Dye, 2013; Anderson, 2011; Cloete & Coning, 2011; Kraft & Furlong, 2018).

## **2.4. EMPIRICAL EVIDENCE OF POLICY ANALYSIS IN COUNTRIES**

In the behavioural statistic approach towards public policy analysis, the attitudes of individuals are summarised, counted and treated with analytical approaches to determine empirical results. For this study, the individuals were considered to be the entrepreneur. Countries make use of a number of methods comprising mainly qualitative and quantitative approaches to decipher the performance of their public policies. These approaches have the capacity to identify the problems of public policies and demonstrate their impact as well as to present plausible solutions. Since policy issues differ across numerous variables, there might be a lack of a unified approach to policy analysis. Therefore, policy analysis in countries makes use of improvised approaches due to the lack of data and uniformity of measurements. Also, the socio-cultural factors vary in countries, but these factors determine the reasons for policy interventions and explain the contextual factors of public policies. While the qualitative approach could be quite onerous due to the lack of conscientious responses and differences in interpretation in countries, the

quantitative method helps to evaluate the impact of public policies on economic, social and political factors. It also tests if the relationships between the dependent and independent variables can be general in relatively similar situations. The use of the quantitative method is a scientific expertise in which the policy analyst becomes relevant to economic matters. However, techniques such as quantification of inputs and outputs, modelling, cost-benefit analysis, descriptive statistics, operations research, statistical inference and risk-benefit analysis are frequently used in policy studies.

The evolution of policy analysis in the Netherlands, as narrated by Mayer (2007), is a typical example of empirical policy analysis. The study attempted to analyse and interpret the evolution of policy analysis in the country by questioning factors used in policy comparison over time. Netherlands is part of the European Union policy area in respect of finance, development cooperation, transport, security and agriculture. Just as this study focused on the colonial history of West Africa divides, the study by Mayer (2007) made references to the historical background of the formation of the public policies in the country and how they compared to other developed countries of the world such as the United States and the United Kingdom (Bernelmans-Videc, 1994). The policy analysis was also based on the different types of policy structures and the roles of agencies or institutions in the dissemination of the policies within the country. Indeed, the role of policy analysis in engendering policy change cannot be overemphasised. To this end, studies have identified the act of policy analysis as important for good governance (Hall, 1993; Kleistra & Mayer, 2001). It also brings about an exposure of the 'nitty-gritty' of policies for the benefit of the populace (Bennett & Howlett, 1992; Sabatier 1998; Howlett & Rames, 1998). However, few studies outside the developed countries have specifically focused on developments in policy analysis (Scott, 2002; Mayer *et al.* (2002); Howlett and Linqvist, 2004).

Another empirical example of policy analysis can be seen in Changhwan's (2007) account on Korea in Asia. The policy analysis focused on the country's economic efficiency and public participation. This came at a time after a number of policies had been introduced to improve the economic and social welfare of the citizens. Prior to that time, there was no formal academic study to ascertain the impact of policies in delivering on their objectives. Korea was formally tagged a poor country that heavily depended on foreign aids for survival. But after an authoritarian government sought the assistance of economists to be involved in its policymaking,



economic development became the main policy focus, and as a result, there was rapid economic growth. The regime emphasised the need for efficiency of policy which led to the development of specific analytical techniques for policy measurements.

In the two empirical scenarios narrated, it is observed that the focus of the policy analysis in the countries was on the following: (i) the underlying beliefs; (ii) the preferred techniques of policy analysis; and (iii) the institutions and institutionalisations of policy.

## **2.5. GOVERNMENT INSTITUTIONS AS LOCUS FOR POLICY DISSEMINATION**

Institutions influence the performance of an economy (North, 1990). They determine the level of economic activities and development in various geographical spaces. However, while institutions are set up to reduce uncertainties in economies, the structures available may not always be efficient, they may either encourage or deter productivity. Two basic structures are responsible for the outcomes of any economy; they are the formal institutions and the informal ones. The formal institutions are laws that influence government policies while the informal institutions are the norms and values that inform the decisions of policymakers (Lin, 2012). For instance, the central banks in most countries promote and sustain economic development in the financial sector through banks. The central banks, which are autonomous financial institutions, discharge their functions with the objective to promote stability and continue in their economic management roles. They also ensure monetary and price stability as well as render economic advice to the government on issues that pertain to interest rate, foreign exchange, taxes, revenues and so on.

Institutions are characterised by peculiar behavioural patterns; these in turn have elements which are reflected in regulatory processes and policy formulation. Cultural structures and routine are the force that drives institutions and it is important to have a foreknowledge of the dynamics and intricacies of each environment before policies can be formulated (Scott, 1995). Furubotn and Richter (1997) defined institutions as a set of humanly devised constraints. The formal institutions are comprised of stipulated rules, laws and constitutions while the informal institutions are made up of self-imposed codes of conduct, behaviour and conventions, among others. However, according to institutional theories, the economy, society and politics define the institution within countries and they inform the development of public policy by governments.

## 2.6. COMPONENTS OF PUBLIC POLICY PERFORMANCE

### *(i) Policy environment*

Public policy operates in geographical environments. A political environment comprises economic, social, legal and political conditions that dictate the outcomes of public policies. This environment is controlled by the legislature, executive (politicians) and judiciary. This also comprises macroeconomic components.

### *(ii) Policy inputs*

Policy inputs are salutary additions introduced into policy execution so that the objective of a policy can be achieved as planned. The input could be in the form of advice, measures, opinion, comments or any form of resources that is needful for achieving policy goals (Eneanya, 2010b). People demand public goods and services for their own use, for example recreation facilities, education, transportation and health services. They also demand the regulation of other people's behaviour. For example, some policies can limit the actions of business, employers and the military force. In addition, people demand the emotional satisfaction that can be derived from symbolic statements or gestures, for example, the celebration of patriotic, ethnic or religious holidays. Policy administrators can also orientate policy proposals, through suggestions or reviews. When administrators themselves do not originate proposals, they usually receive them from the private sectors' interest groups, legislators, judiciary decision or statutory review or others who conceive them. The administrators receive suggestions and recommendations from legislators during legislative hearings and throughout the year, as the legislators clarify the intentions behind enacted statutes. It is difficult to pass a bill through a legislature unless the relevant agencies have reviewed it and agreed as to its administrative feasibility. The Executive also supplies resources, support or opposition in the form of funds and legal authority to perform services. Administrators continually anticipate demands they might receive from other branches of government by extrapolating from existing committee reports, and public speeches. Administrators try to discern what the desires of another official will be or whether an official will be so irked by an administrative action that the official will invoke sanctions.

*(iii) Policy administrative structure*

For the effectiveness of a political system, there is need to evaluate how the administrative system is structured. Administrative structure helps to explain how public service is structured to implement government programmes and policies. Many organisations have different structures depending on historical, cultural and other environmental factors.

*(iv) Policy outputs*

These are the measurable performance of a policy. The outputs act as a scorecard of the efforts, effects and efficiency of a given policy. Policy outputs, therefore, include both policies and performance. Policies are the goals and actions of administrators undertaken in an effort to shape the quality or quantity of public services. Yet policies do not always produce their intended outcomes (results), consequences or impact on the citizens. Policy, therefore, represents efforts of administrators and other officials in the administrative structure, while performance represents the work that is actually delivered (Eneanya, 2010a). In this context, the following question would help to clarify the concepts of 'policies' and 'performance' that actually make 'policy' an administrative system – Who is responsible for 'performance'? It is not easy to answer this. However, examination of administrative activities in a political system would help to explain them. In most democratic countries, some policies are defined by administrators and other officials together; legislators and the chief executive authorise programmes and defined levels of spending, but they typically rely heavily on the advice of administrators, who will implement these policies. On other occasions, administrators have more direct roles as when statutes or executive orders specify general goals, but allow an administrative office to define the specific features of each programme and to pursue performance with the efforts of operating personnel. For example, central banks in most countries have considerable discretion in defining the regulations to be imposed on business firms, as well as the responsibility to monitor business practices and to enforce agency policies.

*(v) Policy feedback*

This provides policymakers with the information useful for improving already existing policies. Objective feedback reveals the limitations or ill structured government actions. It also identifies areas where policies have performed commendably. In recent times, policy feedback has acted as

a medium for monitoring and evaluating projects, which in turn delivers on effective management of policies. However, policy can be said to be effective if it succeeds in its set goals and objectives as an administrative system that may attain stability if its decision-makers succeed in satisfying demands and in living within the available resources conveniently.

Therefore, the linkages among environment, inputs conversion, outputs, and feedback may appear to be a close system in which decision-makers respond continuously to emphasise the impact that their own previous decisions have had upon the environment. The administrative system framework in this context can be adopted for analysis and comparison of administrative structures between nations. According to Aberbach and Rockman (1987), "it is safest to draw simple inference from the comparative analyses of structures". These theoretical postulations are illustrated next with case studies from Britain and France, and America and Germany, starting with Britain and France.

## **2.7. APPROACHES TO POLICY PERFORMANCE EVALUATION**

The approaches to policy performance evaluation refer to the platforms for which policy can be measured. Policy can best be accessed through its output, impact and outcomes (Rosenbloom, Kravchuk & Clerkin, 2009). These three main measures, though related, have distinct features that explain the performance context this study set out to determine. They are often used to distinguish between the objectives of public policy. However, the policy approaches to determining performance are not limited to these three. They provide a means for reviewing, discussing and planning policies in order to identify areas of possible improvement. In this context, several evaluation techniques are used to determine the performance of public policies on entrepreneurship activities based on the outcomes. For instance, if government engages in an incentive to promote export of locally produced goods as its economic growth strategy, it is expected that the policy should be monitored and evaluated after a period of time to determine if the intended aim is achieved. However, in evaluating such a policy, other factors relating to the policy within the economy can be investigated using various evaluation techniques. Nevertheless, the techniques have the capability to analyse, investigate or review the validity, as well as intended or accidental effects of such policy using the relationship within the dependent and independent variables overtime.

Policy evaluation is concerned with performance. Specifically, it provides answers to questions such as: What impact does a policy have on its expected objective? Has the policy objective been achieved? What is the economic cost of the policy? However, if the answers to these questions are not affirmative, the techniques can further determine the reasons why the set objective has not been achieved.

### **2.7.1. Quantitative methods in policy analysis**

Public policy scholarship is yet to have a 'one size fits all' analytical approach (Stone & Ladi, 2015). From the 1950s until the 2000s, a number of approaches have been applied to policy studies, which is because public policy is a multifaceted problem-oriented field which requires flexibility of approach as situation demands. However, most of the approaches applied during the period were quantitative analysis due to its suitability to determine relationships between variables (Yang, 2007). Quantitative analysis enables the researcher to examine the relationship between the dependent and the independent variables in a concise manner, whereby the relationship of the Y (dependent) and X (independent) variables can be determined through a regression equation. For example, the general form of the dependent criterion and independent predictor is:

$$\begin{array}{l} Y \\ \text{(metric)} \end{array} = a + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \dots + \beta_n X_n + \epsilon$$

(metric)

This is not to say that policy analysis cannot be qualitative in its approach, like any other social science discipline. As a matter of fact, it lends analytical techniques from positivist social and management sciences which inform that policy analysis can either be quantitative or qualitative (Yang, 2007). The choice on whether to use quantitative or qualitative research for policy studies depends on the suitability, research objectives, sample size, availability of data and relevance to study, which are at the discretion of the researcher.

### **2.7.2. Outcome analysis**

An outcome analysis is a component of policy cycle in public management which relies on the operation context of a policy as a guide to determine its performance. In other words, it makes use of the unique content by which a policy can be observed. Outcome analysis is concerned with examining the extent to which a policy causes change in the intended direction. The content

provides a yardstick for reaching a conclusive result. It involves carrying out a prospective analysis of what the outcome of a policy might be so as to inform policymaker. The analysis may either be in the form of ex ante or ex post analysis. However, an outcome analysis can be carried out using any of, but not limited to, these three approaches. They are quasi-experimental, pure experimental and non-experimental designs. By using various statistical tools, analysts try to determine whether the treatment is correlated with the desired impact. For instance, the pure experimental design such as the beneficiaries of a particular intervention are selected randomly from a population and are put into one of two groups for comparison purposes. It is often advisable to employ more than one approach to ascertain performance beyond reasonable doubt. The outcome is important because it establishes causality, i.e. the relationship between the cause and effect of a thing or event. However, this study made use of descriptive statistics and the hierarchical agglomerative cluster for its outcome analysis to determine the effects of public policies on entrepreneurship activities.

### **2.7.3. Comparative public policy analysis**

Comparative public policy is an approach that examines "how", "why" and "to what effect" which various governments follow after specific action or inaction, depending on the needs within their environment (Heidenheime, Hecla, Adams, 1990). Hence, it is necessary when making a comparison between countries and it is necessary to examine in some detail how different governments and their related constellations of parties, interest groups and bureaucrats actually work through various policy problems.

To ask "why" governments pursue particular courses of action is obviously difficult to answer. For example, we may ask 'why are social welfare policies better organised in Europe than in West Africa? The answer, however, may depend on the historical developments in the distant past, which current policymakers may not have witnessed. It may also be as a result of the political culture of the national population or subsection of its population, as can be said about the anglophone and francophone divides in West Africa. To this end, the comparative analysis in this study was done using evaluation and econometric methods to measure the performance of the selected policy instruments on entrepreneurship activities.

## 2.8. EXPECTATION OF PUBLIC POLICY IN ENTREPRENEURIAL ECONOMY

According to Murdock (2009), Audretch and Thurik (2001), the expectations of public policy in entrepreneurial economies are extracted as having the functions below. An entrepreneurial economy is one that is driven by change and innovation, and is also characterised by a high degree of turbulence and diversity (Acs, 2009). However, certain measures can be used for evaluating the policies in an entrepreneurial economy and to determine whether the policies encourage or inhibit entrepreneurship activities.

### (i) *Stimulation (competitive policy)*

The public policies in an entrepreneurial economy are competitive in nature to drive businesses and support economic activities. The policies favour a free enterprise economy where there are active private sector participation and partnership with government actions. For instance, when a country is ranked high on the doing business index or the index for economic freedom, it is an indication that the policies in operation are encouraging for entrepreneurship activities. On the contrary, in an economy where there are too many regulations or restrictions, there is bound to be limited entrepreneurship activities.

### (ii) *Targeting inputs*

Without inputs, there cannot be measurable output. Policies in entrepreneurial economy tend to focus on attracting inputs such as capital both locally and from foreign output investors for production purposes. A policy that targets input can take one or more of these three forms: (i) market seeking, focusing on market growth; access to regional and global markets, structures of markets; (ii) resource seeking, focusing on raw materials, skilled and unskilled labour, technology innovation and physical infrastructure; (iii) efficiency seeking, focusing on reducing the cost of resources and assets, and membership of regional integration agreements. The focus on the above goals is capable of promoting comparative advantages of local industries in an entrepreneurial economy targeting inputs.

### (iii) *Special focus on local policy*

Public policies in entrepreneurial economies give special attention to local policies in order to encourage the growth of indigenous businesses mostly in the informal sectors such as the small

and medium enterprises. However, there are many perspectives to understanding entrepreneurship policies as they range across various phases, i.e. from small and medium enterprises to large and multinational enterprises. For instance, the transition from start-up stage to fully-fledged status is assisted by the interest of policies in an incubation process. In a business sense, incubation is understood as a medium to enhance the growth of creative entrepreneurial ideas. This could be in the form of financial, technology or networking support.

*(iv) Risk capital*

The system of finance in an entrepreneurial economy favours new venture creation. Public policies in an entrepreneurial economy are formulated to attract access to venture capital so that a financial investor provides capital for a new or start-up business in exchange for cash and strategic advice. However, entrepreneurs and entrepreneurship activities encounter financial challenges such as limited investors' willingness to invest capital due to uncertainties, an information gap and the volatility of current market conditions. Policies are thereby advanced to help cushion the effect of these embedded uncertainties and financial risks.

## **2.9. PUBLIC POLICY INSTRUMENTS AND THE BUSINESS ENVIRONMENT**

Right from the objective of this study it was stated that this research focused on two distinctive policies, stating its importance to the aims of the GEM, with economists having contributed a great deal to the systematic analysis of public policy. Environmental variables include such things as the level of technological development, the extent of urbanisation, the literacy rate, the level of adult education, the character of the economic system and its level of development, the degree of modernisation of the society, the occupational structure, the class system, racial composition and ethnic diversity, mobility patterns, prevailing myths and beliefs, and so on. Any variable which is distinguishable from the political system itself yet lies within the same society is part of the business environment.

### **2.9.1. Macroeconomic policy and entrepreneurship implication**

Several macroeconomic policy instruments are being used in countries to directly or indirectly influence entrepreneurship activities. To this end, governments all over recognise the nature of their economy and advance public policies capable of addressing peculiar challenges and



opportunities within. Policymakers in many countries make attempts to improve the entrepreneurial environment by designing favourable policies to suit business environments (Ahmad & Hoffman, 2007). According to Griffiths and Wall (1999), the two main instruments by which government institutions all over the world stimulate market conditions is through their monetary and fiscal policies. However, achieving optimal outcomes in macroeconomic management which has been linked to the relationship between monetary and fiscal policies in an economy is instrumental for that purpose (Muscatelli & Tirelli, 2005).

These policies constitute the bases for macroeconomic management in countries. The fiscal policy is indeed of paramount importance to the financial administration of any economy because it deals with revenue and expenses of the government which affects the disposable income of entrepreneurs and corporations. Monetary policy, on the other hand, regulates the general business climate. However, monetary policy and fiscal policy have different economic effects. Fiscal policy is different from monetary policy in that fiscal policy focuses on government spending and revenues; it is mostly controlled by the executive and legislative arm of government, while the monetary policy, through the central banks, controls the supply of money in the financial system and lending rates. The issue of appropriate designs of both policies is an important old debate because they each determine the feasibility and sound environment for enterprise development (GEM, 2010).

### ***2.9.1.1 Theoretical review of macroeconomic policy***

According to Albert Einstein, it is theory that decides what can be observed. Keynes' general theory is the first to take a more general equilibrium perspective on macroeconomics and look at the interaction between goods, labour, money and financial asset markets. Specifically, three out of the Index of Leading Indicators<sup>3</sup>, namely the money supply, the interest rate spread and stock prices are a clear indication of the financial conditions in economic management. For instance, the broad money supply indicator which is procyclical (Knopp, 2008), could reflect on different situations. It could either mean that the central bank is actively expanding the money supply in order to spark expansion, or the money supply is responding endogenously to increases in economic activities. Both situations are subject to policy directives and have implications for

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<sup>3</sup> *The index of leading economic indicators is an American economic tool which predicts future economic activity*

national entrepreneurship. To a large extent, the financial capital theory<sup>4</sup> explains how financial institutions through macroeconomic policy instruments affect entrepreneurship. The performance of an economy depends on the institutions within (North, 1990). It interprets how institutions determine the level of economic activities and development in various geographical spaces. However, while institutions are set up to reduce uncertainties in economies, the structures available may not always be efficient, they may either encourage or deter productivity. Studies have shown that access to finance makes the establishment of new firms possible (Blanchflower *et al.*, 2001). This theory implies that the availability of financial capital empowers people to acquire resources and to exploit entrepreneurial opportunities effectively (Clausen, 2006). *Schumpeter*, who was probably the first scholar to theorise about entrepreneurship, argued that the investment of capital into entrepreneurial venture drives innovation within an economy. However, Aldrich (1999), Davidson and Honing (2003), Hurst and Lusardi (2004), Kim, Aldrich and Keister (2006) contested this theory stating that having access to financial resources for entrepreneurship purposes is of less importance to being an entrepreneur. This different view is attributed to the fact the latter studies were focused on liquidity constraints, aimed to clarify if the amount of capital employed to start a new venture is dependent on a founder's access to finance (Clausen, 2006). It further explains that having access to capital at the beginning of an enterprise is a condition for predicting whether a new enterprise will grow (Hurst & Lusardi, 2004); however, this is not the most essential ingredient for establishing a new enterprise

- *Economic-entrepreneurship theories*

As mentioned earlier, there is a link between economics and entrepreneurship. The economic-entrepreneurship theories explain how the economic factors, variables and other policy interventions drive entrepreneurial behaviour. They are replete of explanations how economic development takes place through entrepreneurship, in a policy-regulated environment. The theories have deep connections with the classical, Austrian market process (AMP) and neoclassical theories of economics.

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<sup>4</sup> *Financial capital is a measure of any economic resource used by entrepreneurs or businesses to engage in entrepreneurship activities such as to acquire their products or to provide their services to the sector of the economy upon which their operation is based*

- *Classical theory*

The classical theory supports the notion that the economy has a self-regulating mechanism for correcting market failures. For instance, it explains that the economy is capable of achieving real GDP output, if economic resources are fully employed. The theory strongly supports competition, specialisation and a free trade economy. The postulation of the classical theory was informed during the British industrial revolution of 1760 to 1840, when new manufacturing technologies were introduced to production activities. Specifically, the theory extols the role of entrepreneurship in facilitating production and distribution of goods in market competition. However, there have been objections to this theory, for instance, Murphy, Liao and Welsch (2006) reiterated that it fails to explain the dynamic upheaval generated by entrepreneurs of the industrial age.

- *Neoclassical theory*

The neoclassical theory builds on the classical theory but also coincides with the theory of rational behaviour. According to Murphy *et al.* (2006), the theory explains that exchange and diminishing marginal utility establishes recognition for entrepreneurship in the neoclassical movement. It tends to explain the outcomes of economic performance beyond the economic systems. For instance, the theory argues that the capability to maximise profit or utility is dependent of the individual's initiative and ability to take timely advantage of the demand and supply situations of consumers in the market. It therefore explains the uniqueness of individual level entrepreneurial activity. This is because of the perception that consumers have a value that affects the price and demand of a product.

To the neoclassical economist, the cost of a good or service is not limited to its input cost; the real cost is comprised of the labour cost. However, the theory specifically reveals the role of entrepreneurs in giving direction towards the productivity and distribution of goods in the market competition (Say, 1803). Economic growth shows the ability of a country to satisfy the needs and wants of its citizenry. However, the country's ability in satisfying these requests depends on the entrepreneur's contribution in building the economy through creating values of economic goods and services in the market. The productivity of a country therefore dictates her economic performance, which affects the entrepreneur's economic decision making.

- *Austrian market process (AMP)*

The AMP still tends to answer questions raised by the neoclassical economist. With the influence of *Joseph Schumpeter*, human actions were considered in economic knowledge content. Schumpeter (1934) defined entrepreneurship as an activity that drives market-based systems. Without entrepreneurship activities, a market-based economy cannot function effectively. In other words, an important function of an enterprise is to be involved in creative activities that affect economic performance positively. It stipulates that since knowledge is a prerequisite in a market system, the entrepreneurship process or entrepreneurs provides the innovation and creativity needed by consumer needs, as well as engenders system-level change within the economy. In the course of an entrepreneur's action, new knowledge, potential and intellectual properties such as copyrights and patents can be discovered for economic prosperity. This is because entrepreneurship is knowledge driving. One unique quality of an entrepreneur is the ability to continually seek knowledge through interviews, surveys, experimentations, questionnaires, interviews, site visitation, research and development, etc. However, this fact was not recognised in the classical theory.

- *Financial capital/liquidity theory*

The financial capital/liquidity theory supports the Keynes school of thought. It argues that entrepreneurs have specific needs for financial resources to embark on new opportunities and to assemble new resources for an emerging firm (Alvarez & Busenitz, 2001). Financial capital is a requirement for entrepreneurship activities, which could be for transactionary, precautionary and speculative purposes. The relevance of the function of finance to entrepreneurship cannot be overemphasised because it affects economic growth positively. It is somewhat impossible for an entrepreneur to start a new firm or expand an already existing one without having the required capital (Evans & Jovanovic, 1989; Blanchflower, 2001).

Capital is required for many purposes in an entrepreneurship venture, such as for maintaining current asset items and for meeting up with day-to-day expenditure of business. By implication, this theory suggests that entrepreneurs that have access to financial resources are likely to take advantage of opportunities better than those without (Clausen, 2006). Nevertheless, the

responsibility of providing finance for entrepreneurship activities is the function of monetary policies and their regulatory agencies.

However, research shows that the ability to recognise and exploit entrepreneurship opportunities varies among individuals, depending on their access to business information (Aldrich, 1999, Shane & Venkataraman, 2000). Proper financial planning entails that an entrepreneur estimates the expected costs and profits which will determine the return of investment from business activities. Once a proper business plan has been made and the necessary appraisals on short-term and long-term debt equity assumptions have been considered, then the capital formation of the enterprise can be established. This depends upon the amount of equity capital a company possesses which forms part of the total capital available for business operations. The capital could be raised by means of loans from banks and financial institutions. The entrepreneur has to understand the dynamics of the business environment, especially how the policies regulating the financial sector affect their access to capital. The knowledge of the policies will guide the entrepreneur in making proper decisions on how to disburse funds for productive uses so that there is financial safety, risk reduction and regular returns on investments.

### ***2.9.1.2 Monetary and fiscal policy review***

Monetary policy rather than fiscal policy has a greater effect on economic activity and has a greater influence on economic growth (Adefeso & Mobolaji, 2010; Alanvinasab, 2015). Monetarists strongly believe that monetary policy has greater effects on the economy than any other policy due to fact that money supply affects output and growth. However, the monetary authorities have to constantly keep money supply in check through the policies. The concept of the liquidity trap introduced by Keynesian economics keeps the monetary authorities in check. For instance, increasing money supply when there is a liquidity shortage would not always stimulate economic performance but rather cause inflation, which the Keynesian theory suggests fiscal policy measures should control. Nevertheless, a country's monetary authority can neglect its inflation targeting objective to stabilise the debt of fiscal authority, even if policymakers operate in different countries (Leith & Wren-Lewis, 2000). Also, Nunes and Portugal (2016) found that if monetary policy was to be active, it must seek to adopt an inflationary policy. While a number of researchers have debated on the issues raised by the monetarists and the Keynesians

within economies, little evidence exists on the relationship between the two main policy instruments and entrepreneurship activities in West African countries.

Economic theories resort to explaining the nature of interactions between fiscal and monetary policies. The existing literature is largely theoretical ranging from game-theoretic models (for instance Dixit & Lambertini, 2000 & 2001) to New-Keynesian dynamic general equilibrium models (see Leith & Wren-Lewis, 2000; Peres & Hiebert, 2002; Zagaglia, 2002; Schmitt-Grohe & Uribe, 2002; Benigno & Woodford, 2003; Gali & Monacelli, 2005; Lubik & Schorfheide, 2007; and others). The line of debate among these studies includes the assumption about the degree of competition, flexibility or stickiness of prices, existence or non-existence of debts and much more. One major position in economic theory is that when prices are flexible and the market is perfectly competitive, the interrelation between fiscal and monetary blocks tends to be different when compared with a model which assumes nominal imperfect and perfect market conditions, among other things. Conventional practice reveals that both policies are mostly in the control of two different agents, yet the two policies are interdependent when employed as instruments to achieve national economic objectives in countries. Therefore, any shock resulting from one policy would necessarily influence the other and as a result of this, there is the possibility of tension arising between what each player would do to contribute to entrepreneurship performance.

Due to the fact that a country's budget can be used to stabilise the economy, the public sector makes room for the private sector (entrepreneurship) to expand. This thus establishes the fact that it is imperative to pursue consistency of monetary-fiscal policy interactions, as well as to coordinate these policies to avoid tensions and inconsistencies. In particular, if the governments embark upon expansionary fiscal policy by financing the same through the financial markets, it could lead to a high interest rate or low credit availability which might crowd out entrepreneurs. Consequently, the goal of entrepreneurship growth would be hampered. This situation becomes a concern to the central banking authorities. Thus, the role of the financial market in the fiscal-monetary interactions cannot be overemphasised and is explored accordingly.

The relevance of fiscal policy on the other hand cannot be relegated. Taking on the fiscal theory of the price level framework, Sims (1994) found that various virile anti-inflationary policies

introduced in the United State of America were largely successful due to the fiscal adjustment that characterised the economy, during the subsequent periods after high inflation. Fiscal policy objectives are consistent with the empirical findings of Andersen and Jordan (1968), Ajayi (1974) and Elliot (1975). Likewise, studies on the usefulness of fiscal policy as a tool for promoting growth and development in less developed countries remain inconclusive, given the conflicting results of current research. For instance, Darrat (1984) suggested that fiscal policy significantly leads monetary policy in explaining changes in nominal income. Olaoye and Ikhide (1995) are of the opinion that fiscal policy is more effective in a depression economy. While Caldara and Kamps (2008) reiterated the uncertainty of the effects of tax cuts on the economy, arguing that it could either be non-distortionary or distortionary depending on other factors, Muscatelli, Tirelli and Trecroci (2004) opined that taxation is instrumental in the macroeconomic stabilisation of an economy. Likewise, Mountford and Uhlig (2002) reiterated that a deficit-financed tax cut and long-term financing of fiscal expansion are the best fiscal policy measures for stimulating the economy.

Based on timely effects, Ali *et al.* (2008) found that fiscal policy effects are seen in the long run rather than in the short run. Nordhaus (1994) also added that the effects of the coordination and independence of fiscal policies cannot be seen in the short run. This implies that poorly timed fiscal policies may have an adverse effect on the economy in terms of output and consumption loss. But Prakash and Cabezon (2008) maintained that there is a positive and significant correlation between public financial management quality and fiscal balances. On the contrary, Olomola and Oseni (2013) believe that private consumption does not respond to changes in government spending and debt.

On the debate of the effectiveness of both monetary and fiscal policies in the economy, Darrat (1984) investigated the relative influence of the policies and the result suggests that 'fiscal policy significantly leads monetary policy in explaining changes in nominal income'. Dixit and Lambertini (1999) also suggested that if fiscal and monetary policymakers agree about the levels of output and inflation, the level will be attained despite differences in objectives. In the opinion of Leeper (1991), a policy is either active or passive depending on government response to debt shocks.

Another study by Ajisafe and Folorunso (2002) investigated the relative effectiveness of monetary and fiscal policies in an economy and found that ‘monetary policy rather than fiscal policy has significant effects on economic growth but that the two policies should be complementary’. Lombardo and Sutherland (2003) added that when monetary policy is set in tandem with fiscal policy, the cooperation materialises on welfare gains within the economy.

However, a 2008 study carried out on South Asia by Ali, Irum and Ali revealed that fiscal policy has a lesser influence on the country’s economic growth when compared with monetary policy. Indeed, government expenditures rather than exchange rates and inflation have positive effects on economic growth in Iran (Khosravi & Karimi, 2010). Likewise, Adefeso and Mobolaji (2010) reported the same about the effectiveness of both policies in Nigeria. These submissions lean towards the fact there is an existence of cointegration between growth, monetary and fiscal policy. They suggest that there should be more focus on monetary policy in the country for economic stabilisation. However, Muscatelli *et al.* (2003) and Buti (2003) found that the role of both policies in the economy depends essentially on the specific types of shocks hitting the economy as well as the assumptions made. Lastly, having viewed the importance of both policies, Levy (2001) asserted that the credibility of the authorities, institutions and policymakers is crucial to the success of macroeconomic policies in an economy.



**Table 2.1: Summary of literature on fiscal and monetary policies**

s/n	Author and Year	Title	Country and Scope	Methodology		Findings and Implication for Entrepreneurship
				Variables	Estimation Methods	
1	Darrat (1984)	The Dominant Influence on Fiscal Actions in Developing Countries	5 Latin American countries 1950 to 1981	Gross national product, money stock, government spending and exports	St. Louis single-equation approach	The results suggest that fiscal policy significantly leads monetary policy in explaining changes in nominal income. Income both in savings and investment forms encourages entrepreneurship activities; the theory of financial liquidity supports this notion.
2	Leeper (1991)	Equilibria under active and passive monetary and fiscal policies	United States of America	Price level, prices, interest rates, taxes, interest rate, inflation rate, and real debt		Policy is active or passive depending on its responsiveness to government debt shocks. Government intervention such as lowering interest rates solves market failures. The Keynes' theory of fiscal stimulus supports that the intervention eventually leads to added business activity and even more spending.
3	Nordhaus (1994)	Policy Games: coordination and Independence in Monetary and Fiscal Policies	United States of America 1955 to 1994 and 1979-1994	Interest rate, inflation, unemployment, growth of potential output, GDP	Game-theoretic model, Vector autoregression (VAR)	The effects of the coordination and independence of the policies cannot be seen in the short run. Poorly timed policies may lead to steep price in terms of output and consumption loss. The opportunity-based theory argues that the entrepreneur is receptive to changes as opportunity for business activities.

4	Olaoye and Ikhide (1995)	Economic Sustainability and the Role of Fiscal and Monetary Policies in a Depressed Economy	Nigeria 1986 to 1991			Fiscal policy is more effective in depressed economy. A depressed economy presents great opportunity for entrepreneurship, innovation, new product development and alternative measures to sustainable development.
5	Dixit and Lambertini (1999)	Symbiosis of Fiscal and Monetary policies in a monetary Union	EMU, European countries	GDP, expansionary fiscal policy, inflation, natural private output, taxes/production subsidy, interest rates	Barro-Gordon type models	If fiscal and monetary policymakers agree about the levels of output and inflation, the level will be attained despite differences in objectives. When entrepreneurship is the driving force of long-run economic growth, inflation can increase growth
6	Leith and Wren-Lewis (2000)	Interactions Between Monetary and Fiscal Policy Under Flexible Exchange Rates	US/ Euro	Probability of death, current prices of goods, bonds, money balances	New-Keynesian DSGE model	A country's monetary authority can neglect its inflation targeting objective to stabilise the debt of fiscal authority, even if policymakers operate in different countries
7	Levy (2001)	Don't Mix Monetary and Fiscal Policy: Why return to an old, flawed framework?	United States of America 2001	Review of theories and empirical case studies		Credibility is crucial to successful macroeconomic policy by avoiding confusing signals to the public by policymakers.
8	Ajisafe and Folorunso (2002)	The relative effectiveness of fiscal and monetary policy in macroeconomic management in Nigeria	Nigeria 1970-1998	Money supply, government revenue and expenditure, budget deficits	Ordinary least squares (OLS) for stationarity. DF and Augmented Dickey-Fuller (ADF) for cointegration	Monetary rather than fiscal policy exerts a great impact on economic Both monetary and fiscal policies should be complementary

9	Gali and Perotti (2003)	Fiscal policy and monetary integration in Europe	EMU, non-EMU and non-EU OECD countries 1980–2002	GDP, output elasticity of tax revenues and spending,	New-Keynesian DSGE model. Panel regression	Discretionary fiscal policy in countries has become more countercyclical over time, which happens to be a trend that affects other industrialised countries
10	Lombardo and Sutherland (2003)	Monetary and Fiscal Interactions in Open Economies	Europe	Private consumption, government expenditure, aggregate output of the home economy, foreign assets, prices of goods	A two-country sticky-price model. Static version of Beetsma and Jensen model	Welfare gains from fiscal cooperation do exist provided monetary policy is set cooperatively. Entrepreneurship rates follow economic growth, rising in booms and falling in busts (Parker, 2012).
11	Favero (2004)	Comments on Fiscal and monetary policy interactions: Empirical evidence on optimal policy using a structural new-Keynesian model	United States of America (1970–2001)	Output, inflation, ages, employment, government expenditure, government receipts, budget deficit, GDP	Classical statistical methods (GMM)	The complementarity or substitutability of the policies depends crucially on the types of shocks hitting the economy, and that countercyclical fiscal policy can be welfare-reducing if fiscal and monetary policy rules are not coordinated. Entrepreneurship is considered as a medium of tackling the problems of unemployment (Asad <i>et al.</i> , 2014)
12	Muscатели, Tirelli, and Trecroci (2004)	Can fiscal policy help macroeconomic stabilisation? evidence from a new Keynesian model with liquidity constraints	United States of America 1970-2001	Inflation, interest rate, government spending, employers, taxes.	DSGE model. GMM	Macroeconomic stabilisation based on taxation policy seems to combine more efficiently with forward-looking inertial monetary policy rules than feedback government spending rules.
13	Iwamoto (2005)	Interaction between Monetary and Fiscal Policy and the Policy Mix	OECD countries	Interest rate, inflation rate, and price level. Tax rate	OLS regression results	Interactions between monetary and fiscal policy crucially depend on the specific policy variables utilised by fiscal policy.

14	Mountford and Uhlig (2005)	What are the Effects of Fiscal Policy Shocks?	United States of America 1955-2000	GDP, tax revenue, government spending	VAR	Deficit-financed tax cut is the best fiscal policy to stimulate the economy. The long-term costs of fiscal expansion through government spending are probably greater than short-term gains.
15	Horvath (2007)	Optimal Monetary and Fiscal Policy in an Economy with Non-Ricardian Agents	Undisclosed	Consumption, interest rate, taxes, government spending, output	New-Keynesian linear-quadratic	Cuts in tax rate might in some cases be the optimal policy response to a rise in government spending.
16	Ali, Irum and Ali (2008)	Whether Fiscal Stance or Monetary Policy is Effective for Economic Growth	South Asian countries 1990 to 2007	GDP, broad money (M2) and fiscal balance	ARDL and ECM model	Monetary policy rather than fiscal policy has a greater influence on economic growth in South Asian countries.
17	Chronis and Strantzalou (2008)	Monetary and fiscal policy interaction: what is the role of the transaction cost of the tax system in stabilization policies?	Greece	Public expenditure, wage and tax levels		Numerical fiscal rules are not efficient in altering the behaviour of the agents as they do not change the path of the economy.
18	Caldara and Kamps (2008)	What are the effects of Fiscal Policy Shocks?	1955-2006.	Government spending, taxes, GDP, inflation rate and short-term interest rate	Vector autoregression comparative analysis	The effects of fiscal policy shocks are uncertain in both empirical literature and theoretical models.
19	Ali, Irum, and Ali (2008)	Whether Fiscal Stance or Monetary Policy is Effective for Economic Growth in Case of South Asian Countries?	Pakistan India Bangladesh Sri Lanka (1990–2005)	GDP growth rate, fiscal deficit broad money supply	Autoregressive distributed lag model (ARDL)	Money supply was found significant in both the short run as well as then long run. This shows that monetary policy is a powerful toll than fiscal policy in order to enhance economic growth
20	Prakash and Cabezon (2008)	Public Financial Management and Fiscal Outcomes in Sub-Saharan African Heavily-Indebted Poor Countries	Africa. 10 West African countries inclusive	Overall balance, interest payments, expenditure, external debt, government debt	Regressions using ordinary least squares	There is a positive and significant correlation between PFM quality and fiscal balances.

21	Jawaid, Arif and Naeemullah (2010)	Comparative analysis of monetary and fiscal Policy	Pakistan (1981 to 2009)	GDP, money supply and fiscal balance	Stationary analysis. Dickey-Fuller and Phillips Perron, Johanson-Juselius cointegration	Both policies were found to have a significant and positive effect on economic growth in the long run. But the coefficient of monetary policy is much greater than fiscal policy which implies that monetary policy is more concerned with economic growth than fiscal policy.
22	Khosravi and Karimi (2010)	To Investigation the Relationship between Monetary, Fiscal Policy and Economic Growth in Iran	Iran 1960-2006	GDP, consumer price index, money stock, government expenditure, exchange rate	ARDL cointegration	The impact of the exchange rate and inflation on growth was negative, government expenditure was found to have a significant positive impact on growth. This agrees with Schumpeter's theory on economic development.
23	Adefeso and Mobolaji (2010)	The Fiscal-Monetary Policy and Economic Growth in Nigeria	Nigeria 1970 -2007	GDP, broad money (M2), government expenditures and degree of openness	Error correction and cointegration	The effect of monetary policy is dominant than fiscal policy on economic growth in Nigeria. This is because interaction between liquidity constraints and monetary policy counters cyclicalities, and has a positive effect on productivity (Aghion, Farhu & Kharroubi, 2012)
24	Zestos, Geary and Cooksey (2011)	US Monetary-Fiscal Policy Mix Evidence from a Quartovariate VECM	United states of America		Quatrovariate Vector error correction model and Granger causality tests	Monetary and fiscal policies are jointly <i>ineffective</i> in influencing nominal national income. However, monetary and fiscal policies are jointly effective in influencing real national income. Entrepreneurship involves mutual interaction, which should lead to profitable exchange.

25	Moreira, Soares, Sachsida and Loureiro (2011)	The Interaction of Monetary and Fiscal Policy: The Brazilian experience	Brazil (1995 -2008)	Money supply, GDP, nominal interest rate, investments, consumer price index, exchange rate, direct tax	Johansen cointegration test and Unit root test. GMM	The ratio of public debt to GDP was found to be statistically significant, positively affecting the demand for any primary surplus but negatively affects the level of investment and output gap. However, Danakol <i>et al.</i> (2013) found the relationship between FDI and domestic entrepreneurship to be negative.
26	Olomola and Oseni (2013)	Effects of Components of Fiscal Policy Shock on Private Consumption in Nigeria	Nigeria 1981-2012	Government expenditure, government revenue, government debt and private consumption	ADF and Phillips-Perron methods of unit roots test	Increase in government spending and debt did not respond to an increase in private consumption. However, the implication may be that expansion of total government spending includes huge increases in private subsidies, at the cost of social and public goods, and is detrimental for entrepreneurship (Islam, 2015).
27	Huseyin Sen and Ayse Kaya (2015)	The relative effectiveness of Monetary and Fiscal Policies on growth: what does long-run SVAR model tell us?	Turkey	GDP, CPI inflation, unemployment, bond rate, government debt, stock exchange rate, current money supply	Structural Vector autoregression (SVAR)	Although the relative effectiveness in boosting growth is different, both policies significantly influence growth, suggesting that they should be used jointly but in an efficient manner. However, entrepreneurial activity serves to promote economic growth (Acs & Armington, 2006).
28	Chowdhury and Afzal (2015)	The Effectiveness of Monetary Policy and Fiscal Policy	Bangladesh	GDP, money supply and government expenditure	ADF method	Monetary and fiscal policies are equally effective in simulating economic growth. However, poor public policy undermines entrepreneurial behaviour and reduces public welfare (McCaffrey, 2015).

29	Adegboye, 2015	Effects of Fiscal and Monetary Policy Interactions on Inflation and Output in Nigeria	Nigeria	Terms of trade, interest rate, taxation, government expenditure	New-Keynesian DSGE model	Stabilisation of policy for both policies is required to achieve the highest level of economic outcomes. However, poor public policy undermines entrepreneurial behaviour and reduces public welfare (McCaffrey, 2015).
30	Nunes de Nunes and Portugal (2016)	Active and Passive Fiscal and Monetary Policies: An Analysis for Brazil after the Inflation Targeting Regime	Brazil 2000–2008	output gap, interest rate, inflation and expected shocks on aggregate demand	Bayesian econometric tools to estimate a DSGE model	Monetary policy was found to be active and seeks to adopt an anti-inflationary policy while fiscal policy was found to be passive, seeking a balanced debt to GDP ratio in the long run. However, inflation rate is a main macroeconomic determinant of entrepreneurship (Rusu & Roman, 2017)
31	Alavinasab (2016)	Monetary policy and Economic Growth	Iran 1971-2011.	Total quantity of money, price level, velocity of money, and aggregate income for the economy	Error-correction model	Money supply and exchange rate significantly affect economic growth. However, excess money supply increases purchasing power which is good for entrepreneurship while high exchange rate is a deterrent to entrepreneurship.
32	Wierzbowska & Shibanoto (2018)	Cross-country evidence on determinants of fiscal policy effectiveness: the role of trade and capital flows	44 countries	government spending and real GDP	Structural VAR model	Fiscal policy management ensures less expenditure on resources at the same time; there will be lower budget deficits and more money to spend on public good which is a function of entrepreneurship
33	Koirala, Kamara and Rankoth (2019)	Firms' credit requirements and monetary policy rules	USA, North America	Unemployment, inflation, monetary policy, households, firms and a government	Production function	Monetary policy can best fulfil the mandates upon most central banks by directly targeting unemployment which aligns with the goals of entrepreneurship as it aims at generating employment

### **2.9.1.3 Summary of macroeconomic literature and study gaps**

Based on the review of literature, the consensus is that both fiscal and monetary policies significantly influence growth and are required to achieve the highest level of economic outcomes and entrepreneurship performance by implication of the relationship between economic growth and entrepreneurship, as discussed earlier. However, some strands of the literature support that monetary policy is procyclical while the other support that fiscal is counter cyclical. This makes it interesting for economic management. No doubt, macroeconomic variables are instrumental for economic growth and entrepreneurship by implication. Schumpeter argued that ‘entrepreneurship is very significant to the growth and development of economies’ (Keister, 2005). The effectiveness of fiscal policy has interested both policymakers and economists for a long time. Recent years have seen governments in many countries using fiscal expenditure to stimulate their economies and fend off bigger falls in output which is a function of entrepreneurship. If fiscal policy is carried out effectively, there will be less expenditure on resources at the same time, and there will be lower budget deficits and more money to spend on public good. According to Wierzbowska and Shibamoto (2018), the knowledge of the conditions for fiscal effectiveness helps government to cut fiscal spending and balance budgets without significant output slowdowns in an austerity period. Likewise, issues regarding the effectiveness of alternative monetary policy rules have taken the centre stage in the economics literature. Some researchers argue in favour of inflation targeting as the most effective monetary policy tool (Bernanke, Laubach, Mishkin, & Posen, 1999; Mishkin, 1999). Specifically, Carlstrom, Fuerst, and Paustian, (2010) indicated they support inflation targeting as the ideal monetary policy regime among the standard alternatives. Monetary policy can best fulfil the mandates upon most central banks by directly targeting unemployment in addition to inflation (Koirala, Kamara & Rankoth, 2019). This aligns with the goals of entrepreneurship as it aims at generating employment (OECD, 2011).

It can be inferred that the two policy blocks tend to be complementary and that a proper policy mix is inevitable for efficient institutional entrepreneurship. Similarly, Alege (2008) and Orisadare (2012), in their empirical study, concluded that appropriate and suitable macroeconomic policies would be required for sustainable growth. However, despite the key place the policies occupy in economic theory, empirical evidence is minimal of their effects on



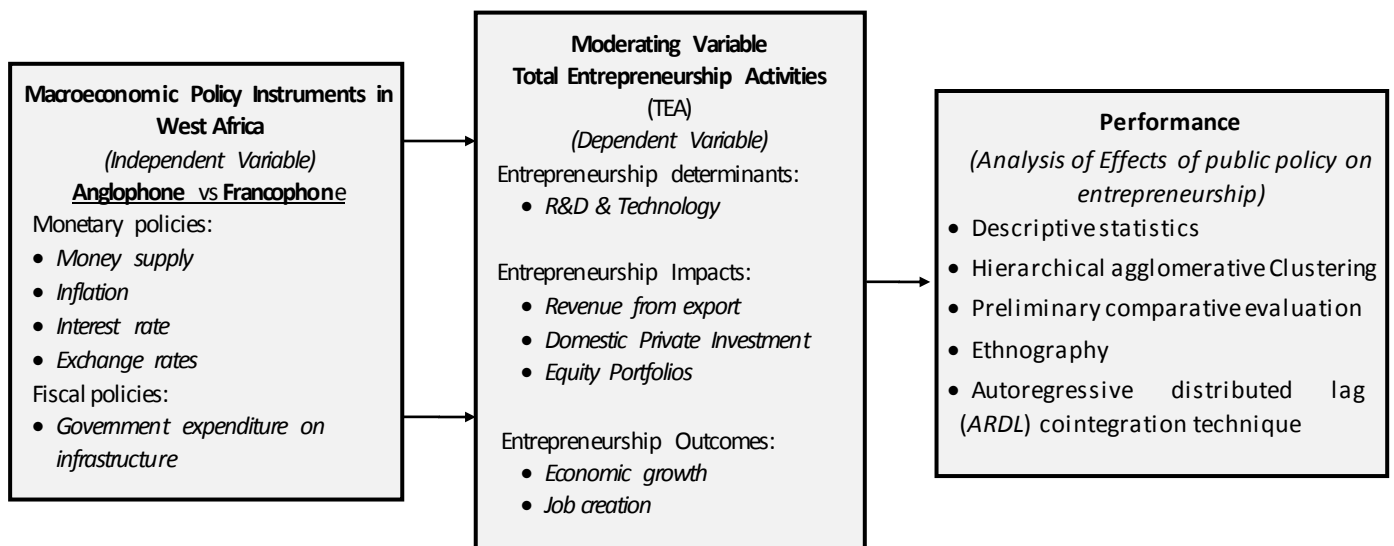
entrepreneurship in West Africa. To the knowledge of the author of this thesis, there is no known published study on the specific nature of the policy interactions in entrepreneurship performance measured using an institutional approach in the region. A near exception to this submission is the work by Folorunso and Ajisafe (2002) in Nigeria. At present, the direction of the fiscal reforms in most countries has been towards consolidation and re-engineering of the entire public finance and not to encourage entrepreneurship specifically. This suggests suspicion of the efficiency and sustainability or otherwise of the existing policies. Is there a need for government policies on entrepreneurship performance? If yes, what are the likely implications of these policies? This study provides an empirical guide and assistance to policymakers to identify specific effects of macroeconomic policies.

From a methodological point of view, the empirical approach of this study attempts to emphasise some cogent issues overlooked by earlier studies that attempted to estimate similar macroeconomic effects. The researcher took the peculiarities such as the emerging trends and politics within the countries into consideration. This is because the complementarity or substitutability of fiscal and monetary policy depends crucially on the types of shocks hitting the economy (Favero, 2004). The analysis of this study was restricted to measures that can be reasonably interpreted as indicators of fiscal and monetary policies that directly affect entrepreneurs. Taking into account all the variables previously considered in studies, a political variable was first introduced represented by a dummy for election years in countries to capture the credibility of policymakers, as earlier stated by Levy (2001). This variable was found by Braconier and Holden (2004) to be associated with fiscal expansion through lower taxes. Likewise, the theory of a political business cycle suggests that fiscal policies tend to become more expansionary during election years. According to Buss (2001), Gnyawali and Fogel (1994), the locational behaviour of businesses is heavily influenced by political factors. For instance, Desai, Gompers, and Lerner (2003) and Klapper, Laeven and Rajan (2006) revealed that the regulation by governments on business entry has been found to have a negative impact on new firm entry. Also, strict labour regulations can impede on the performance of new ventures (McMullen, Wood and Kier (2016). Indeed, the political environment can either have a positive or negative effect on entrepreneurship performance. Hence, the variable explains whether fiscal policies are pro- or counter-cyclical on entrepreneurship growth. Second, the

researcher recognised the potential of the emerging stock market operations in the region which are regulated by other financial institutions in countries. This variable could also pose a new end to the dynamics of the fiscal - monetary policy mix on entrepreneurship performance. It can also be inferred that the two policies tend to be inevitable in determining which of the two colonial divides in West Africa are entrepreneurship enhancing or entrepreneurship inhibiting.

## 2.10. CONCEPTUAL FRAMEWORK OF THE STUDY

The main objective of this study was to determine the performance of two macroeconomic policies on entrepreneurship performance in West African countries, using measurable policy instruments for the evaluation. Figure 2.1 below illustrates the effect of the relationship between the independent variable and the dependent variable on the various forms of performance measures used. The dependent variable or the moderating variable, otherwise known as TEA, comprises entrepreneurship determinants, entrepreneurship outcomes and entrepreneurship impacts, which are explained in Chapter 3. The concepts in the boxes are explained in detail in Chapters 4, 5 and 6. The arrows in the figure indicate the perceived relationship between the concepts that are empirically tested in the Chapters 5 and 6.



**Figure 2.1: Conceptual framework of the study**

Source: Authors' construct (2017)

## 2.11. CONCLUSION

The literature review has established the link between public policy and implications on entrepreneurship activities. It has also highlighted entrepreneurship gaps requiring policy intervention. The role of government in fostering entrepreneurship through policies cannot be overemphasised, as is evident in the literature. The theories and the experiences of public policies in countries support that government institutions are the locus for policy dissemination for entrepreneurship purposes. However, there is a need to determine the performance of such policies which is subject to the measurability of entrepreneurship activities. It is also evident from the literature that the use of performance evaluation to determine the outcomes of policies is common across countries. However, policy studies have been so preoccupied with describing institutions, behaviours, and processes, that they have frequently overlooked the overriding importance of environmental forces in shaping public policy. Of course, researchers generally recognise that environmental variables affect politics and public policy, but these variables are often slighted, and occasionally ignored, in particular policy explanations. The problem seems to be that the concepts and methods of policy evaluation predispose scholars to account for public policy largely in terms of the internal activities of government. Public sector studies have never lacked descriptions of what goes on within government; what they have lacked is a clear picture of the linkages between environmental conditions, political activity, and public policy. This study has sought to bridge the gap by investigating the performance of public policy and the effect it has on entrepreneurship, using measurable policy instruments and building on the findings of the literature reviewed. The concept of public policy and the implications of monetary and fiscal policies to entrepreneurship activities have been established through the theoretical and empirical evidence in this chapter.

## **CHAPTER 3**

### **CONTEXTUALISATION OF ENTREPRENEURSHIP, THEORIES AND APPLICABLE MEASURABILITY**

#### **3.1. INTRODUCTION**

This chapter focuses on entrepreneurship in the context of the study and how the performance of entrepreneurship will be measured in the subsequent chapters. There are many definitions of entrepreneurship as well as approaches to entrepreneurship measurement. However, this chapter is an attempt to demystify entrepreneurship in the context of the study vis-à-vis the relevant theories, the structure as well as empirical approaches as they relate to the objectives of the study. For emphasis sake, this study views entrepreneurship from a national context perspective and adopts a composition of entrepreneurship activities as a measure of entrepreneurship referred to as the total entrepreneurship activity (TEA).

#### **3.2. DEFINING ENTREPRENEURSHIP IN THE CONTEXT OF THE STUDY**

First, it is imperative to clearly what is meant by ‘entrepreneurship’ in the context of this study so as to avoid any doubt. The concept has been defined by various scholars and from different perspectives (see Schumpeter, 1934; Binks & Vale, 1990; Storey, 2004; Shane & Venkataraman, 2000; Naudé, 2007; Minniti & Lévesque, 2008; Kanothi, 2009, to mention a few). Unfortunately, a thorough, historic and analytical treatise on the perception of entrepreneurship cannot be provided here. The concept of entrepreneurship is multifaceted, having varying descriptions in economic theories. This makes the efforts at describing entrepreneurship in a contextual manner a herculean task. It requires that a careful distinction is made so that there are no exclusions of valuable elements (Bygrave & Hofer, 1991). The word ‘entrepreneurship’ is derived from the French word "entreprendre" meaning ‘to undertake’ (Zimmerer & Scarborough, 2008). A succinct definition of the concept is indispensable in the context of this study because there is a host of heterogeneous definitions that can be found in the literature. The definitions of entrepreneurship are not all exactly the same because the concept has been viewed from different perspectives, in different countries and by different scholars. The definition of entrepreneurship therefore lacks a common language. According to Hornby (2010), entrepreneurship is understood to mean the process of enhancing entrepreneurial activities, it is also the ‘influences’

and ‘characteristics of entrepreneurial behaviour’ leading to innovation, creativity and adding value. However, the UNDP (2010) defined entrepreneurship as the process by which certain initiatives are used to transform a business concept into a more organised, innovative and profitable enterprise with a higher growth potential. This institutional perception of entrepreneurship describes the concept as subject to the relationship of a dependent or an independent variable. Entrepreneurship is however often linked to economic growth, which makes its performance measurable. This similitude complements the works of notable economists, such as Bagehot (1873), Schumpeter (1934), and Gurley and Shaw, (1967) who have long recognised the role of entrepreneurship in economic development. Coincidentally, the search for the relationship between economic growth and entrepreneurship is not new. In most empirical literature, both have been used interchangeably when referring to entrepreneurship activities. For instance, some studies refer to entrepreneurship as a contributing factor in economic growth while others caption it using self-employment data, the rate of market competition or the rate of business start-ups (OECD, 1998; Carree & Thurik, 2002). Nevertheless, GEM attempts to provide data that can be used for statistical analysis. Also, recent OECD studies have shown how economic growth can be linked with entrepreneurship activities (Reynolds, Hay & Camp, 1999). Most empirical analysis reveals that entrepreneurship is responsible for a substantial proportion of economic growth in countries (Zacharakis, Bygrave & Shepherd, 2000).

An entrepreneur is a person who risks their wealth, time and efforts to develop for profit an innovative product or way of doing something. On the other hand, entrepreneurship is the process of creating and managing a business to achieve desired objectives (Ferrell et al 2010 and 2016). According to Kirzner, (1985, p. 92):

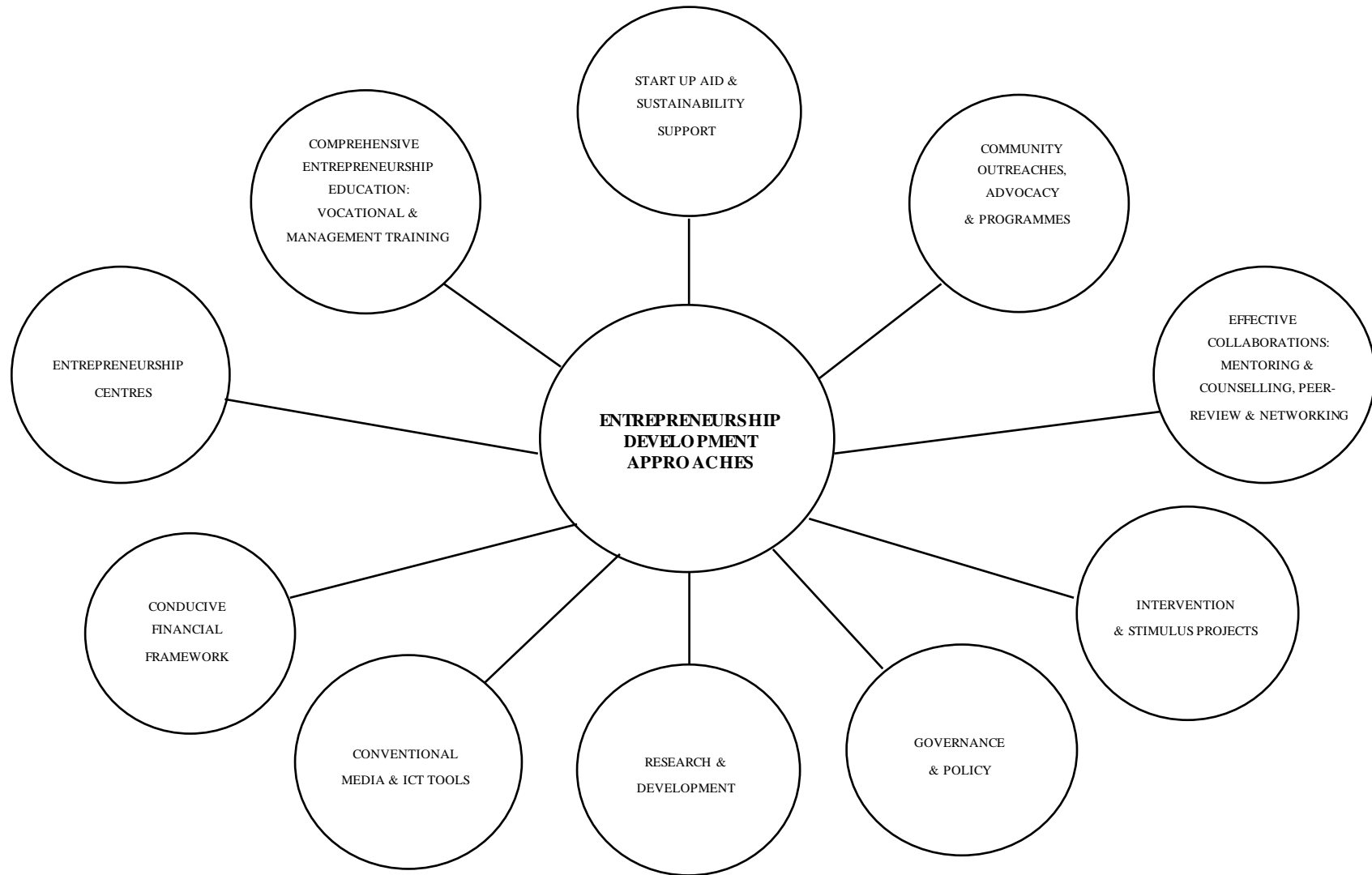
“The entrepreneurial spirit, the potential for discovery, is always waiting to be released. Human ingenuity is irrepressible and perennial, and its release requires an environment free from special privileges or blockages of new entrants. For the successful allocative functioning of the market, and for the stimulation of dynamic growth, the entrepreneur must not be taken for granted”.

Success in entrepreneurship requires creativity, innovation, enquiry and discovery. Entrepreneurship also requires more than a formal education. Public policy plays a crucial role in

helping citizens in both developed and developing countries to develop the ability to learn, develop skills and knowledge as well as be independent thinkers (Daniel & Radebaugh, 2018). In addition, entrepreneurship movement is accelerating, and many new, smaller businesses are emerging. Many entrepreneurs with five or fewer employees are considered micro entrepreneurs. Sometimes, entrepreneurs start their own nongovernmental organisations; they can also operate for profit institutions that are committed to solving social problems.

Entrepreneurship is a global phenomenon that is central to economies across the world and has gained the rapid attention of public policymakers because of its abilities to create wealth, generate income, output and employment (OECD, 2011). Audretsch and Thurik (2001) asserted that the concept of entrepreneurship is a recognised driving force for economic growth and innovation in all economies – West Africa inclusive! This importance is correspondingly reflected in the level of entrepreneurial activity in countries (Bosma, Acs, Codurs & Levie, 2009).

However, entrepreneurs have been inundated by financial challenges, government policies, seclusion, lack of support mechanisms and many subtle but equally important factors that have sapped the passion of many. Figure 3.1 presents a suggested approach to entrepreneurship development and the importance of an all-inclusive effort.



**Figure 3.1: Suggested approaches to entrepreneurship development**

Source: Ola (2009)

Entrepreneurship development can be tackled as a multi-headed issue and approached from different sides to create entrepreneurially vibrant societies. According to Ola (2009), the above chart (Figure 3.1) describes the critical touch points to which the government must pay keen attention in the pursuit of entrepreneurship development. Although they are interdependent, the best outcomes in entrepreneurship development could be achieved through such a harnessed approach.

Based on the many definitions of entrepreneurship, there seem to be various understandings by stakeholders as most definitions take their origins from the different directions or perspectives. However, most entrepreneurship scholars have been more concerned with the *who* (the entrepreneur), *why* (the problem) and *how* (the methodology) of entrepreneurship rather than with the performance of entrepreneurship in developing countries (Bruton *et al.*, 2008; Shane, 1997). This state of affairs where entrepreneurship performance is excluded in research has been labelled as a ‘scholarly disconnect’ by Audretsch *et al.* (2007). This study has aimed to fill the lacuna in the previous study.

### **3.3. ENTREPRENEURSHIP IN THEORETICAL PERSPECTIVES**

Entrepreneurship, like any other discipline, is guided by theories. Two main theories underpin this study which explain the variables which were under study. The theories include: resource-based entrepreneurship theory and opportunity-based entrepreneurship theory. These theories contribute to the understanding of entrepreneurship evolution, factors that influence the emergence, behaviour and performance of entrepreneurs and their contributions to the economy. They have deep roots in the classical and neoclassical theories of economics, as well as provide insights into the historical process and macro-level situations (Banerjee, 2012). As such, policy instruments were used as the independent variables in this study. These theories explore the factors that inform entrepreneurship performance and state the invariant relationships among measurable phenomena. The theories also explain and predict the properties of the phenomena.

#### **3.3.1. Resource-based entrepreneurship theory**

The resource-based theory reiterates the importance of the accessibility of resources by the entrepreneur. It clearly explains that without such accessibilities, it is difficult for the entrepreneurs to create new ventures. The theory also discourages the emergence of an



opportunity-based economy (Alvarez & Busenitz, 2001). Among the resources most crucial for entrepreneurship activities are: financial resources such as capital; social resources such as acceptance, norms, values; and human resources such as labour (Aldrich, 1999; Davidson & Honing, 2003). However, problems abound within these resources but so do opportunities if managed to achieve desired results while taking risk. This oxymoron explains *Joseph Schumpeter's* notion on 'creative destruction' where a problem leads to the creation of new markets, the improvement of existing products or the development of entirely new products. It is however not clear whether countries have been able to take full advantage of their resources to promote entrepreneurship performance in West Africa. Hence, the need for a study like this.

### **3.3.2. Opportunity-based entrepreneurship theory**

Basically, opportunity spurs the entrepreneurial process (Shane & Venkataraman, 2000). Entrepreneurship is an act that involves the discovery and exploitation of opportunities to create new goods and services. The process entails the identification and development of opportunities by entrepreneurs. *Peter Drucker* and *Howard Stevenson* propagated the opportunity-based theory that ignites in-depth research into the entrepreneurship process (Fiet, 2002; Shane, 2000). According to the duo, entrepreneurs create and exploit opportunities that are brought about by change (Drucker, 1985). Stevenson and Jarillo (1990) added that resourcefulness and opportunity seeking describes who an entrepreneur is. The theory provides a wide-ranging conceptual framework for entrepreneurship research (Fiet, 2002; Shane, 2000). Contrary to the Schumpeterian or Austrian school of thought, the entrepreneur is not responsible for changes in the society; several other factors could be responsible such as public policies and globalisation of new technology. However, the onus is on the entrepreneur to take advantage of the opportunities which the change in the society brings about (Drucker, 1985). As mentioned, entrepreneurship always takes advantage of change, responds to it, and exploits it as an opportunity.

### **3.4. ENTREPRENEURSHIP IN NATIONAL CONTEXT**

There are a few options available for entrepreneurship indices at the national level with at least three organisations providing data on entrepreneurship at national levels across multiple countries and years. Largely, the GEM along with other institutional bodies such as the OECD provides a clear understanding of measuring entrepreneurship in national context given the longevity of

consistent data, country coverage, and provision of indices specifically useful for the objective of this study. The total entrepreneurship activity (TEA) which was the dependent variable used in this study is fashioned after the pathway of the institutions motioned above. However, due to the non-availability of innovation measure data in West Africa countries, the study only made use of some components and not the entire component of the three main indicators of entrepreneurship activities, according to Ahmad and Hoffman (2007).

### **3.4.1. The Global Entrepreneurship Monitor (GEM)**

GEM is an organised global body credited for pace-setting entrepreneurship research and for providing reliable data for statistical analysis. It is made up of a consortium of 16 highly rated universities in Europe and North America comprising business and academic experts from each represented country. GEM is the largest ongoing study on entrepreneurship across the world using a main indicator known as total early-stage entrepreneurial activity (TEA). As at 2017, it had a robust annual data set of 18 years across more than 100 economies since 1999. The World Bank, United Nations, World Economic Forum and the Organisation of Economic Cooperation Development institutions rely on GEM data for their analysis and decision making. This is because it provides robust, tested and trusted data sourced by local experts and not by foreign observers. GEM is a research depository for understanding the relationship between entrepreneurship and national economic development in countries, specifying the attitudes towards start-up business activities and other aspirations of the entrepreneur. This has led to an increased number of gem-based scientific publications in a wider range of academic journals.

GEM specifically looks at two key elements in each economy: (i) the entrepreneurial behaviour and attitudes of individuals, and (ii) the national context and how it affects entrepreneurship. Just as one of the objectives of this study is to determine which divide in West Africa is more entrepreneurship enhancing than the other, GEM also investigates the reason why some countries are more entrepreneurial than the others. The information gained through the research provides in-depth understanding of the relation between public policies and entrepreneurship performance. However, given the peculiarities across West African countries that border on insufficient data, lack of contemporaneous data in some instances, and because most countries in the region rank low on innovation, it was impossible for this study to adopt the full indicators of

the TEA as measured by GEM and the knowledge economy indicators<sup>5</sup> across country level. However, the study adopted a specific entrepreneurship measure using OECD indicators in Ahmad and Hoffman (2007), along with some indicators of GEM and the knowledge economy. While the GEM's TEA captures only the total early-stage of entrepreneurship activities, this study considered a wider range of entrepreneurship activities comprising variables that can be expressed as: entrepreneurship determinants, entrepreneurship outcomes and entrepreneurship impacts.

In any case, the GEM report (2002) shows that there is a relationship between the national level of entrepreneurial activity and the levels of economic growth in countries. Hence, GEM data supports that there are no countries with high levels of entrepreneurship and low levels of economic growth (Reynolds, Bygrave, Autio, Cox & Hay, 2002), and vice versa. This assumption is supported by a variety of other empirical studies using different indicators of entrepreneurial activity. Indeed, entrepreneurship is responsible for the growth and development of economies (Keister, 2005). Likewise, the theory of economic development highlights entrepreneurship evolution, factors that influence the emergence, behaviour and performance of entrepreneurs as contributory to economic growth and development. This study aligns with GEM in order to also promote evidence-based policies towards entrepreneurship in West Africa.

### **3.5. THE CONCEPT OF AN ENTREPRENEURIAL ECONOMY**

Core economics is believed to have become a 'theory-driven' subject in which its conclusions take precedence over problems (Coase<sup>6</sup>). For this reason, entrepreneurship is difficult to analyse using the usual economics tools. Entrepreneurial economics challenge fundamental principles, but it makes references to the influence from other disciplines. For instance, there are many sociology, psychology, accounting and environmental studies' interpretations embedded in entrepreneurship. Entrepreneurial economy is simply about the entrepreneurs and their entrepreneurship activities within the economy. Harper (2003) reiterated that a common feature of a competitive economy is that the entrepreneurs within have access to opportunities leading to profitable ventures both in local and international markets. These opportunities are dependent on

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<sup>5</sup> Any economy that pursues innovation through science and technology is referred to as a knowledge economy.

<sup>6</sup> Ronald Coase –British Economist, who believed economists should study real markets and not theoretical ones.

the public policies in countries. From the foregoing, increased entrepreneurship activity is thus considered a characteristic of an entrepreneurial economy.

### 3.6. ENTREPRENEURSHIP PERFORMANCE INDICATOR

Entrepreneurship and entrepreneurs are role players in achieving economic growth, productivity, employment, and innovation. It is not possible to identify one common indicator as the measure of entrepreneurship performance given the multi-faceted nature of entrepreneurship in countries. Therefore, entrepreneurship performance can be measured in different ways. This study adopted a univariate analysis to understand and compare the amount and type of entrepreneurship that takes place across countries.

Based on previous studies, some of the variables used to assess entrepreneurship performance were derived from the GEM. Further, based on previous studies done on measures and drivers of the knowledge economy, in reports of the technology and innovation foundation in Bergmann, *et al.* (2013), Murdock (2009), Saisana and Munda (2008), Atkinson and Correa (2007), and Allen (2001), the indicators were categorised into four groups, namely globalisation measures, technology innovation capacity measures, economic dynamism measures and digital economy measures, as listed in Table 3.1.

#### (i) *Globalisation measure*

This represents the extent to which countries are active in the global marketplace. Entrepreneurial economies are bound to participate in a global scope. Globalisation is often measured by foreign direct investment (FDI) intensity, total export and high-tech export.

- *FDI intensity* – this is the average of inward and outward foreign investment flow divided by GDP. This shows the extent to which the country's investment is linked to the international economy.
- *Total export* – this is the exportation of indigenous goods and services. The total export index is the total export of goods and services that are produced within the economy.
- *High-tech export* – this refers to export of movable goods such as computers, electronics, chemical equipment, plant and machinery, office equipment, aerospace and so on.

(ii) *Technology innovation capacity measure*

This represents the availability of systems that facilitate the acquisition of new knowledge and innovation. It is assumed that an enterprising economy is more inclined to research and human resource academic prowess. This is measured by the extent of research and development (R&D), the number of science and technology graduates and venture capital investments.

- *Science and technology graduates* – this is the total number of science and technology tertiary education graduates produced in the country. There should be a high correlation between science and technology graduates and an entrepreneurial economy.
- *Research and development (R&D)* – this is the total amount expended on R&D in the business-related sectors of the economy.
- *Venture capital investments* – this is the amount of private equity raised for investment in corporate establishments.

**Table 3.1: Summary of previous use of entrepreneurship indicators and sources**

1	Globalisation measures	FDI intensity	Eurostat
		Total export	Eurostat
		High-tech export	Eurostat
2	Technology innovation capacity	Science and technology graduates	Eurostat
		Research and development investments	Eurostat
		Venture capital investments	European Venture Capital Association
3	Economic dynamism	Patents and copy rights	Eurostat
		Fast growing firms	Deloitte
		Employed in science and tech jobs	Eurostat
		Researchers	Eurostat
4	Digital economy	e-government availability	Eurostat
		ICT and broadband penetration	Eurostat
		Household internet access	Eurostat
		Per capita GDP	World Bank Indicators

(iii) *Economic dynamism measure*

Economic dynamism is measured as the extent to which countries are equipped to adapt to the changes of a globalised world, such as their ability to renew through innovation and competitiveness in the business environment. This is measured by patents and copy rights licences in the countries.

- *Patents and copyrights* – this is the number of exclusive rights granted by foreign governments to inventors in the country to manufacture, use, or sell an invention for a certain number of years.
- *Knowledge jobs* – this represents workers or employees in possession of science and technology qualifications suitable to be applied in an emerging economy. It is measured by the total number of researchers and workers employed in science and technology positions.
- *Researchers* – this variable represents the total number of professionals equipped with the know-how of intellectual knowledge seeking.
- *Employed in science and technology* – this represents the percentage of the labour force, within certain ages, employed as science and technology workers.

(iv) *Digital economy measure*

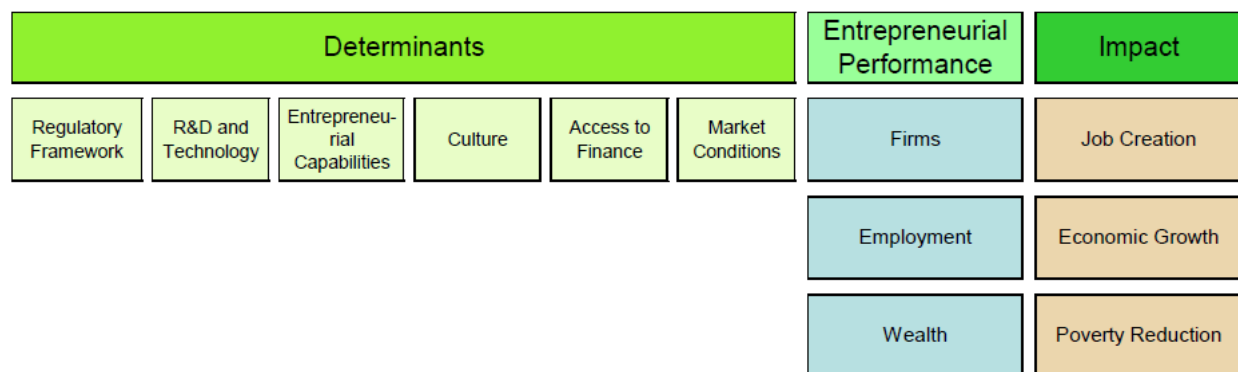
This represents the measure of the emergence of new digital infrastructures. This includes: mobile devices and wireless network technologies, which heralds the next paradigm shift in digital technology as it becomes introduced into the public spaces, architectures, furniture. It will be measured by information and communication technology (ICT) and broadband penetration, household internet access and e-government availability.

- *ICT and broadband penetration* – this represents the extent to which internet access with high speed market is captured in countries.
- *Household internet access* – this represents the percentage of households having access to the Internet measured by a certain age group.
- *E-government availability* – this refers the use of ICT to improve the efficiency, effectiveness, operations, service delivery and accountability of government.

- *Per capita GDP* – this is a measure of the total output of a country that takes the GDP and divides it by the number of people in the country.

### 3.6.1. The total entrepreneurship activities (TEA)

The TEA was this study's approach to measuring entrepreneurship performance. Later in the thesis it is referred to as the dependent variable. Entrepreneurial activities serve to promote economic growth (Acs & Armington, 2006). Taking a cue from the OECD/EUROSTAT framework for entrepreneurship indicators, as illustrated in Figure 3.2, the study adopted its own measure for entrepreneurship, as illustrated in Figure 3.3. Given the OECD's experience in international data development, many countries and groups rely on organisations for developing frameworks by capitalising on their international network of statisticians, analysts and policymakers. This informed the United States Kaufman foundation to approach the OECD to study and develop high quality and comparable international data on entrepreneurship in 2006.



**Figure 3.2: OECD/EUROSTAT framework for entrepreneurship indicators**

Source: Ahmad & Hoffman (2007)

However, all the variables specified are not available in all countries, over the period investigated. Therefore, due to unavailability of data, this study made use of at least one of the variables listed under the three entrepreneurship indicators in Figure 3.2.

Many researchers argue that entrepreneurial activity is an important driving force. According to Audretsch and Keilbach (2004) and Guerrero and Pena-Legazkue (2013), the effect of a region's innovative and entrepreneurial capacity can be added to production factors such as labour force

and capital to explain its economic growth. The growing importance of public policy and entrepreneurship in the academic domain requests that the relationship between the two should be measured. However, due to the lack of data and other complexities in West Africa, compared with international standards, this study had no choice but to adopt country or region-specific measures. The study adopted the OECD's three cardinal points for measuring entrepreneurship as follows: (1) the determinant of entrepreneurship; (2) the entrepreneurship performance; and (3) entrepreneurship impact in countries.

The framework in Figure 3.2 illustrates three separate but interconnected flows, all of which are important in the formulation, assessment and appraisal of policy measures. The study looked at the impact of a variety of factors, which made up the total entrepreneurship activity in countries. The aim was to look at changes over time as well as analyse and investigate the interactions between the entrepreneurship indicators and the selected public policies instruments.

- ***Entrepreneurship determinants***

The determinant of entrepreneurship in a country depends on the personal attributes of entrepreneurs, both male and female. It takes a cue from many of the important contributions made to the literature. Three factors are prominent in entrepreneurship determinants, namely opportunities, skilled people and resources. The factors are explicitly affected by regulatory framework, R&D and technology, entrepreneurial capabilities, culture, access to finance and market conditions. These factors put together are affected by different public policy areas in a county. The study made use of science and technology research to represent the entrepreneurship determinant; other variables could not be used due to data availability.

- ***Entrepreneurship outcomes***

Although the second category of entrepreneurship activities is entrepreneurship performance and not entrepreneurship outcome, the study refers to the OECD's entrepreneurship performance as entrepreneurship outcome in order not to confuse its meaning in this context because entrepreneurship performance was already the broad focus of the study. This category captures firms, employment and wealth. However, the study made use of revenue from exports, domestic



private investment and equity portfolio to represent the entrepreneurship outcomes; other variables could not be used due to data availability.

- ***Entrepreneurship impact***

This category reflects job creation, poverty alleviation and economic growth in the OECD's framework. It is evidence of the resultant effects of entrepreneurship activities in an economy. Specifically, this category consists of GDP growth, employment indicators, relative poverty, average/median wages and salaries, Gini coefficients etc. However, the study made use of GDP per capita and self-employment to represent the category in the analysis.

### **3.7. TEA AS DEPENDENT VARIABLE**

Following from the OECD's framework for measurement, entrepreneurship was measured in this study as the total entrepreneurship activity (TEA), which is the dependent variable. However, due to the lack of high quality data and disaggregated data on the above measures of entrepreneurship and innovation in developing countries in general, and in West Africa in particular, the study adopted TEA using a few available variables and not all as specified by the OECD framework. Figure 3.3 shows the unique TEA comprising the three categories: (1) entrepreneurship determinant (potentials) comprising R&D, science and technology research; (2) entrepreneurship impact comprising revenue from export, domestic private investment and equity portfolio; and (3) entrepreneurship outcomes comprising GDP per capita and self-employment, all expressed in national context as the dependent variable, while the independent variables are discussed in subsequent chapters. The specific variables used are expressed in Figure 3.3 below.



**Figure 3.3: Composition of TEA**

Source: Author's construct

*R&D & technology*: this variable determines entrepreneurship competence. It represents science and technology research in countries which brings about innovation. Innovation has been argued to be an inventive entrepreneurial process which creates new economic value (Hindle, 2009). The variable has been found to be the driving force behind growth in scientific and economic communities (Lo, 2006). There should be a high correlation between science and technology researches and an entrepreneurial economy. In the wake of globalisation, entrepreneurs depend on new research findings to improve on their old ways of production and service delivery. Research remains the invisible hand behind much of the development in countries. Entrepreneurs are not often the ones who carry out the researches; they just spot an opportunity in a science research and synthesise it to a business (Aderemi *et al.*, 2013).

*Revenue from export*: this is the income realised from the exportation of creativity and innovativeness within the economy. Revenue from export indicates that entrepreneurship activities exist in a country. It shows that locally produced goods are not only patronised internally, but there are enough to be sold to the international market. Exportation enhances the economy which aligns with the government goal of economic growth (Adesoji & Sotubo, 2013; Abou-Strait, 2005). An increase of this variable in countries is an indication that the economy is entrepreneurial. Therefore, revenue from export is an entrepreneurship outcome.

*Domestic private investment*: this measures the rate of investment in the private sector. It is an indication of the existence of well-performing firms, healthy enough to attract investors despite the risk associated with investment. The rate of domestic private investment also signifies that

there are sound investment-friendly policies capable of attracting investors (Khan & Reinhart, 1990; Harigan & Mosely, 1991; Greenway & Morrissey, 1992; Serven & Salimano, 1992); Akpokodje, 1998; Dehn, 2000; Lemi & Asefa, 2001), This variable is represented by the gross fixed capital formation of the private sector in countries. It is an entrepreneurship outcome.

*Equity portfolio/stocks:* due to the emerging trend of the region's stock exchange markets in West Africa, this was deemed fit as a variable for measuring entrepreneurship. More so, capital markets contribute to economic growth in studies (Enisan & Olufisayo, 2009; Ezeoha *et al.*, 2009; N'zue, 2006; Adjasi & Biekpe, 2006; Beck & Levine, 2004). This is because liquidity is the means by which entrepreneurship activities are financed. Liquid markets attract savings and also encourage long-term investment in projects that have high return on investment. The variable is an entrepreneurship outcome.

*Economic growth:* this is a measure of the economic output or domestic productivity of a country divided by the total number of people in the country. It is the best measure of standard of living. The variable explains the outcomes of entrepreneurship in the economy. If the standard of living is high, it partly explains that there are productive entrepreneurship activities going on in the economy. According to literature, high growth in real GDP per capita signifies increased entrepreneurship outcomes (Audretsch, Lehmann & Keilbach, 2006).

*Job creation:* this is a measure of self-employed workers, specifically those workers who work on their own account or with one or a few partners or in a cooperative, where the remuneration is directly dependent upon the profits derived from the goods and services produced. According to Awe (2010), entrepreneurship is the task of increasing the supply of manpower capable of undertaking business creation which accelerates employment generation. Studies by Carree and Thurik (2002) and the OECD (1998) have also used data on self-employment as one of the indicators of entrepreneurial activities.

### **3.8. CONCLUSION**

In this chapter, a clear definition of entrepreneurship has been given in agreement with the focus of this study. The clarification was provided in order to avoid misconception due to the various existent perspectives on entrepreneurship in the literature. Reference was also made to relevant entrepreneurship theories as they explain the role of public policies in enhancing

entrepreneurship activities. As an introduction to the analysis in subsequent chapters, a peculiar TEA in West African countries fashioned in line with the entrepreneurship indicators of the OECD was adopted as the dependent variable for the statistical analysis presented in Chapter 6 of the study.

## **CHAPTER 4**

### **RESEARCH METHODOLOGY**

#### **4.1. INTRODUCTION**

This chapter considers and explains the logic behind the research approaches and techniques used to measure public policy performance as explained in Chapter 2, which justifies the use of quantitative and qualitative techniques for policy analysis. In this study, performance was perceived as a systematic process of determining the effects of macroeconomic policies and their effects on entrepreneurship performance. Assessing and learning from such performance results could be a highly proactive and forward-looking process as it advances informed policy recommendations based on the results derived from the analysis of the study. However, in order to ensure that the focus of this study was not investigated through a ‘single lens, but rather through a variety of lenses’, which allows for a multiple facets scenario of the findings to be revealed and understood, the study employed a variety of methods across qualitative and quantitative methods, namely: Descriptive statistics methods, which are dealt with in Chapter 5 and autoregressive distributed lag (ARDL) cointegration technique, which is dealt with in Chapter 6.

#### **4.2. RESEARCH PHILOSOPHY**

The assessment of public problems and issues makes public policy analysis important and relevant to research. Such analysis focuses on policymaking, impact evaluation, policy description and advocacy, as well as policy forecast, prediction, anticipation and policy performance. However, performance is taking account of input, impact or outcomes of an effort. It entails analysing and evaluating the results from a combination of outputs achieved. The performance measured in this study focused on the effect on entrepreneurship activities in the West African countries. The ‘effect’ simply refers to a change, which is a result or consequence of an action. However, the process of determining entrepreneurial performance can have multiple aspects that make it interesting to quantify (Aragon-Sanchez & Sanchez-Marin, 2005), due to the number of related factors that influence performance. Therefore, the measure of performance was determined using the techniques explained in Section 4.4, in order to retain the aim of measurability of entrepreneurship activities in West African countries.

### **4.3. RESEARCH DESIGN**

Based on the framework illustrated in Figure 3.3, the study adopted a contextual region-specific approach to provide a better understanding of the phenomenon investigated. However, given the peculiarities within West Africa bordering on insufficient data, lack of contemporaneous data in some instances, and because most countries were found ranking low on innovation criteria, made it impossible to adopt the full indicators of entrepreneurship as measured by the GEM. The study therefore adopted a specific entrepreneurship measure using OECD indicators along with some indicators of GEM and the knowledge economy to form the TEA used as a univariate dependent variable.

#### **4.3.1. Study population and sample**

The population of the study is the West African region. The study focused on ten countries as its sample which comprised five anglophone and five francophone countries in West Africa. The ten countries used were: The Gambia, Ghana, Liberia, Nigeria, Sierra Leone, Code I'voire, Mali, Burkina Faso, Senegal and Benin. These countries were purposively selected in the divides based on the hierarchy of their GDP performance as at 2017 statistics.

#### **4.3.2. Data source**

The data used were sourced from the World Bank Development Indicators, ECOWAS data base, the Global Economy data, the Global Entrepreneurship Monitor data, Index of Economic Freedom, Ibrahim Index of African Governance, individual countries' central banks, the Central Bank of West Africa (BCEAO) and a few responses from key informants. The study derived annual data from the ten selected countries from the 2000 to 2018 period to apply a dynamic cross-country panel data approach in order to explain the performance of entrepreneurship in West African countries during the period of study.

### **4.4. TECHNIQUES OF DATA ANALYSIS**

Based on previous literature, a contextual country-specific approach was adopted in this research to give a better understanding of the phenomenon. However, given the peculiarities within West Africa bordering on insufficient data, lack of contemporaneous data in some instances, and because most countries were found ranking low on innovation criteria, made it impossible to

adopt the full indicators of entrepreneurship as measured by the GEM. As mentioned previously, the study therefore adopted a specific entrepreneurship measure using OECD indicators along with some indicators of GEM and the knowledge economy to form the TEA used as a univariate dependent variable as explained in Chapter 3.

#### **4.4.1. Descriptive statistics**

Descriptive statistics methods are used to describe, organise or summarise the basic features of data, such that it is presented in a convenient and informative way, thereby making information simple to understand. Oftentimes, descriptive statistics are represented using graphical techniques such as bar charts, pie charts, histograms etc. for the ease of comprehension by the readers. In this study, bar charts have been used to present categorical data with rectangular bars and with proportional heights to summarise and present the data (Keller, 2008). Descriptive statistics provide a set of data in such a way that useful information is produced. Although descriptive statistical methods are quite straightforward, their importance should not be underestimated. In policy studies, the descriptive approach is often used to describe and explain public policies (Eneanya, 2010a). Descriptive studies in policy analysis seek to understand the processes involved in policymaking, problems and situations needing interventions. Particularly, they seek to explain what orchestrates the need for public policy, the nature of the expenses involved, the mitigation of common problems faced by the populace, etc. Descriptive studies can also scrutinise the contents of policies in order to explain if the implementation was properly executed, and whether the output or impact delivered the set out policy goals. However, analysis in descriptive studies is related to explanations particularly the use of independent variables in explaining the policy issue or dependent variable. Much of the descriptive statistics' evaluatory studies consider occurrences in retrospect so that performances can be compared to ongoing or already completed programmes. In fact, many descriptive studies make use of policy as an independent variable that does not depend on other variables.

#### **4.4.2. Preliminary comparative evaluation**

In policy analysis, comparative evaluation simply queries the *who* (concerned individuals), the *why* (problem) and the *how* (methodology). Different governments pursue particular courses of action or inaction (Heidenheime, Hecla & Adams, 1990). Comparative evaluation provides

detailed information of the processes and structures through which government makes decisions. Comparative public policy has a historical background extending more than several decades. Many political philosophers have developed their general political principles through comparative perspectives. For instance, *Aristotle* dispatched his assistants to collect the constitutions of over 100 cities, which he then compared to derive his political principles. Likewise, Machiavelli combed cases from ancient and contemporary history to expose general principles of power and politics to offer a kind of down-to-earth policy advice in his time. Notwithstanding these precedents, a clear focus on the systematic, comparative study of public policies emerged only in the past thirty years or so. In contrast with its ancient ancestors, this modern field of inquiry adopts the contemporary nation – state and the intellectual framework as its starting point. Some have emphasised a particular policy field, such as health, education, or environmental policies, as the basic focus of analysis. Other researchers have used comparative policy analysis to test more general theories of social and political development. This study took a tow from these studies in order to advance this approach to determine the performance of public policy in entrepreneurship activities. Interesting to note, is that the development of comparative policy studies has not only vastly expanded the universe of potentially relevant social science observations among diversely trained observers, it has also created diverse efforts to array the empirical policy data along lines that resist any pre-existing theoretical model.

#### **4.4.3. Hierarchical agglomerative cluster analysis**

The HAC analysis is a cluster analysis approach that categorises homogenous groups based on their distinct similarities. It carries out statistical analysis on each group otherwise referred to as clusters. The method seeks to build a hierarchy in order to determine which cluster outperforms the other. Specifically, the agglomerative cluster measures the dissimilarities or distance of the row and column of data sets, depending on the number of observations. The analysis often generates tables of distances with even more numbers than the original data. The objective is to divide the observations into homogeneous and distinct groups. Cluster analysis is also used to group variables into homogeneous and distinct groups. Coming to terms with the focus of this study, this specification of the HAC approach complements the scope of this study that considered the divides in West Africa using the same measures across countries. The aim was to determine the similarities as well as differences.



HAC is best explained by describing the algorithm, or set of instructions, which creates the dendrogram results. The dendrogram takes the form of a tree diagram that illustrates how the clusters (groups) perform among each other. The hierarchical clustering relies on the mutual similarities within similar clustered groups. The choice of the similarity measure is very important for clustering. Similarity is inversely related to distance and different ways exist to measure distances.

#### **4.4.4. Ethnography**

In a bid to apply qualitative approach, the study sourced for primary data through interviews with key informants within at least one entrepreneurship initiative in both the anglophone and francophone divides. This approach made use of whatever data were available to shed light on issues with which the researcher was concerned with. Ethnography is an essential descriptive design which is used in investigations within a given community to find out distinctive behavioural situations through key informant interviews. The primary aim of ethnographic research is to uncover explicit characteristics through observation and interviews (Welman, Kruger & Mitchell, 2008). The researcher made visits to two entrepreneurship development initiatives in two countries in the anglophone and francophone divides in West Africa. However, the data collected from key informant interviews were subjected to ethnographic summaries and quotations.

#### **4.4.5. Autoregressive distributed lag (ARDL) cointegration**

The autoregressive distributed lag (ARDL) which was developed by Pesaran, Shin and Smith (2001) is a quantitative approach applied to cointegration techniques, using statistical property of collected time series variables. It is known for its ability to model relationships in economic studies into a time series single equation. Economic theories suggest that economic variables cannot only have short-run relationships but can also have long-run relationships, which have previously been overlooked by other analytical techniques. It tends to be a more meticulous approach to understanding the dynamic relationships of economic variables in analysis, as it can estimate both short and long-run parameters simultaneously in order to avoid the challenges of non-stationary time series data. However, a long-run cointegration relationship can be determined, through the bound testing procedures which are used to infer whether or not the

variables used are integrated in the order of zero or one, i.e.  $I(0)$  or  $I(1)$  (Pesaran *et al.*, 2001). The outcomes of the ARDL cointegration regression could either be  $I(0)$ ,  $I(1)$  or both as the case may be. Nevertheless, the technique is preferable when there is a single long-run relationship between the variables. The existence is established when the f-statistic, otherwise referred to as the ward test value, exceeds the critical value band.

The main benefit of using the ARDL is that it identifies the cointegrating vectors where there are multiple cointegrating vectors. It can also be applied to both a short and long-run relationship. Coming to terms with the focus of this study, where there are ten countries with a number of data points consisting of multiple variables for 18 years, the approach was suitable to determine whether or not the variables cointegrate in such a small sample and if not, the result would suggest subsequent tests that could be carried out to deal with the problem of spurious regression. For instance, when non-stationary data sets are used as a dependent variable and as an independent variable concurrently, the outcome of the statistical inference becomes problematic and difficult to interpret (Granger & Newbold, 1974). However, in such a case, an error correction model (ECM) can be used for the adjustment process between short-run disequilibrium and a desired long-run position (Engle & Granger, 1987).

#### **4.5. CONCLUSION**

The purpose of the research techniques explained in this chapter is to provide clarity and justification of the methods of evaluation, investigation and analysis of the performance in Chapters 5 and 6. This chapter discussed the application of quantitative and qualitative methods in policy analysis, using five different research approaches, namely descriptive statistics, comparative evaluation, hierarchical agglomerative cluster analysis, key informants and autoregressive distributed lag (ARDL) cointegration. Ultimately, these research techniques were used in the study to determine the effects of public policy on entrepreneurship performance.

Policy analysis can either make use of quantitative or qualitative approaches to determine policy impacts and present plausible solutions where necessary. Since the effects of policy are multidimensional, having ripple effects on other variables and contextual factors in an economy, it is sometimes necessary to employ more than one method to assess the effects and arrive at meaningful policy interventions and recommendations (Yang, 2007). The research methods

explained in this chapter were carefully selected because of their capabilities to assess the effects of the independent variables (policy instruments) on dependent variables (TEA) as stated in the conceptual framework in Chapter 2. They were also selected as they were able to test if the relationship between the independent and the dependent variables could be generalised to the context of this study. However, due to the limitations of some research approaches, there is a constant quest for more sophisticated quantitative techniques in the academic circles, for better policy evaluation (Wagle, 2000). The methods can determine the magnitudes of the effects of the selected policies on economic factors in the West African countries. The use of these methods contributes to the empirical evidence of the performance of public policy and entrepreneurship. The result generated herein will inform stakeholders about policy outcomes through tables, numbers, trends and tested analytical relationships. These will enable all concerned to see the proven benefits as well the demerits of policy interventions. It is however left to the policy analyst to settle for the most realistic, valuable and reliable approach to measure the performance of policy.

## **CHAPTER 5**

### **ENTREPRENEURSHIP INDICATORS, POLICIES AND INFLUENCE ON THE BUSINESS ENVIRONMENT IN WEST AFRICA**

#### **5.1. INTRODUCTION**

This chapter presents preliminary evaluations of the phenomenon that is investigated in Chapter 6. It focuses on achieving the second objective of the study, which is to establish stylised facts on entrepreneurship indicators, policies and the influence of some entrepreneurship initiatives on the business environment in West Africa countries. Firstly, it gives a historical background of West Africa, the justification of the use of anglophone and francophone divides as well as the choice of West Africa as the research interest of the study. Secondly, a descriptive statistic of the entrepreneurship indicators, i.e. TEA, in the countries is presented. Thirdly, a hierarchical agglomerative clustering (HAC) analysis is used to classify countries. Fourthly, a comparative analysis of the business environments in countries is presented. Lastly, highlights of 20 enacted entrepreneurship development initiatives with few responses from key informants in selected countries are showcased. This plethora of techniques used to investigate the phenomenon is justified by Newman, Cherney and Head (2017) who reiterated that: “governments in many jurisdictions have called for an increase in ‘evidence-based’ policymaking”. This chapter aims to highlight facts useful for policymaking in the business environment in order to serve as a salutary addition to evidence-based policymaking.

#### **5.2. WEST AFRICA IN PERSPECTIVE**

West Africa, also known as Western Africa or the West of Africa, is the westernmost region of Africa, with most of the countries located in Sub-Saharan Africa. Going by colonial history, the region comprises two major divides, namely the anglophone and the francophone countries, which informs the divide within West Africa. The ‘divide’ was orchestrated due to the antecedent of British policy of indirect role and the French policy of assimilation and later policy of association respectively, derived during the colonial era. Nevertheless, similar classifications of countries have earlier been researched and documented by scholars. For instance, Ceccihetti (2002), Atkeson and Kehoe (2007) and Murdock (2009) focused on the concept of the new economy and reiterated that the transformation of economies from managed to entrepreneurial

structure encourages greater opportunities for increased entrepreneurship development and innovation. These studies also labelled the ‘old’ economic structure as ‘entrepreneurship inhibiting’ while the ‘new’ economic structures were regarded as the ‘entrepreneurial structure’. Although the classification of countries into their colonial historical divides seems static and is not subject to changes or transformations, it serves as a justification for grouping the countries in order to measure their entrepreneurship performances in this study. The groups are hereafter referred to as the ‘divides’ and they form the basis for the nexus of entrepreneurship performance in West Africa. This is necessary because in the evolution of public policy and governance, entrepreneurship is increasingly recognised as a crucial element in fostering economic development and growth, especially at the regional level. According to Huggins, Morgan and Williams (2015), regional entrepreneurship differentials emerged due to the spatial and place-based nature of three underlying factors: first, the nature of markets; second, the nature of innovation systems; and third, the nature of place-based cultures, communities and the institutions they establish.

The Economic Community of West African States (ECOWAS) is the regional economic union of West Africa. ECOWAS comprises of two sub-regional blocs, they are: the West African Economic and Monetary Union (also known as *Union économique et monétaire ouest-africaine* (UEMOA) in French-speaking countries, which is limited to the eight, mostly francophone, countries that employ the CFA franc as their common currency; and the West African Monetary Zone (WAMZ) which is comprised of English-speaking countries of West Africa working towards adopting their own common currency, i.e. the eco. ECOWAS’s Vision 2020 strategy aims to develop the region by harmonising sectoral policies across countries. Table 5.1 (in Section 5.3 below) sheds more light on the varying factors within the divides in West Africa.



**Figure 5.1: Map showing West African countries**

Source: Map data © 2002 Orion-me

West Africa has 18 countries, with most of them illustrated in Figure 5.1, namely: Benin, Burkina Faso, the island nation of Cape Verde, The Gambia, Ghana, Guinea, Guinea-Bissau, Cote D'Ivoire, Liberia, Mali, Mauritania, Niger, Nigeria, the island of Saint Helena, Senegal, Sierra Leone, São Tomé and Príncipe and Togo. The population of West Africa is estimated at about 362 million people as of 2016 (Wikipedia, 2017).

### **5.2.1. The anglophone West Africa divide: Stylised facts**

The national objectives of governments in the anglophone West African countries, namely The Gambia, Sierra Leone, Liberia, Ghana and Nigeria, are rapid economic development and national integration. The pursuit of these objectives should guarantee modernisation and political participation in this process from the village to the national level. Modernisation means the progressive organisation of societies at the national level. In other words, the spread of European type of institutions, army, civil service, political parties etc. to areas that were previously organised into small entities or where formal organisation has been perfunctory or on an ad hoc basis.

The analysis of modernisation by Hopkins (1973) provides a theoretical framework for the consideration of governmental process which itself involves formulation and implementation of policies designed to achieve government objectives which invariably revolve around modernisation. The most important purpose of government in developing countries, apart from the maintenance of law and order and economic development, is national integration. This most formidable task of government arises from the lack of cohesion and national framework for guaranteeing this before the advent of colonialism. As artificial as the colonial boundaries are, they have nevertheless provided the necessary geographical horizon which is important for the purpose of national political organisation and integration. Supported and serviced by dynamic administration, the mere 'geographical expression', countries like Nigeria or Ghana have grown into states, in spite of the well-known difficulties.

### **5.2.2. The francophone West Africa divide: Stylised facts**

In 1904, French West Africa which was known as *Afrique occidentale Francaise* consisted of six colonies: Mauritania, Senegal, French Guinea, French Soudan, Cote D'Ivoire and Dahomey. The number rose to seven in 1919 when Upper Volta was created as a colony and finally to eight in 1922 with the establishment of Niger as a colony. The divide was organised as a single administrative unit and was placed under the Ministry of Colonies at the metropolitan centre. Because this administration was regarded as an integral part of the metropolitan administration, it was regulated by decrees which were, for the most part, modifications of the existing laws related to the metropolitan administration. The decrees went directly to the Governor-General of FWA (the head of the Government General with the headquarters in Dakar) who, in his capacity as 'the depository of the powers of the (French) Republic', had the duty of promulgating them throughout the federation.

Like the other foreign powers that came to West Africa, the initial interest of the French was trade. From the time French presence was first established in Saint Louis (Senegal) in 1637 until the middle of the nineteenth century, successive French Governments were almost exclusively concerned with the development of fortified trading posts along the Rivers Senegal and Upper Niger and at different points on the coast. To this end, they signed treaty agreements with the indigenous populations.

However, the French came to West Africa with a 'conquest' and 'occupation' mission. These missions were regarded to as a 'civilizing mission'. During the period, the rulers of the different African kingdoms, states and empires were regarded as 'native tyrants' who cruelly exploited their subjects. The 'civilized' French, according to this reasoning, brought an end to this tyranny; made life and property secure; and stopped slavery and human sacrifice. Whilst the points about the establishment of a framework of order and the ending of slavery were by and large correct, it was not true that all African rulers were tyrants. It was also known that the so-called 'civilizing mission' had an ugly aspect, namely the wanton destruction of African life and the dislocation of traditional systems of government.

The organisation of the administration in French West Africa was regulated by these decrees. In matters of detail, the Governor General could issue orders (*arretes*) which had to be consistent with the provisions of the decrees. The most outstanding features of the administrative arrangements for the divide were its unitary character and a high degree of centralisation. The high degree of centralisation was due to the concentration of administrative activities at the federal centre. All the major services of French West Africa, such as health, education, finance, public works, the judiciary and so on – had their headquarters in Dakar and except for the Attorney-General, head of the Judicial Services, all the other heads of services corresponded with their external services in the different colonies through the office of the Governor-General. However, in 1890, 'the policy of assimilation' was sanctioned as the official policy in all French colonies including those in French West Africa. The idea of assimilation as a colonial policy is commonly traced back to the egalitarian ideas of the 1789 French Revolution. In 1794, the revolutionary government issued a proclamation according to which all people resident in France and the empire were entitled to French citizenship. However, besides this laudable egalitarian principle, the French also sought, through the policy of assimilation, to assert the superiority of French culture which they believed was superior to all others. In the case of the colonies in Africa, a cultural void existed. The implementation of the assimilation policy started in Senegal, which was the first French colony in West Africa.



### 5.3. CLASSIFICATION OF WEST AFRICA INTO DIVIDES

Following from the aftermath of colonialism, which swept across Africa, it was possible to form the basis for grouping the countries within into divides (see Table 5.1). Britain controlled The Gambia, Sierra Leone, Ghana, and Nigeria throughout the colonial era, while France unified Senegal, Guinea, Mali, Burkina Faso, Benin, Cote D'Ivoire and Niger into French West Africa. Portugal founded the colony of Guinea-Bissau, while Germany claimed Togoland, but was forced to divide it between France and Britain following the First World War.

**Table 5.1: Classification of West Africa into divides**

	Colonial divides	Divide 1	Divide 2
		Anglophone countries in West Africa	Francophone countries in West Africa
1	Language	English	French
2	Currency	Individual currencies exist in each county	Common CFA –hedged to the franc
3	Colonialist	Great Britain	France
4	International affiliations	Common wealth of Nations	International Organization of La Francophonie
5	Colonial ideology	Policy of indirect rule	Policy of assimilation
6	Regional capital market	No joint stock exchange but exists in individual countries	BRVM operating across French West African Economic and Monetary Union (WAEMU)
7	Number of countries	5	11

Source: Author compilation (2016)

Although the classification into colonial divides appears static and already predetermined by history, there are elements of varying competitiveness within. Basically, the broad trade-offs within the two divides are: the difference of colonial master, language, membership of unions, currency and, of particular interest to this study, the existence of the capital market in the francophone countries which have developed steadily over the years evidenced by the establishment of BRVM (*Bourse Regionale des Valeurs Mobilieres*)<sup>7</sup>, physically located in Code I'voire which serves the countries of the West African Economic and Monetary Union (WAEMU). Although the market remains relatively small and illiquid, the researcher's objective

<sup>7</sup> BRVM is a regional stock market serving the countries of the West African Economic and Monetary Union (WAEMU). It is physically located in Abidjan – Côte d'Ivoire

was to determine the entrepreneurial competitiveness of the divides taking equity portfolio into consideration as one of the measures of institutional entrepreneurship. According to North (1981) and Jones (1981), countries with efficient institutions and less distortionary policies will achieve a greater level of income. For instance, could the dependency of the central banks in the francophone countries or the independency of the anglophone countries make or mar entrepreneurship? Perhaps this factor may enhance entrepreneurship in the francophone divide given the operations of the regional market in existence. This notion could be corroborated by the dictates of structural economics approach<sup>8</sup>, which presumes that financial markets enhance development<sup>9</sup> in economies.

#### **5.4. DESCRIPTIVE STATISTICS OF THE TEA IN WEST AFRICA**

The preliminary evaluation in this section provides information that is useful for public policy stakeholders on their quest to enhance entrepreneurship performance. The aim of this statistic is to determine the performance of the total entrepreneurship activities (TEA) in anglophone and francophone West Africa divides, through comparative measures in order to establish public policy gaps. According to Ijeoma (2014), an evaluation systematically assesses programmes or policies in order to summarise the presentation of a given data set. Evaluation also refers to the process of determining the worth or significance of an activity, policy or programme. The preliminary evaluation methods used are descriptive in order to explain public policies. The focus here accounts for the progress, status, rankings, development, causes, implementation, consequences and problems of public policies.

The descriptive statistics summarises and presents the TEA in a convenient way that aids understanding of the performance of the entrepreneurship indicators. According to Eneanyi (2010), descriptive studies in policy analysis have certain characteristics. First, they are more like academic studies whose intentions or goals are not informed by the needs or prompts of clients or policy actors. Second, they seek the understanding of policy processes, policy problems and situations. Particularly, they seek to explain the cause of public policy, the nature and trends of expenditure in policy sectors or areas, the problems of public policies, etc. Lastly, they are more

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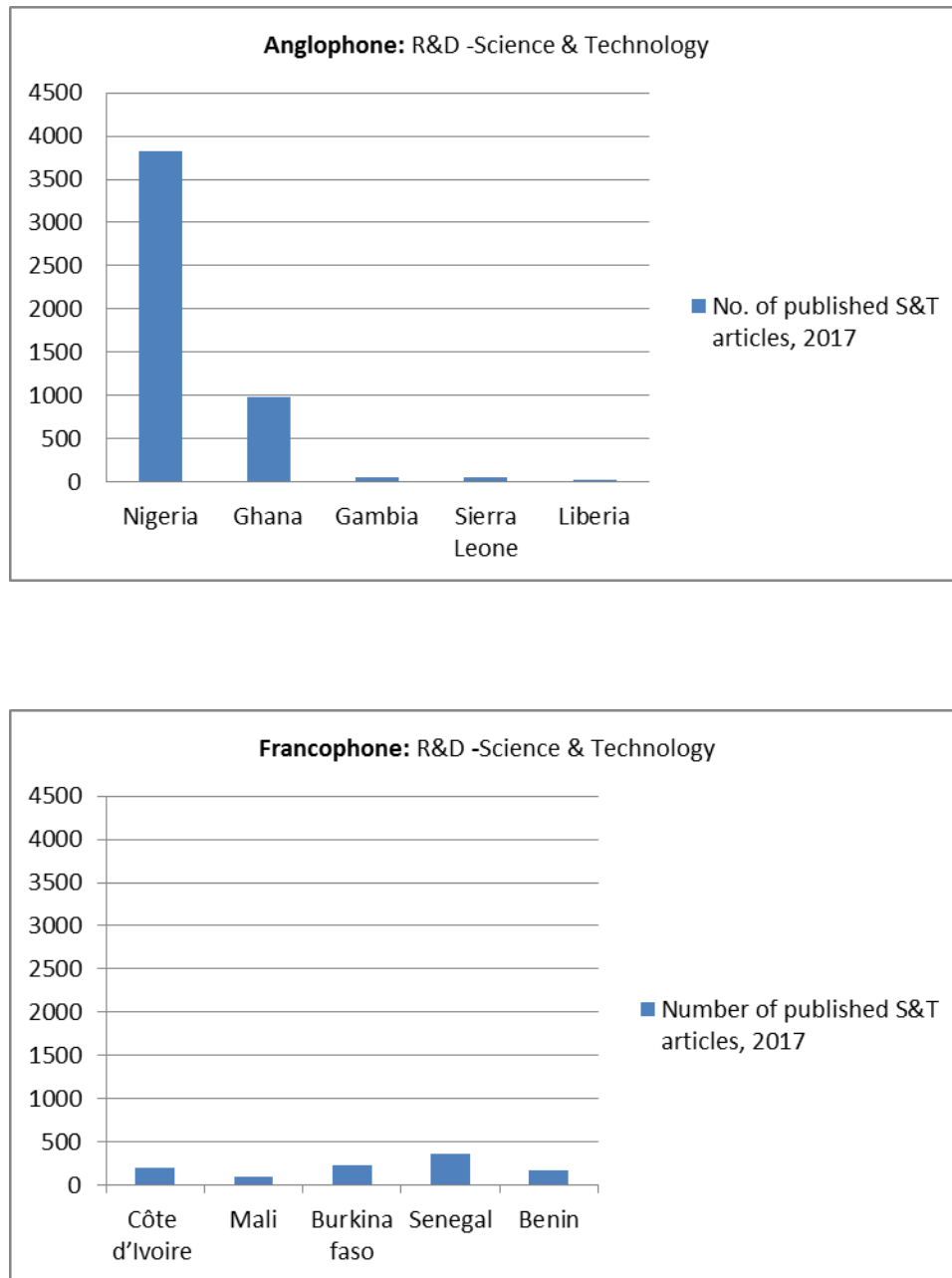
<sup>8</sup> *Structuralist economics measures policies by identifying specific rigidities, lags as well as other characteristics of the structure of developing countries (Dutt & Ros, 2003).*

<sup>9</sup> *Bearing in mind that economic development comprises of entrepreneurship according to the Joseph Schumpeter's (1934) theory of economic development.*

concerned with the investigators of policy contents, implementation, output and impact of particular policies. It is not that descriptive studies are not quantitative or analytical. Some of them are and in fact studies of the determination of public policies, which have engaged considerable attention in recent times, involved considerable data and quantitative analysis. Analysis in descriptive studies is related to explanations, particularly the use of independent variables in explaining the policy issue or dependent variable. In fact, many descriptive studies utilise the policy as dependent variable approach. Public policy in its varied ramifications is the object to be described and explained. However, much of the evaluatory studies are retrospective and relate to studies of ongoing or completed programmes, hence, the 2017 figures of the secondary data generated have been used to represent each component of the TEA on the bar charts in this study.

#### **5.4.1. Descriptive statistics of TEA in anglophone and francophone West Africa divides**

These descriptive statistics are illustrated in the following figures (Figure 5.2 to Figure 5.7), with each including the statistics of both the anglophone and francophone divides.

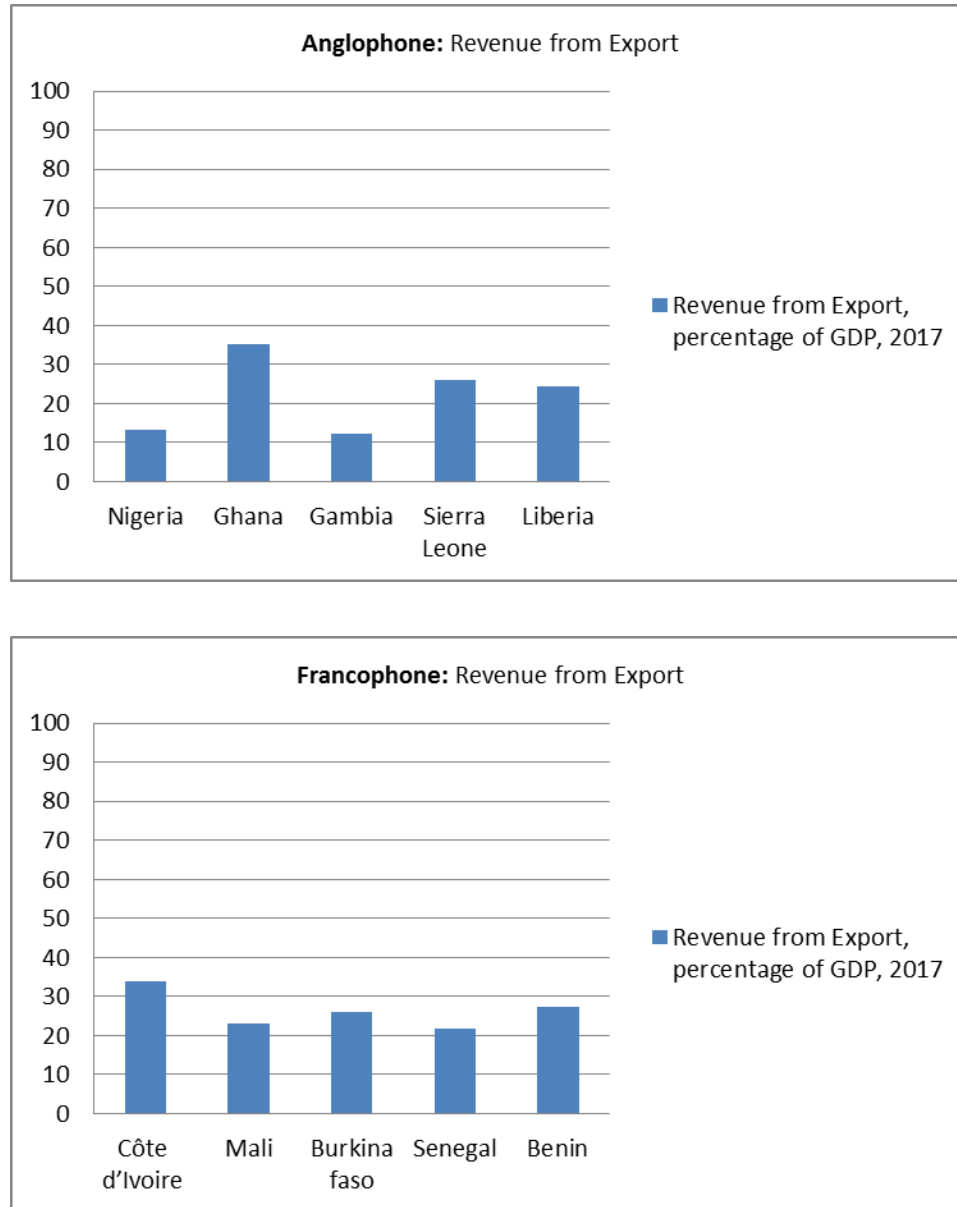


**Figure 5.2: Entrepreneurship determinant as a component in TEA: R&D and Technology**

Source: WDI, 2018

From Figure 5.2 above, it is evident that the anglophone West African countries perform better than the francophone ones. Nigeria ranked high at the determinant while the francophone

countries were ranked low. The Gambia, Sierra Leone and Liberia also ranked low in the science and technology measure of entrepreneurship determinant. The figure represents the number of scientific and engineering articles published in journals.

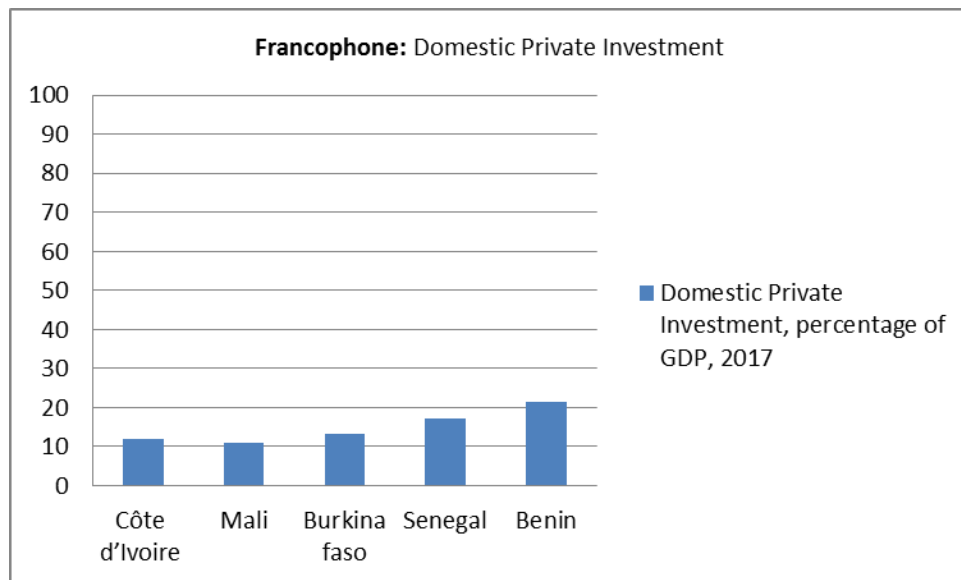
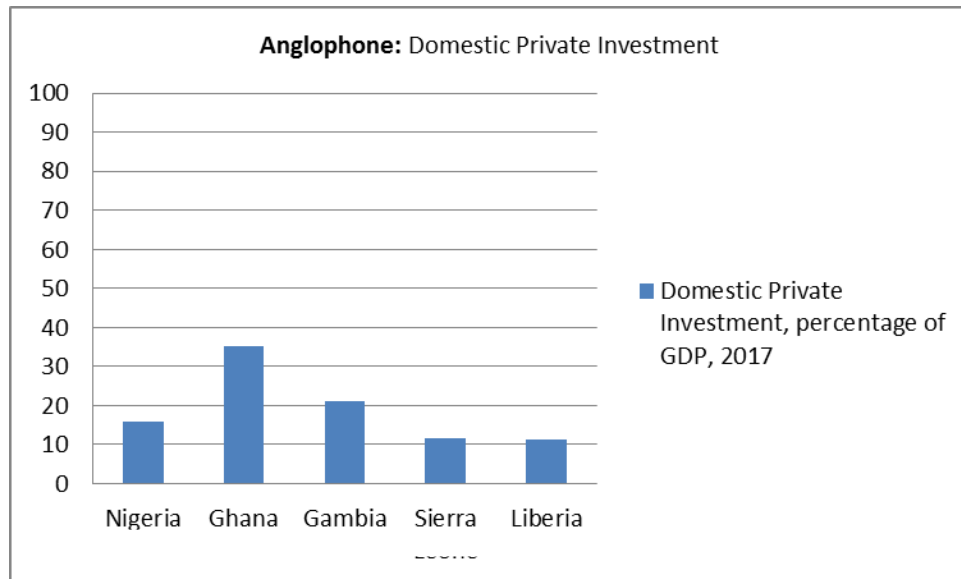


**Figure 5.3: Entrepreneurship outcome as a component in TEA: Export**

Source: WDI, 2017

It is evident from Figure 5.3 above that both divides have competed fairly closely as the revenue each received was on par except for Ghana that received the most revenue from export in the

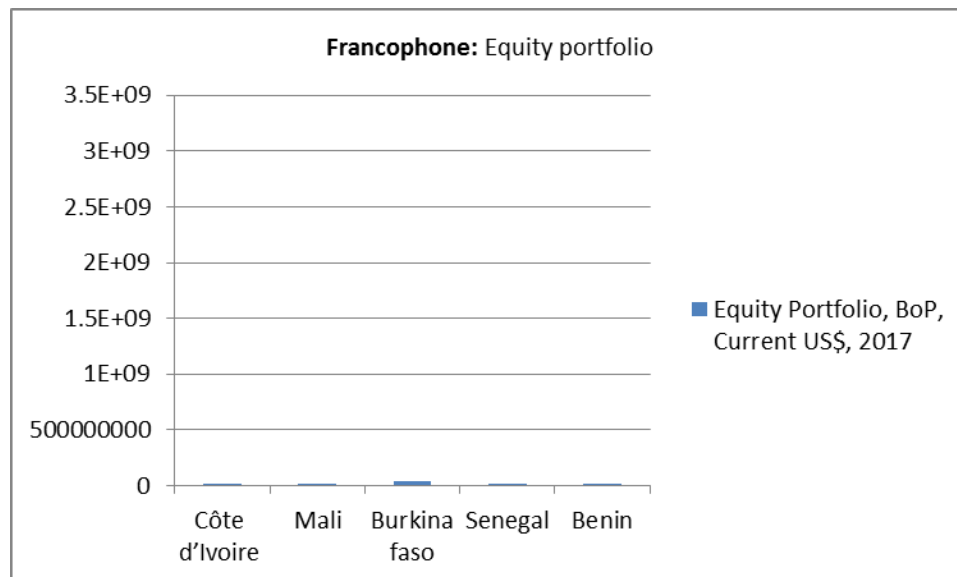
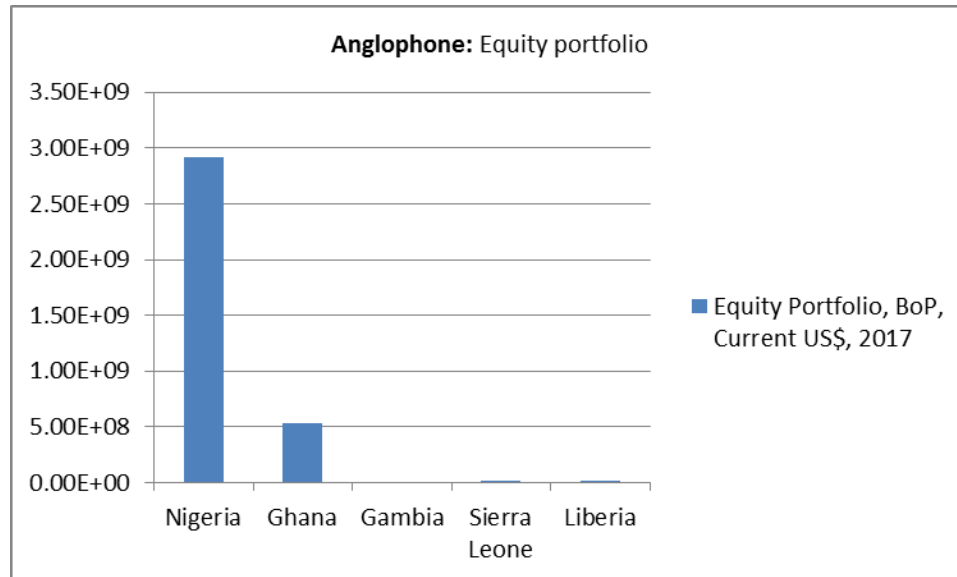
year. The revenue from export represents the value of all goods and other market services provided to the rest of the world.



**Figure 5.4: Entrepreneurship outcome as a component in TEA: DPI**

Source: WDI, 2018

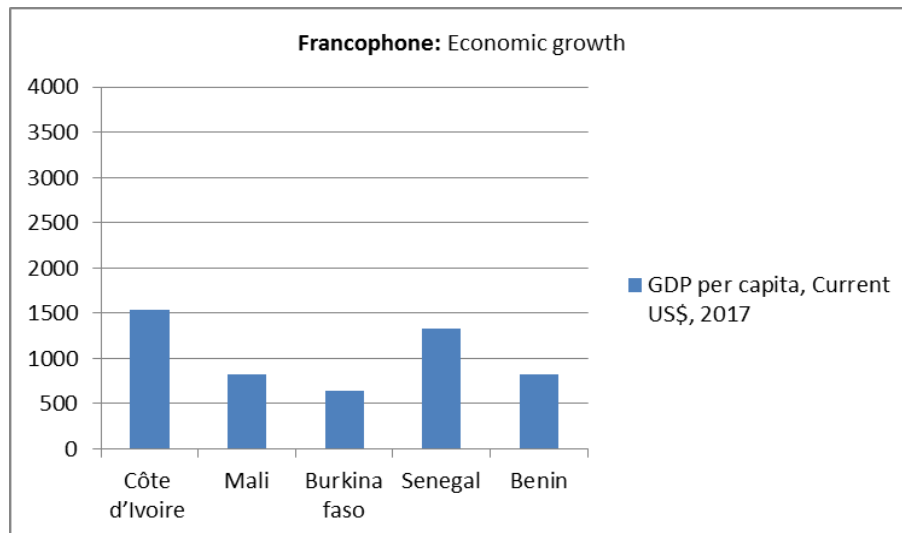
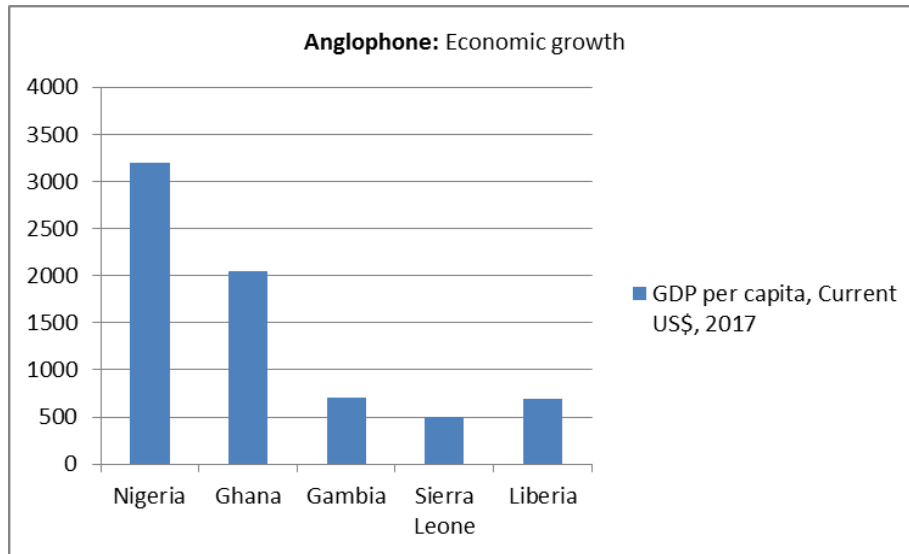
From Figure 5.4 above, it is evident that domestic private investments are relatively low in both divides. There have been minimal investments which signifies that the incentives directed towards the private sector in which a sizeable number of entrepreneurship activities take place, need to be reviewed



**Figure 5.5: Entrepreneurship outcome as a component in TEA: EPS**

Source: WDI, 2018

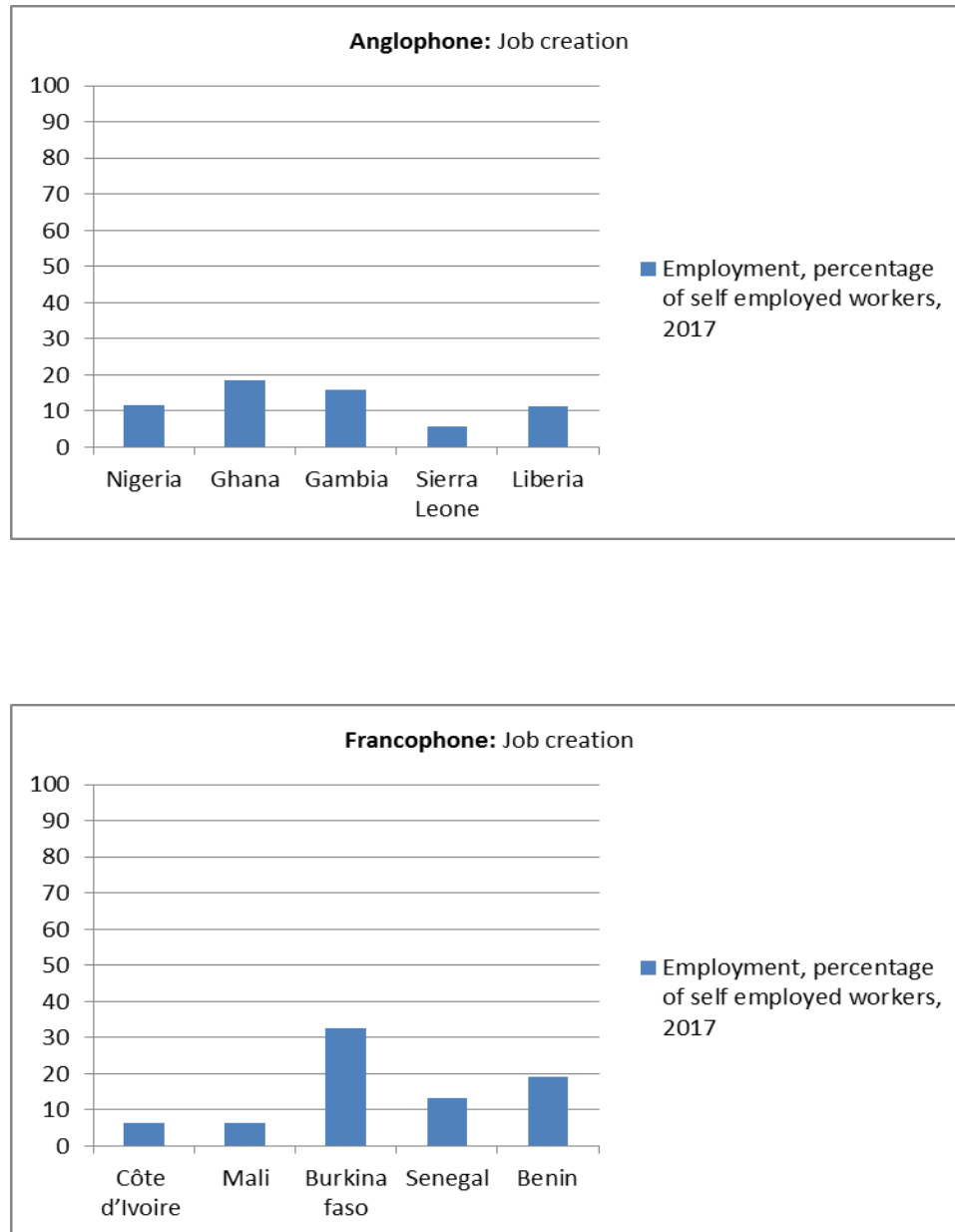
Despite the regional stock exchange (BVRM) in the francophone countries, the chart shows that their operations have not been commendable. Perhaps the market has been illiquid. The occurrence of such situations inhibits entrepreneurship activities as it reflects low net inflows from equity securities including shares, stocks, depository receipts and direct purchases of shares in local stock markets by foreign investors. However, the policy regulating the financial sector in Nigeria has been entrepreneurship enhancing in encouraging equity portfolios.



**Figure 5.6: Entrepreneurship impact as a component in TEA: Economic growth**



Economic growth is a measure of entrepreneurship performance. Nigeria had the highest in the anglophone divide, while Côte d'Ivoire had the highest in the francophone divide. This signifies domestic production of goods which is a function of creativity, innovation and adding value that appropriately describes entrepreneurship activities. Overall, the anglophone divide had a higher total GDP per capita compared to their counterpart.



**Figure 5.7: Entrepreneurship impact as a component in TEA: Job creation**

Based on Figure 5.7 above, both the anglophone and francophone West African countries show signs of entrepreneurship impact through job creation. However small, sizeable efforts have been made in the countries. The efforts also seem uniformed across the region. The figure represents the percentage of ‘self-employed’ people working on their own account or with one or a few partners or in cooperative, irrespective of sustainability. This measure consists of own-account workers, members of producers, cooperatives, and contributing family workers.

#### **5.4.2. Hierarchical agglomerative cluster analysis**

Still following on the second objective of this study, the hierarchical agglomerative cluster with squared Euclidean distance was used to determine the TEA components, namely entrepreneurship enhancing and entrepreneurship inhibiting, in the divides. This qualitative analysis method was used to characterise the ten selected countries within the West African region into a two clusters solution based on the secondary data generated in the year 2017, using the study’s unique TEA figures. One of the cluster groups was identified as ‘anglophone West Africa divide’ while the other was the ‘francophone West Africa divide’. As mentioned earlier, the variable used for the TEA was derived from previous studies, as specified on Figure 3.3.

The hierarchical agglomerative cluster analysis is a method of cluster analysis that seeks to build a hierarchy of clusters. Specifically, the study made use of the agglomerative cluster in order to pair and merge each observation according to hierarchy using squared Euclidean distance metrics. The aim of using the cluster analysis was to combine variables to form groups in which the characteristics of the variable would be as homogeneous as possible while ensuring that the characteristics of variables between groups were as dissimilar as possible.

#### **5.4.3. Cluster analysis results**

In order to further establish stylized facts about the performance of entrepreneurship indicators i.e. TEA in the West African countries, the HAC analysis with Ward’s method of clustering algorithms separated samples of countries, based on variables described earlier. The anglophone countries used were The Gambia, Ghana, Liberia, Nigeria and Sierra Leone (group 1), while the francophone countries used were Côte Ivoire, Mali, Burkina Faso, Senegal and Benin (group 2).

**Table 5.2: Final cluster centres**

	Group 1	Group 2	F
	Mean	Mean	
Equity portfolio stocks	2153292433.00	5825943.38	54821.94
Domestic private investment	17.29	18.10	.012
Revenue on export	30.80	28.44	.029
Science & technology research	4063.10	99.33	2523.96
Economic growth	2314.96	756.77	17.78
Job creation	2242.42	1632.93	.009

The discriminant function analysis using all the variables mentioned earlier as predictors of entrepreneurship performance was performed. A single discriminant function was calculated which was statistically reliable at  $p < .05$  and accounted for more than 90% of the variability between the groups. The discriminant function separates the two groupings of countries presumably based on the comparison of the group centroids. All 100% of the original grouped cases were correctly classified except Domestic private investment, Revenue on export and Job creation which showed significant univariate Fs for group difference. Equity portfolio stock (.000), RD & Technology (.000 ) and economic growth (.003), were the most discriminating for distinguishing between the two groupings of countries. Table 5.2 above shows that group 1, being anglophone countries, had higher mean values of Equity portfolio stocks, Revenue on Export, RD & Technology and Economic growth – this signifies that four of the five variables represent entrepreneurship performance at national level. This indicates that the policies in the anglophone divide are more entrepreneurship enhancing than the francophone countries except for Domestic private investment which had a slightly higher mean in francophone countries. This is due to the fact that regional integration and cooperation fuelled by the common language, common currency, i.e. the CFA, and dependent central banks have promoted trade openness in the divide. Perhaps the dependency on the central bank regulates the macroeconomic environment of the francophone countries. The divide performed slightly better than anglophone countries with regard to the Domestic private investment variable in 2017.

**Table 5.3: Proximity matrix**

Case	Squared Euclidean Distance									
	1: 1	2: 1	3: 1	4: 1	5: 1	6: 2	7: 2	8: 2	9: 2	10: 2
1:	.000	1077683082395.173	114848360575.082	446019844605217.300	7090739177062.678	4970079841557.204	253148227202165.080	4970080231555.660	4627072311860331500.000	4689467586979.380
2:	1077683082395.173	.000	1886148698669.440	48094804754895.200	13897098277985.111	1419082659761.928	287260041652393.440	1419082651961.918	4631539491042324500.000	1271038976730.651
3:	114848360575.082	1886148698669.440	.000	431820441030954.700	5400752691583.197	668667740624.877	242479097465885.560	668667811549.074	4625614469764478000.000	627208945624.745
4:	446019844605217.300	48094804754895.200	431820441030954.700	.000	34063903958347.300	545154758830519.800	27128986859708.510	545154759107076.600	453880947344316400.000	542177236424270.200
5:	7090739177062.678	13897098277985.111	5400752691583.197	34063903958347.300	.000	23833734568250.527	17560897309785.500	23833734712043.113	4615623511243752400.000	23313078182752.574
6:	4970079841557.204	1419082659761.928	668667740624.877	545154758830519.800	23833734568250.527	.000	33906800584272.500	57628235	463668302034273300.000	4076808768.188
7:	253148227202165.080	287260041652393.440	242479097465885.560	27128986859708.510	17560897309785.500	33906800584272.500	.000	33906801007500.700	4658875912162340400.000	335747207678631.500
8:	4970080231555.660	1419082651961.918	668667811549.074	545154759107076.600	23833734712043.113	57628235	33906801007500.700	.000	4636683020355082000.000	4076808531.957
9:	4627072311860331500.000	4631539491042324500.000	4625614469764478000.000	453880947344316400.000	4615623511243752400.000	463668302034273300.000	4658875912162340400.000	463668302035508200.000	.000	463638331630022700.000
10:	4689467586979.380	1271038976730.651	627208945624.745	542177236424270.200	23313078182752.574	4076808768.188	335747207678631.500	4076808531.957	463638331630022700.000	.000

This is a dissimilarity matrix

**Table 5.4: Ward linkage: Agglomeration schedule**

Stage	Cluster combined		Coefficients	Stage cluster first appears		Next stage
	Cluster 1	Cluster 2		Cluster 1	Cluster 2	
1	6	8	28814.118	0	0	2
2	6	10	2717891642.794	1	0	5
3	1	3	60142071930.334	0	0	4
4	1	2	1032277938866.025	3	0	5
5	1	6	6883274695490.585	4	2	6
6	1	5	19809826540374.387	5	0	8
7	4	7	33374319970228.640	0	0	8
8	1	4	605662743806027.100	6	7	9
9	1	9	4151056754381159900.000	8	0	0

The analysis suggests that policymakers in anglophone West African countries should prioritise expenditures that complement private investment rather than spending on expenditures that substitute for private investment. However, according to Nordhaus (1994), as the effects of the coordination and independence of the policies cannot be seen in the short run, it is expected for the domestic private investment to perform better than that of the francophone countries in the long run which is beyond the scope of this study. Cumulatively, group 1 (the anglophone divide) have a higher mean than group 2 (francophone divide) which signifies that the anglophone countries were entrepreneurship enhancing while the francophone countries were entrepreneurship inhibiting during the period reviewed.

**Table 5.5: ANOVA**

	Cluster		Error		F	Sig.
	Mean square	Df	Mean square	df		
Equity_portfolio_stocks	4150451091621028900.000	1	75707842847012.250	8	54821.944	.000
Domestic_private_investment	.594	1	49.988	8	.012	.916
Revenue_on_Export	4.994	1	174.400	8	.029	.870
R&D: Science &Technology	14140301.569	1	5602.415	8	2523.965	.000
Economic growth	2185141.770	1	122871.157	8	17.784	.003
Job creation	1245789	1	28.9	8	.009	.012

The  $F$  tests were used only for descriptive purposes because the clusters had been chosen to maximise the differences among cases in different clusters. The observed significance levels were not corrected for this and thus could not be interpreted as tests of the hypothesis that the cluster means are equal.

**Table 5.6: Case processing summary<sup>a</sup>**

Cases					
Valid		Missing		Total	
N	Percent	N	Percent	N	Percent
10	100.0	0	.0	10	100.0

a. Ward Linkage

In regard to the insignificant  $F$  GDP per capital for both divides, this might not necessarily have a negative effect on entrepreneurship. For instance, Solow's model of economic growth assumes that the relationship between per capita income and the rate of economic growth is negative (Crafts & Toniolo, 1996). The justification is that countries with low per capita income have a weak capital formation and therefore, investment will achieve growing returns, contrary to the countries with high per capita incomes. However, this leads to the conclusion that developing countries are able to converge in income with developed countries if they succeed in increasing domestic and foreign investment.



Figure 5.8: Number of clusters case

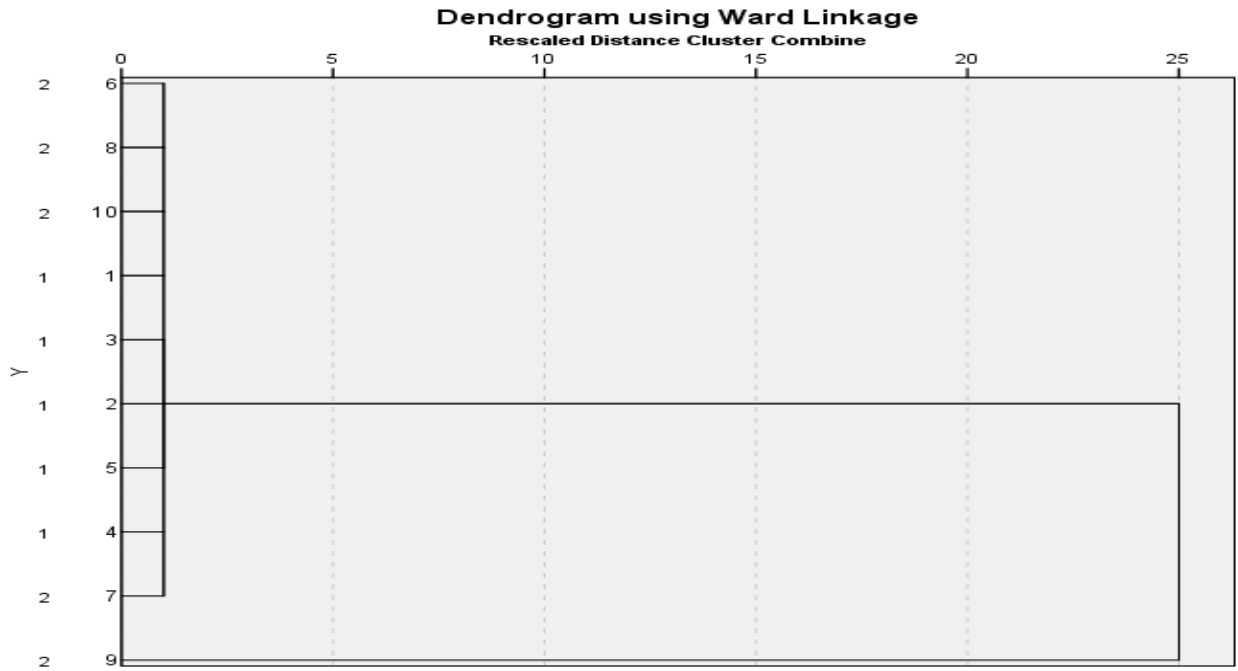


Figure 5.9: Dendrogram using Ward linkage

#### **5.4.4. Comparative evaluation of the business environment**

This presents a clear focus on the systematic, comparative study of the business environments in countries. For this study, the purpose of evaluating the business environment in countries was to determine how favourable they are for the purpose of entrepreneurship activities. Making references to the ranking reports and ratings of global institutions, such as the global entrepreneurship monitor: Ibrahim index of African governance, Index of economic freedom. Thus, the evaluation was based on the designed score ranking of the business environments: **0**-not too accommodative, **1**-accomodative, **2**-encouraging, **3**-most ideal, for entrepreneurship activities.



**Table 5.7: Comparative evaluation of the business environment in anglophone countries**

	Country	Summary of monetary and fiscal policies taking into account their focus, locus, target and system of finance, as discussed in Chapter 2 of the study	Effect of monetary and fiscal policies on the business environment: <i>IIAG rankings</i> <sup>10</sup>	Regulatory efficiency of the policies: <i>Economic Freedom ratings</i> <sup>11</sup>	Entrepreneurship evaluation: <i>Researcher's evaluation</i> <sup>12</sup>	National economic environment: <i>GEM ratings</i> <sup>13</sup>
1	Nigeria	To attain price stability through external reserves to safeguard the international value of the legal currency. The macroeconomic policies in Nigeria are financed and controlled by the Central Bank of Nigeria.	34 out of 54 countries	Business Freedom (49.3) ▲ Government Spending (96.3) ▲ Monetary Freedom (66.9) ▼	2/3 Encouraging	Factor-Driven Economy
2	Ghana	The monetary policy objective is to ensure price stability, low inflation and to support the government's economic objectives including those for growth and employment. Policies are financed and controlled by the Bank of Ghana.	9 out of 54 countries	Business Freedom (59.5) ▼ Government Spending (79.0) ▲ Monetary Freedom (63.7) ▼	1/3 Accommodative	
3	The Gambia	To achieve and maintain price and exchange stability underpinned by a sound and vibrant financial system to encourage and promote sustainable economic development. The macroeconomic policies in Gambia are financed and controlled by the Central Bank of Gambia.	31 out of 54 countries	Business Freedom (54.2) ▲ Government Spending (74.0) ▼ Monetary Freedom (63.2) ▼	1/3 Accommodative	
4	Sierra Leone	To formulate and implement monetary and supervisory policies. To foster a sound economic and financial environment in the best interest of the country. The macroeconomic policies in Sierra Leone are financed and controlled by the Bank of Sierra Leone.	35 out of 54 countries	Business Freedom (51.3) ▲ Government Spending (89.8) ▼ Monetary Freedom (69.5) ▼	1/3 Accommodative	
5	Liberia	To maintain price stability and to ensure a sound banking and financial system, thereby contributing to sustainable economic development of the nation. The macroeconomic policies in Liberia are finance and controlled by the Central Bank of Liberia.	14 out of 54 countries	Business Freedom (53.1) — Government Spending (59.4) ▼ Monetary Freedom (71.4) ▼	0/3 Not too accommodative	

<sup>10</sup> Ibrahim Index of African Governance (<http://iiag.online>), 2018

<sup>11</sup> 2018 Index of Economic Freedom (<https://www.heritage.org>)

<sup>12</sup> Researcher's evaluation based on scores ranking: 0- Not too accommodative, 1-Accommodative, 2- Encouraging, 3-Most Ideal

<sup>13</sup> Global Entrepreneurship Monitor (<http://gemconsortium.org>), 2018

From Table 5.7 above, an evaluation was made based on four institutional observations of public policies and their implication on entrepreneurship in the business environment. The monetary and the fiscal policies are controlled by the government in the five West African countries through their independent central banks. The Ibrahim Index of African Governance evaluates the effect of monetary and fiscal policies on the business environment. The regulatory efficiency is measured by the index of economic freedom as the condition of the economic environment over which governments typically exercise policy control. It focuses on the effect of government policies on Business Freedom, Government Spending and Monetary Freedom. These three measures determine the conduciveness of entrepreneurship in national context. The efficiency is scored when there is an increase from the previous year's performance compared to 2018 figures, such as indicated with ▲ symbol. Under the 'Entrepreneurship Evaluation', in countries where there is:

1▲ denotes that the policies inherent are 'accommodative' for entrepreneurship activities

2▲ denotes that the policies inherent are 'encouraging' for entrepreneurship activities

3▲ denotes that the policies inherent are 'most ideal' for entrepreneurship activities

While '—' denotes no change from previous performance.

Lastly, the 'National Economic Environment' is ranked by the Global Entrepreneurship Monitor data according to the World Economic Forum (WEF) in its global competitiveness report. GEM rates all five anglophone West Africa countries, namely Nigeria, Ghana, The Gambia, Sierra Leone and Liberia as 'factor-driven economies'. According to the WEF's classification, factor-driven economies are the least developed, which are dominated by subsistence agriculture and extraction businesses, with a heavy reliance on (unskilled) labour and natural resources.

From Table 5.8 below, it appears that the francophone countries such as Burkina Faso and Cote d'Ivoire addressed their public policy strategies such that they were ranked high in attracting business. Their policies must have focused on easing regulatory issues for starting businesses such as securing permits and cross border business incentives. This reiterates the fact that there is no meaningful entrepreneurship development without public policy interventions.

**Table 5.8: Comparative evaluation of the business environment in francophone countries**

	Country	Summary of monetary and fiscal policies taking into account their focus, locus, target and system of finance as discussed in Chapter 2 of the study	Effect of monetary and fiscal policies on the business environment: <i>IIAG rankings</i> <sup>14</sup>	Regulatory efficiency of the policies: <i>Economic Freedom ratings</i> <sup>15</sup>	Entrepreneurship Evaluation: <i>Researcher's evaluation</i> <sup>16</sup>	National Economic Environment: <i>GEM ratings</i> <sup>17</sup>
1	Code I' Voire	The Primary objective of monetary policy in the French West African countries is to ensure price stability without prejudice to this objective. The macroeconomic policies in the countries are financed and controlled by the Central Bank of West African States otherwise known as <i>Banque Centrale des États de l'Afrique de l'Ouest</i> (BCEAO). The central bank serves the eight west African countries which share the common West African CFA franc currency and comprise the West African Economic and Monetary Union (UEMOA). The bank also supports the economic policy of the West African Economic and Monetary Union for a healthy and sustainable growth.	20 Out of 54 countries	Business Freedom (62.1) — Government Spending (84.6) — Monetary Freedom (73.6) ▲	⅓ Accommodative	Factor-Driven Economy
2	Mali		25 Out of 54 countries	Business Freedom (52.8) ▲ Government Spending (85.3) ▼ Monetary Freedom (81.9) ▼	⅓ Accommodative	
3	Burkina Faso		21 Out of 54 countries	Business Freedom (51.5) ▲ Government Spending (83.7) ▲ Monetary Freedom (84.5) ▼	⅔ Encouraging	
4	Senegal		10 Out of 54 countries	Business Freedom (51.5) ▲ Government Spending (72.7) ▼ Monetary Freedom (84.7) ▼	⅓ Accommodative	
5	Benin		14 Out of 54 countries	Business Freedom (60.7) ▲ Government Spending (85.6) ▼ Monetary Freedom (84.7) ▼	⅓ Accommodative	

<sup>14</sup> Ibrahim Index of African Governance (<http://iiag.online>), 2018

<sup>15</sup> 2018 Index of Economic Freedom (<https://www.heritage.org>)

<sup>16</sup> Researcher's evaluation based on scores ranking: 0- Not too accommodative, 1-Accommodative, 2- Encouraging, 3-Most Ideal

<sup>17</sup> Source: the Global Entrepreneurship Monitor (<http://gemconsortium.org>), 2018

## **5.5. STYLISED FACTS AND THE INFLUENCE OF ENTREPRENEURSHIP INITIATIVES ON THE BUSINESS ENVIRONMENTS IN COUNTRIES**

This section presents qualitative empirical evidence of some the highlighted public initiatives enacted to promote entrepreneurship in selected countries by reporting excerpts from key informants from two countries, i.e. one from the anglophone divide and another from the francophone divide in West Africa. Specifically, this section provides ideas about the role of entrepreneurship in West Africa using 20 entrepreneurship initiatives comprising of five each in a total of four countries, that is two from each of the divides. It also presents a snapshot of government intentions and entrepreneurship operations in the countries. The selected countries are Nigeria, Ghana, Côte d'Ivoire and Benin. The excerpts from the ethnographic approach were moderated by the researcher who sought and obtained the consent of the participants before conducting the interviews. The interviews and observations were focused on eliciting information about public policy and entrepreneurship performance.

### **5.5.1. Anglophone: Governance and the promotion of entrepreneurship in Nigeria**

At the instance of the structural adjustment policy in 1986, Nigeria experienced a reawakening of its entrepreneurship drive at a time when the country had no choice other than to diversify from its oil-concentrated economy to other non-oil sector economic activities such as agriculture during the President Ibrahim Babangida-led military administration. This move birthed a number of entrepreneurship initiatives which cannot be listed here. To this end, the nation presently boasts of numerous start-ups, business hubs, and partnerships with international companies. SMEs in Nigeria are one of the major contributors to the economy as they account for about 64% of employment and 90% of the industrial sector in terms of their number (Eniola, Ektebang & Entebang, 2014). Although the Nigerian entrepreneurs in the business environment face a multitude of challenges such as lending rates, provision of collateral for credit facilities and multiple taxation, the government has put in place certain programmes that are channelled towards supporting SMEs' growth. As for the banks' rate of lending, not all banks in Nigeria have interest rates as high as 32% anymore (Agwu & Emeti, 2014). Concerning the collateral issue, the Central bank of Nigeria launched a modern online collateral registry with the support of the World Bank Group in May 2016. The benefit of the collateral system includes enabling businesses to leverage their assets to obtain credit for growth, amongst others. The system also allows entrepreneurs to access loans using conventional and unconventional properties as collateral. The National Directorate of Employment (NDE) posits an innovative national strategy to

curb unemployment in its dynamic forms and patterns. The various employment creation programmes of the NDE are designed to provide training in critical skills required to make an unemployed person either employable or self-employed. Emphasis is placed on self-employment as against paid employment as a stimulus to engender entrepreneurial spirit and create wealth. To support this concept, the Directorate provides demonstrative soft loans to outstanding beneficiaries of her various programmes. The public policy in Nigeria also pays attention to gender mainstreaming. For instance, the Nigerian Export Promotion Council (NEPC) which is one of the initiatives set up to support entrepreneurs through discounted export credit guarantees supported 2,000 Nigerian women in exports in 2017.

The Bank of Industries (BOI) is the foremost and most popular initiative of the Nigerian government. It was initiated specifically for SME growth. The bank provides financial assistance to entrepreneurs with a long-term repayment plan. Also, it promotes and provides access to industrial infrastructures such as layouts, incubators, and industrial parks for entrepreneurs. Different administrations in Nigeria have shown genuine interest in issues pertaining to SMEs, particularly in how to make them sustainable. For instance, there have been interventions in the form of policies enacted to enhance SMEs' incubation process in the agriculture sector through the Bank of Agriculture. This has been as a result of the sector's relevance and contributions to national economies. The SMEs have been generally acknowledged as the cornerstone of the industrial development of any country. Apart from the numerous goods produced by SMEs, they provide veritable means of large scale employment, as they are usually labour intensive. They also provide training grounds for entrepreneurs even as they generally rely more on the use of local materials. The Nigerian government has been making efforts since the 1970s to revitalise its informal sector where the SMEs' operation takes place, in order to make the country self-sufficient through policy interventions. According to Akiri and Adufu (2007), the government through a financial system and through their role as financial intermediary supports SME growth incentives in the nature of their services and functions within the economy.

However, some of the existent policies have failed while some are still operational. The reasons for failure have been attributed to the unwillingness of the conventional banks to support SMEs; lack of effective skill to deliver planned services; scarcity of loanable funds; absence of specialised institutions to support the sector; incompetent management and low management capacity of entrepreneurs (CBN,

2007). However, Ebiringa (2012) argued that too many policies have been aimed at stimulating entrepreneurship in Nigeria with little gains.

**Table 5.9: Summary of highlighted government-supported entrepreneurship initiatives in Nigeria**

	<b>Entrepreneurship policy initiative</b>	<b>Year of establishment</b>	<b>Supervisory body</b>	<b>Objectives</b>	<b>Intervention approach to entrepreneurs</b>	<b>Industry of special interest</b>
1	SMEDAN	2003	The government of Nigeria through the Central <i>Bank</i> of Nigeria established during the democratic governance of President Olusegun Obasanjo	To initiate and articulate policy ideas for small and medium enterprises growth and development	Promoting and providing access to industrial infrastructures such as layouts, incubators, industrial parks for entrepreneurs.	All sectors
2	The Bank of Industry Limited (BOI)	2001	The government of Nigeria through the Ministry of Finance and the Central <i>Bank</i> of Nigeria under the democratic governance of President Olusegun Obasanjo	To transform Nigeria's industrial sector by providing financial and business support services to enterprises	Support of quality projects with high developmental impact such as job creation and poverty alleviation to enhance the socio-economic standard of Nigerians	<ul style="list-style-type: none"> <li>• Agro-industries, textile and leather</li> <li>• Polymer –based industries</li> <li>• Solid minerals</li> <li>• Foundries</li> <li>• Information communication technology (ICT) services</li> </ul>
3	Bank of Agriculture (BOA), <i>formerly Nigeria Agricultural Cooperation and Rural Development Bank NACRDB</i>	2000	The government of Nigeria through the ministry of agriculture and rural development under the democratic governance of President Olusegun Obasanjo	To finance farmers and other rural development initiative.	Provides credit facilities to both small and large scale farmers and small businesses within rural areas	Agricultural sector
4	The National Directorate of Employment (NDE)	1986	Ministry of Budget and National Planning, Federal Ministry of Finance, under the military rule of General Ibrahim Babangida	To operate as an employment creation agency	<ul style="list-style-type: none"> <li>• Vocational Skills Development</li> <li>• Entrepreneurship Development</li> <li>• Agricultural Skills Training and Public Works Programme</li> </ul>	All sectors
5	Nigerian Export Promotion Council (NEPC)	1976	The government of Nigeria through the ministry of industry trade and investment, under the military rule of General Olusegun Obasanjo	To promote development and diversification of exports by expanding and increasing non-oil exports for sustainable and inclusive economic growth	Diversify the productive base of the Nigerian economy away from oil and foster market-oriented, private sector-driven economy. Through special incentive to support women in export trade	Non-oil sectors

### 5.5.2. KII Excerpt from SMEDAN



**Figure 5.10: SMEDAN logo**

The following quotation is an extract of the interview with the key informant at SMEDAN on the role of the entrepreneurship development initiative as a medium for empowering entrepreneurs. Based on the questions asked, the respondent was emphatic about the role and functions of the initiative as stated in its brochure.

*..as stated in the SMEDAN's mission and vision statements, we are out to promote the development of the MSME sector of the Nigeria Economy. The agency achieves this goal by helping small businesses and entrepreneurs to have access to loans and also offering training and mentorship services. As at 2012, the Agency has been able to offer range of services to 80167 beneficiaries by empowering entrepreneurs. We will like to reach as many MSMEs as are crucial and imperative to achieve the goal of an MSME led economic growth, industrialization and job creation. SMEDAN also offers information and advisory services to entrepreneurs including sensitization and needs assessment which provides the basis for attitudinal change and effective business decisions through our special service outlet centres. The basic requirements or benchmarks that qualifies an entrepreneur to benefit from the Agency is a proof of identity such as a National ID card and a Business Plan. The loans provide by SMEDAN serves as boost to the entrepreneurs' working capital. In actual fact, the loan is opened to all Nigerians that are in the medium and small business category. However, it is not a jamboree of free fund for everyone. Since all loans are not provided by the Agency but from a pool comprising of a consortium of financial institutions. However, funds disbursed are expected to be used judiciously. To this end, there are screening processes to ascertain the capability of an applicant. Nevertheless, SMEDAN emphasis that loans should be given out without collateral or with minimal collateral demand. Generally, all small business entrepreneurs are eligible to access to the loans. Over the years monetary policy has been largely restrictive which, has affected the health of enterprise development in Nigeria. High interest rate rooted in a policy*



*aimed towards positive real positive interest rate has created a narrow credit channel: Which has reduced the ability of SME to access credit due. For Small and medium enterprise to benefit from capital formation, it has to move from the informal sector to the formal one, A policy directive that will ensure banks lend more to small and medium enterprises cannot be overemphasized. Monetary policy should provide more incentives to bank to encourage them to lend to Small and Medium enterprise. For instance, the agency advances a Minimum Amount of five hundred thousand naira and a maximum of twenty five million at 13% interest rate with a repayment interval of 36 months. The ultimate goal of SMEDAN is to empower entrepreneurs to spur sustainable economic growth in Nigeria. Entrepreneurs are free to give us feedback and suggestions on how to serve them better. Most of the beneficiaries under SMEDAN operate in the service and agriculture sector. We are committed to delivering measurable results. We cherish quality service delivery by our Agency on one hand, and the MSMEs on the other, in the most cost-efficient manner*

### **5.5.3. Anglophone: Governance and the promotion of entrepreneurship in Ghana**

The Republic of Ghana just like Nigeria has also explored a number of entrepreneurship development initiatives varying from one democratic administration to another. Table 5.10 shows a summary of five of such initiatives which are not limited to the ones highlighted, namely the National Board for Small Scale Industries (NBSSI) which specifically caters for the needs of micro small and medium enterprises in the cottages industries and in other sectors; the Microfinance and Small Loans Centre (MASLOC) which provides support to agriculture and agro-processing enterprises with special interest to encourage more women; the Ghana EXIM Bank which financially encourages export and international business to venture into businesses; the Ministry of Business Development that ensures a sustainable, business-friendly and innovative entrepreneurial and innovative business environment; and the National Entrepreneurship and Innovation Programme (NEIP). From observation, it appears that every president initiates renewed effort to support the plight of entrepreneurs in Ghana. This gives credit to the regular general elections being held in the county. For instance, the current leader – President Nana Kufo – is very enthusiastic about some of these initiatives. He was quoted as saying that: *“NEIP will accelerate job creation and provide entrepreneurial Ghanaian youth with a critical alternative to salaried employment”*. Even the Africa Centre for Entrepreneurship and Youth Empowerment commends the president for his, ‘sterling leadership and innovation

towards entrepreneurship promotion' (<https://www.ghanaweb.com/GhanaHomePage/features/-An-open-letter-to-the-Chief-Executive-Officer-of-NEIP-742241#>)

Nevertheless, the country is blessed with natural resources in the agricultural sector such as cocoa, which is Ghana's main cash crop, making the country the largest cocoa exporter in the world since as far back as the 1960s. For instance, due to intensified efforts, government initiated reforms that spurred foreign partnership with Cadbury and other multinationals. As at 2018, cocoa production had grown to high levels accounting for the participation of 38,417 farmers in 447 communities. Despite this feat, unemployment still persists which questions the effect of the initiatives listed on Table 5.10. Although all the initiatives have been enacted at different times and different administrations have specific roles, their functions do often overlap. However, entrepreneurship education is gaining much attention in Ghana because entrepreneurship is seen as a driving force to the development of the Ghanaian economy and the creation of jobs, hence providing solutions to unemployment challenges (Amanamah, 2017). For instance, it is worthy to note that there is a 'women first policy' established to encourage more women to venture into businesses through the MASLOC initiative. MASLOC has gone a step ahead to monitor the effective usage of funds given to women entrepreneurs through an integrated ICT solution that was adopted to enable the initiative to operate on a full automated platform as well as to manage the activities of its beneficiaries. The management of the Centre believes that the introduction of the ICT solution will assist beneficiaries to transact businesses easily with the aid of a card, thereby creating ease of access to finance for entrepreneurs. However, the management of MASLOC regrets that' *"People who did not require loans were given loans"*. The centre vehemently advocates for strategies to enable it to undertake a vigorous recovery exercise nationwide such as the need for an integrated ICT infrastructure to help with the recovery exercise and operations of credit facilities.

**Table 5.10: Summary of highlighted government-supported entrepreneurship initiatives in Ghana**

	<b>Entrepreneurship policy initiative</b>	<b>Year of establishment</b>	<b>Supervisory body (financier)</b>	<b>Entrepreneurship objectives</b>	<b>Intervention approach to entrepreneurs</b>	<b>Industry of special interest</b>
1	National Entrepreneurship and Innovation Programme (NEIP)	2018	Ministry of Business Development during the democratic regime of President Nana Akufo-Addo	To provide an integrated national support for start-ups and small businesses	*Incubation & Acceleration *Business Competition & *Business Support *Industrialization Plan *NEIP Fund	All sectors
2	Ministry of Business Development	2017	The government of Ghana during the democratic regime of President Nana Akufo-Addo	To create a sustainable and most business-friendly entrepreneurial and innovative business environment	Focus on MSME and youths	Agriculture & Agro-processing Mineral processing Textiles & garments, Petroleum services, Tourism & Health
3	Ghana EXIM bank	2016	The government of Ghana during the democratic regime of President John Mahama	To improve export and international business	Pre-shipment credit facility, Post Shipment Credit, Contingent Liabilities, Export Development Finance, Cross-border investments, Project Exports, Research & Advisory	Agricultural sector i.e. (cash crops) non-traditional export
4	Microfinance and Small Loans Centre (MASLOC)	2006	The Government of Ghana, during the democratic regime of President, John Kufuor	To provide micro and small loans for start-ups and small businesses to grow and expand businesses as well as to enhance job and wealth creation.	Growing and developing small and micro businesses through the provision of sustainable microfinance, small loans and business services to Ghanaian entrepreneurs.	Agriculture and agro-processing with special interest to encourage more women to venture into businesses.
5	National Board for Small Scale Industries (NBSSI)	1981	The Government of Ghana, during the democratic regime of President Hilla Limann	Aims to provide the needed assistance to MSMEs in Ghana.	Business planning Credit resources, KAIZEN, approach to enhance their productivity and quality.	Cottage Industries and others

*\* KAIZEN is a philosophy on the culture of the enterprise and its management style towards quality and productivity improvement based on little changes on a regular basis with minimum investment*

#### **5.5.4. Francophone: Governance and the promotion of entrepreneurship in Cote D'Ivoire**

Different reforms have been undertaken to facilitate the opening and launching of new firms in Cote D'Ivoire. On the side of investors, many mechanisms are being put in place to soft equity investment. The African Development Bank (AfDB) has been instrumental in this regard. One thing that is crucial for the success of SMEs in Cote D'Ivoire is the availability of capital and government policies (Carenzo, 2019). The government recently streamlined the registration process so that new businesses can be established within 48 hours. This usually took three weeks to a month. Also, the return of AfDB to Abidjan has accelerated the deployment of the African Guarantee Fund for SMEs which aims to reduce poverty and achieve the MDGs in African countries. The Ivorian Government has supported the AfDB in collaboration with the Korean Government to grow small businesses in two communities in Yamoussoukro, Cote d'Ivoire. Apart from loans given to farmers, artisans and weavers, among others, entrepreneurs are trained in how to manage modern day agriculture-related businesses. The country has also enacted various reforms to facilitate the launching of new firms. The focus of the reforms are to attract equity investments from "angel investors" and other forms of business partnership that provide financial assistance ranging from \$30,000 to \$300,000 to start-ups, specifically in IT, logistics and distribution businesses. Already, the African Development Bank provides support for entrepreneurship through the youth entrepreneurship and employment project (YEEP) and the (business incubation and growth) programme. Other efforts of the government are as highlighted in Table 5.11 but are not limited to the few mentioned. There is a government ministry dedicated to SMEs, the ministry of SMEs in Cote D'Ivoire, which is specifically dedicated to small entrepreneurship matters. CEPICI (Centre de Promotion des Investissements en Côte d'Ivoire) is another entrepreneurship development initiative which is dedicated to the improvements of the business environment and ease of doing business. The Civic Action Service for Employment and Development (SCAED) facilitates the placement of the beneficiaries in traineeships within enterprises. There is also a National Youth Fund which provides financial support and guidance to young people between the ages 16-35 years, who want to engage in community-oriented entrepreneurial activities. However, Carenzo (2017) regrets that there is still a wide equity gap for small businesses. The government sends strong signals on how to make entrepreneurship a priority. For instance, school programmes have been designed to develop an entrepreneurial mindset among students in addition to their normal curriculum. Also, the country's 4-year plan has been designed to partner with the private sector in its entrepreneurship pursuit towards the realisation of the Cote D'Ivoire 2040 strategic plan. The idea behind the government intention is to make entrepreneurship the pillar of growth in the country.

**Table 5.11: Summary of highlighted government-supported entrepreneurship initiatives in Côte d'Ivoire**

	<b>Entrepreneurship policy initiative</b>	<b>Year of establishment</b>	<b>Supervisory body (financier)</b>	<b>Entrepreneurship objectives</b>	<b>Intervention approach to entrepreneurs</b>	<b>Industry of special interest</b>
1	CEPICI, (Centre de Promotion des Investissements en Côte d'Ivoire) ,	2012	Established by Ivorian Government during the democratic rule of President Alassane Ouattara Also supported by IFC (International Finance Corporation),	Improvements of the business environment and ease of doing business	*company's registration within 24h at only 15,000 fcfa obtain building license in 26 days <i>*simplified the payment of taxes</i> the one stop shop of foreign trade <i>*securing the economic life</i> <i>*investors protection</i>	All sectors
2	Ministry of Commerce, Industry and SME Promotion			To implement and monitor government's policy on Trade, Industry and Promotion of SMEs.	Implementation of actions aimed at strengthening the managerial capacities of national entrepreneurs, particularly in the area of business management	All sector
3	Ministry of Crafts ,	2017	Established by Ivorian Government during the democratic rule of President Alassane Ouattara	To strengthen the performance of SMEs	Strengthen the performance of SMEs	Informal sector
4	Civic Action Service for Employment and Development (SCAED)	2016	Established by Ivorian Government during the democratic rule of President Alassane Ouattara	Aims to provide civic, academic and professional education by facilitating young people's integration within the country's economic fabric	Facilitate the placement of the beneficiaries in traineeships within enterprises	All sectors
5	National Youth Fund (FNJ)	2012	Established by Ivorian Government during the democratic rule of President Alassane Ouattara	Provides financial support and guidance to young people between the ages of 16-35 years who want to engage in community-oriented entrepreneurial activities	Provides financial support and guidance to young people between the ages of 16-35 years who want to engage in community oriented entrepreneurial activities	All sectors

### 5.5.5. Francophone: Governance and the promotion of entrepreneurship in Benin

The Republic of Benin is a member of the Organization for the Harmonization of Business Law in Africa (OHADA), a regional body which aims to spur business growth. Specifically, the association with OHADA is designed to ‘encourage micro and small entrepreneurs to join the formal sector’ (IFC, 2018). The project targets over 3,600 informal micro enterprises located in Cotonou, but had only registered 400 small entrepreneurs as at 2014. The government in Benin has simplified the business registration process, thereby making it free. The idea of simplifying the registration process is to encourage entrepreneurs. The country has a ministry of public policy which has an agenda to create jobs, increase profits, contribute to economic growth and thereby reduce poverty in Benin. For instance, IFC (2018) reports that a man named *‘Sébastien Gnonhoussou, a tailor in Cotonou, was offered the opportunity to formalize his small business by registering as an “entreprenant”*. *He received support to register his business within 24 hours, at no cost, to obtain a professional “entreprenant” card, and to open a bank account.*

The World Bank Group also provides support to assist entrepreneurship in Benin. The group focuses on implementing investment climate reforms that promote trade and competitiveness in the private sector. The Benin investment climate programme specifically aims to build a strong business-enabling environment by simplifying business entry and operation procedures, while the Competitiveness and Integrated Growth Opportunity Project aims to foster entrepreneurship. There are a number of private sector contributions to entrepreneurship because the government’s public policies permit business partnership in order to contribute to the growth in agriculture, service and technology-related businesses. Songhai is a typical case in study, not only to Benin but to some neighbouring countries in West Africa. Among other initiatives, the establishment of the Esperanza University, a private institution owned by Pierre d’Alcantara Zocli, offers entrepreneurship education at tertiary education level to the populace. TEKXL and EtriLabs are specifically set up as incubation centres i.e. boot camps set out to create business support solutions for entrepreneurs through training and events. The unique feature of the entrepreneurship development initiatives in Benin is that they are mostly private owned. The entrepreneurship pursuit of the country is not left in the hands of the government alone; rather it is opened to partnerships with the private sector for the common goal of development.

**Table 5.12: Summary of highlighted government-supported entrepreneurship initiatives in Benin**

	<b>Entrepreneurship policy initiative</b>	<b>Year of establishment</b>	<b>Supervisory body (financier)</b>	<b>Entrepreneurship objectives</b>	<b>Intervention approach to entrepreneurs</b>	<b>Industry of special interest</b>
1	Songhai centre	1989	Private sector owned. Established by Dr. Godfrey Zamusho	Entrepreneurship development in agriculture for sustainable socio-economic development	Training, marketing, innovation, research	Agricultural sector
2	Organization for the Harmonization of Business Law in Africa (OHADA)	1993	The OHADA Treaty is made up today of 17 African states	Created with the objective of fostering economic development in West and Central Africa	Creating a better investment climate so as to attract investment	All sectors
3	Esperanza university	2014	Privately owned and established by Pierre d'Alcantara Zocli	Offers entrepreneurship education at tertiary education level	Offers 60% practice and under 40% theory on entrepreneurship to students	Education
4	TEKXL (Incubation center)	2015	Privately owned, established by Senam Beheton and Ulrich Sossou	Boot camping. TEKXL builds start-ups with scalable business models	Boot camping. TEKXL builds start-ups with scalable business models	All sectors
5	EtriLabs (Innovation hub)	2014	Privately owned, established by Senam Beheton and Ulrich Sossou	Educational Technology and Research designed to support and promote technology	Start-up acceleration and incubation, innovative technology solutions for enterprises, co-working, training and events	Enterprise solutions to sectors

### 5.5.6. KII Excerpt from Songhai



**Figure 5.11: Songhai logo**

The following is an extract of the interview with the key informant interview at Songhai on the role of the entrepreneurship development initiatives as a medium for empowering entrepreneurs. Based on the questions asked, the respondent said the following:

*Songhai is a nongovernmental organisation established 28 years ago by Reverend (Dr.) Godfrey Zamusho that provides an entrepreneurial environment. The Centre provides an alternative to sustainability through agricultural entrepreneurship in an integrated development framework. Songhai is a sustainable African initiative that has been developed with its own resources for so many years. The initiative has been hailed by the United Nations as a centre for excellence. It is recognised for its role in training young people for employment. As per gender preference of participants, there is no segregation once the intending participant is found to be teachable and have the knowledge, skills and value system to make a difference in Africa. In fact, UNESCO describes Songhai as a 'best practice' for entrepreneurship development because it provides a link between education and training. The Centre is supported by partners and not the government of Benin republic. The ultimate goal is to influence every local government of rural area to be socio-economically viable to solve the three common problems of poverty, food insecurity and unemployment. Songhai is a technology and industrial park that provides suitable environment to train young entrepreneurs. Our job is not done after training the people, we also serve as a Centre where we assist participant with credit facilities, new ideas, seed nurturing, marketing and technology so that they can become real entrepreneurs. Elections are not consequential to us. The Centre is not perturbed by election or no election; every day is business as usual for us. Our lending rates are friendly and our loans are more accessible than of the conventional banks. We welcome suggestions from our trainees and already established entrepreneurs in a bid to make us better at what we do. The agricultural sector is the main focus of Songhai.*



## 5.6. CONCLUSION

This chapter considered the historical antecedents in West Africa as a 'divide' to classify the economies within two groups, namely the British anglophone and the French francophone countries. Although the classification into colonial divides appears static and already predetermined by history, there are elements of varying competitiveness within. Basically, the broad trade-offs within the two divides are: the difference of colonial master, language, membership of unions, currency and, of particular interest to this study, the existence of the capital market in the francophone countries which have developed steadily over the years evidenced by the establishment of BRVM. Although the market remains relatively small and illiquid, the study's objective was to determine the entrepreneurial competitiveness of the divides taking equity portfolio into consideration as one of the measures of institutional entrepreneurship. According to North (1981) and Jones (1981), countries with efficient institutions and less distortionary policies will achieve a greater level of income. For instance, could the dependency of the central banks in the francophone countries or the independency of the anglophone countries make or mar entrepreneurship? Perhaps this factor may enhance entrepreneurship in the francophone divide given the operations of the regional market in existence. This notion is supported by the dictates of the structural economics approach (Dutt & Ros, 2003), which presumes that financial markets enhance development (Schumpeter, 1934) in economies.

In summary, the types of public policies that were enacted in the business environments of the countries reviewed show that entrepreneurship has been made as a policy focus. Nevertheless, many of the efforts made have been largely supported by the government in the anglophone divide, while the francophone divide countries have been more open to private sector partnership in the drive to promote entrepreneurship development. Based on the findings, most of the entrepreneurship policies in the countries focused more on agriculture-related businesses and SME development. These policies adopt an incubation strategy as a medium for transferring skills to upcoming entrepreneurs. It was also found that most of the specific entrepreneurship policies have been focused on the agricultural and service sector, while few efforts have been made regarding technology and innovative entrepreneurship activities. Specifically, the results show that, the anglophone divide ranks higher than the francophone divide under the 'entrepreneurship determinant' category. While the anglophone divide performs better under the 'entrepreneurship outcome' category, countries within the francophone divide received more returns from exported goods. The data used shows that Burkina Faso ranks highest in job creation criteria while the anglophone divide's economic growth is cumulatively higher than that of the francophone divide

under the 'entrepreneurship impact' category. However, based on the overall TEA performance, the efforts of the francophone divide seem uniformed across the countries. This could be because of the regional cooperation that exists in the divide. The common currency, the common central bank, i.e. BCEAO, and the regional capital market, i.e. BRVM, could be instrumental to the uniformity of performance across the countries. The cluster analysis shows that the anglophone divide has a cumulative higher mean of the entrepreneurship indicators than the francophone divide which signifies that the anglophone countries were entrepreneurship enhancing while the francophone countries were entrepreneurship inhibiting during the period reviewed.

The comparative analysis of the business environment using various economic ranking, shows that both divides operate within a factor-driven economy whereby economic sustainability is heavily reliant on subsistence agriculture, extraction business, unskilled labour and natural resources. Rather, countries are supposed to be efficiency and innovation driven in order to attract more entrepreneurship activities (GEM, 2010). The highlights and interviews of the selected entrepreneurship development initiatives show that the public policies in both divides have made entrepreneurship a policy focus. Nevertheless, many of the efforts made have been largely supported by the government in the anglophone divide, while the francophone divide has been more open to private sector partnership in its drive to promote entrepreneurship development. It was also found that most of the entrepreneurship policies have been focused on the agricultural sector.

However, the level of entrepreneurial activity in any country coincides with its economic development (Bird, 1989). Entrepreneurship activities have positive impacts on the economy, environment, social and political wellbeing of the state. According to Laura and René (2003), it brings about social capital investment and a common good for all and sundry. The value and importance of entrepreneurship lies in the significant contribution to economic development, to production, competitiveness, employment creation, industrial growth, organisational decentralisation (Hackett & Dilts, 2004) and to social coherence (Kongolo, 2010). Entrepreneurship functions as the source of new enterprises, new innovative products, dynamic applications and flexible business forms (Tambunan, 2011). In the process, these sources help meet the socio-economic needs and form the zoning plans for the distribution of employment and income within the economy (Hackett & Dilts, 2004), thereby increasing the citizenry spending power and propping economic growth (Dubihlela & Dhurup, 2013).

## **CHAPTER 6**

### **EFFECTS OF MACROECONOMIC POLICY ON ENTREPRENEURSHIP PERFORMANCE IN WEST AFRICA**

#### **6.1. INTRODUCTION**

Keeping up with the third objective of the study, this chapter focuses on the two main macroeconomic policy instruments and their effects on entrepreneurship performance in West African countries. Building on the literature review on the theory, empirical evidence and implication on the monetary and fiscal policy instruments on entrepreneurship activities in Chapter 2, the relevant data were analysed using an autoregressive distributed lag (ARDL) panel estimation technique to determine the effects of the phenomenon and the data enveloping analysis to establish the efficiencies of same. The unique measure of entrepreneurship at country level, i.e. the total entrepreneurship activities (TEA) generated in Chapter 3, was used as a univariate dependent variable while the macroeconomic policy instruments were used as the independent variables. The regression estimation, having the pre-diagnostic test which includes the descriptive analysis, correlation matrix and two types of unit root tests (Levin, Lin and Chen, and Im Pesaran and Shin), were used to check the unit root properties of the series, and the panel cointegration test was carried out. Also, the study carried out the pooled regression, autoregressive distributed lag model (ARDL) as justified in Chapter 4 was used. The empirical results generated from the analysis are discussed thereafter.

#### **6.2. MACROECONOMIC ISSUES IN WEST AFRICA**

Macroeconomic policies have a wide and deep history in West Africa. However, due to the different peculiarities of the business environments, the macroeconomic stance and objectives differ from country to country. The macro environment, often used interchangeably with external environment, encompasses variables that are not within the control of the entrepreneur. Entrepreneurship scholars have identified several of these external variables. For instance, principal among the factors identified are the influences of the markets (Thorntorn, 1999); public policy is a key determinant, as entrepreneurship opportunities exist in business environments regulated by government (Baumol, 1990; Dobbin & Dowd, 1997); and the role of physical infrastructures also cannot be overemphasised (Agboli & Ukaegbu, 2006). The forces that operate within the macro/external environment are of paramount importance to entrepreneurship because the knowledge of the environment helps the entrepreneur identify conditions that may impede the progress of the business and, therefore, plan ahead to forestall such occurrence.

Historically, the monetary policy in Africa has evolved over the past decades, contributing to a rich economic history. According to Honohan and O'Connell (1996), it has metamorphosed through the following stages: (i) Currency Board which economises on the use of currency that was operational both in English-speaking and French-speaking countries in the 1960s; (ii) Printing Press which responded passively to domestic and external shocks by managing money supply; (iii) Rationing Regime which controlled prices of goods and services, labour market wages, and also controlled interest rates and the exchange rates; (iv) Credit-ceiling Regime which was an economic reform programme used to ration access to borrowing; (v) Market-clearing Regime which paved the way for modern central banks operating in a market-based economic and financial system where the government can only borrow from the central bank at market rates determined just like for any other borrower, and all seigniorage revenue vanishes.

### **6.3. CONTEMPORARY MACROECONOMIC ISSUES IN WEST AFRICA**

Empirical studies also have evidence of the emergence of stock markets in West Africa. For instance, Enisan and Olufisayo (2009) investigated stock market development and economic growth in Sub-Sahara African countries – Nigeria inclusive from 1980 to 2004. They found that the stock market has a unidirectional causality from finance to growth in Nigeria showing weak evidence of growth-led finance. Ezeoha *et al.* (2009) investigated stock market development and private investment growth from 1970 to 2006 and found that the stock market has a positive significant relationship with domestic private investment in Nigeria, while stock market development has a negative and non-significant impact on foreign private investment. N'zue (2006) also investigated the stock market development and economic growth in Cote D'Ivoire from 1976 to 2002 and found that a long-run relationship exists between the stock market and development and growth only when control variables were considered, i.e. public expenditure, public investment, public development aid and FDI. Adjasi and Biekpe (2006) too investigated stock market development and economic growth in selected African countries – Ivory Coast and Nigeria inclusive from 1975 to 2001. They found that the overall stock market development has a significant impact on economic growth and that the stock market only plays a significant positive role in the growth of African countries that are classified as upper middle income and in countries with moderately capitalised markets. Beck and Levine (2004) investigated stock markets, banks, and growth in 42 countries – West African countries inclusive from 1980 to 1989. They found that there was a significant positive relationship between external dependence and overall financial development in industry growth. Indeed, there has been an emergence of stock markets in West Africa, which calls for the attention of policymakers and entrepreneurship performance at national level.

## 6.4. MACROECONOMIC POLICY ON ENTREPRENEURSHIP PERFORMANCE IN WEST AFRICA

The stability and efficiency of the financial sector, especially the banking system, has become a major concern for central banks in all economies (Ncube, 2015). For instance, the questions of whether government-budgeted deficits are inflammatory and why central bankers worry about government budgets, have been arguably found to depend on how the monetary and fiscal policies are interacted. Hence, having stable and low inflation requires proper coordination of fiscal and monetary policies in every economic management endeavour. Achieving low inflation, as well as high and sustained output depending on the monetary framework, is a cardinal function of central banks in engendering economic growth. The degree of the central banks' independence is in performing its functions; notwithstanding, there is a high level of interdependence with the fiscal authorities and actions. Concerning effectiveness of the monetary policy vis-a-vis its statutory macroeconomic goals, a large quantum exists of both theoretical and empirical studies (Taylor, 2004; Sims, 1994, 2007; Gali & Gertler, 1999; Gali *et al.*, 2012). Despite the large amount of literature indicating that central bank independence and monetary policy are positively correlated, the monetary policy is not and can never be isolated from other economic authorities such as fiscal policy in its role of promoting entrepreneurship.

On the other hand, the fiscal policy actions, responses and overall well-being of citizens have been found to be positively related to entrepreneurship growth (Gali, 2008; Hermawan & Munro, 2008; Monacelli *et al.*, 2004) and this implies that when fiscal discipline is ensured, price management may become convenient. In other words, government effort at improving economic welfare could be either entrepreneurship enhancing or inhibiting depending on its policies. According to Dennis (2005), “a common criticism of policies geared towards entrepreneurship is that of a re-inventing wheel, or a poor accumulation and sharing of knowledge and experience”. Despite the wide range of policy measures implemented to accelerate economic growth, the empirical evidence on the relationship between macroeconomic policies, central banks' operations and entrepreneurship performance remains unresolved. This study attempted to answer this in order to contribute knowledge to the studies on national entrepreneurship in West Africa.

### 6.4.1. Macroeconomic variable specification

#### *Monetary policy instruments:*

(i) *Money supply:* This represents the total amount of money in circulation in a country controlled by its apex bank, commonly known as the central bank. This causes changes in national income

(Friedman, 1982). The broad money supply ( $m_2$ ) was used as the variable for this study. The supply of money into a market system affects both demand-side and supply-side conditions conducive for entrepreneurship (Harper, 2003). The availability of money supply empowers entrepreneurs to participate in entrepreneurial activities

(ii) *Inflation*: Inflation was calculated by using the consumer price index. Higher inflation was expected to reduce real credit growth. The nominal interest rate on bank loans is typically fixed. Therefore, high inflation rates lower the real return on assets earned by the borrower, i.e. the bank. High inflation rates complicate credit adverse situations (Boyd & Champ, 2003). This reduces the access to finance for entrepreneurship activities.

(iii) *Interest rate*: This variable represents the cost charge on the credit facilities offered by the commercial banks. High interest rates reduce access to finance as entrepreneurs will not be able to afford getting loans from banks for entrepreneurship purposes, because of the increase in the cost of a loan. If the interest rate on the loan is reduced, entrepreneurs will be able to borrow enough funds for production. However, a low interest rate is an incentive for loan borrowers; it will encourage more investments in entrepreneurship activities. Hence, entrepreneurship activities will increase because the cost of finance is reduced. Thus, overall, an inverse relationship between entrepreneurship performance and interest rate is expected.

(iv) *Inflation*: The rate of inflation in countries reduces the purchasing power of a local currency. It creates a situation whereby there is an excess supply of money in circulation chasing few goods. Inflation rate determines the value of a local currency when compared to other currencies. Given that inflation lowers the purchasing power of entrepreneurs, the demand for production inputs will fall when inflation is high. Therefore, a negative relationship is expected between entrepreneurship performance and inflation rate.

(v) *Exchange rates*: This variable represents the exchange rate value of the local currencies of countries against a foreign currency. In this case, the exchange rate of the United States dollar was used. The variable could have a dual effect on entrepreneurship in countries. The variable could either enhance or mar entrepreneurship activities depending on the movements of the local currency against the US dollars. For instance, if the local currency appreciates, entrepreneurs will be able to import raw material from abroad for production purposes, but at the same time, the situation makes the export of locally produced goods expensive at international markets, and vice-versa.

***Fiscal policy instrument:***

(vi) *Government expenditure on infrastructure:* Development economists acknowledge the centrality of public expenditure, particularly on infrastructure, as an important instrument in the development process (Edame & Fonta, 2013). For instance, entrepreneurship tends to grow when there are good road networks, an effective telecommunication system and regular power supply. However, expenditure on infrastructures is capital intensive and it is one of the main considerations of a financial budget. Government expenditure on infrastructure has been an issue for policy discourse among scholars the world over (Sanchez-Robles, 1998; Aschauer, 1989; Adenikinju, 2005; Agenor & Dodson, 2006).

***Other factors that drive entrepreneurship at national level:***

This variable is peculiar to countries in West Africa.

(vii) *Election year (political variable):* Due to the political history of West Africa, which has been highlighted in previous chapters, this variable was of interest to this study. The gloomy picture of politics and elections has implications for entrepreneurship in the region. For instance, Braconier and Holden (2004) asserted that the occurrence of election in a country is associated with fiscal expansion through lower taxes. Likewise, the theory of the political business cycle suggests that fiscal policies tend to become more expansionary during election years.

**6.5. DATA ANALYSIS (ARDL)****6.5.1. Model specification and techniques**

Not many studies have investigated the relationship between macroeconomic policies and entrepreneurship at cross-country level. However, the few that exist regress a measure of entrepreneurship on policy instruments along with other control variables. The recognition of entrepreneurship as a driver of economic growth has led policy analysts, researchers and economic theoreticians to improve on the measurement of entrepreneurship at national level. For instance, at an international level, programmes by the World Bank, Eurostat and private organisations such as GEM have developed internationally comparable data (Ahmad & Hoffman, 2007). Therefore, the entrepreneurial activities in countries was adopted for this study as the dependent variable measured by TEA as measured by the GEM minus innovation measures and given the peculiarities of availability of data. This is because it is impossible to adopt the full indicators of entrepreneurship activities as measured in previous studies, GEM and the knowledge economy indicators. However, this study adopted a specific TEA using the OECD indicators in Ahmad and Hoffman (2007) along

with some indicators of GEM and the knowledge economy. From the study, three cardinal points were adopted to measure entrepreneurship (see Figure 3.3 in Chapter 3): (i) the determinant of entrepreneurship which was adopted from R&D & Technology, i.e. innovative potentials; (ii) the entrepreneurship performance which was adopted revenue from export, domestic private investment and equity portfolio; and (iii) entrepreneurship impact measured by economic growth and job creation..

Thus, given the focus of this study, a dynamic cross-country panel data approach was applied to explain the effects of the macroeconomic policies on entrepreneurship in West African countries using annual data from 2000 to 2018. The secondary data comprised a 19 years' range and 2280 data points on panel. This helped to validate the robustness of the analysis, as well as to minimise biasness in the result to be generated. The baseline model was as follows:

$$K = f(G, CV) \quad (1)$$

where:

K = Total entrepreneurship index (TEA)

TEA = Level of entrepreneurship activity

G = Vector of explainable variables reflecting fiscal and monetary policy instruments

CV = Control variable

In this study, the effect of fiscal and monetary policies on entrepreneurship was measured in the selected anglophone and francophone countries in West Africa. The study deviated from the previous estimation used in examining the effects of public policies on entrepreneurship in the previous study by using the robust econometric technique of autoregressive distributed lag (ARDL) proposed by Shin, Yu and Greenwood-Nimmo (2014) on panel data to examine the strength of monetary and fiscal instruments in determining entrepreneurship levels. This method is superior to other methods such as the error correction model (ECM), threshold ECM, Markov-switching ECM in modelling joint cointegration dynamics and asymmetries. The ARDL method makes estimation possible even when explanatory variables are endogenous. Unlike the ECM, the ARDL is used even when the variables are cointegrated at first level or fractionally cointegrated and when the variables have a different number of lags. The ARDL model also allows the joint analysis of the issues of non-stationarity and nonlinearity in the context of an unrestricted error correction model (Katrakilidis & Trachanas, 2012).

The general form of the ARDL model is considered below:



$$\Phi(L)y_t = \alpha_0 + \alpha_1 W_t + \beta'(L)X_{it} + \mu_t \quad (4)$$

Where  $\Phi(L) = 1 - \sum_{i=1}^{\infty} \Phi_1(L^i)$ ,  $\beta(L) = \sum_{j=1}^{\infty} \beta_j(L^j)$ ,  $(L)$  is the lag operator,  $W_t$  is a vector of deterministic variables such as intercept, seasonal dummies, time trend or other exogenous variables with fixed lags. This model uses negative and positive partial sum decompositions, which enable one to detect asymmetric effects in the short and long run. The following nonlinear asymmetric cointegration regression is considered as:

$$y_t = \beta^+ x_t^+ + \beta^- x_t^- + W_t + \mu_t \quad (5)$$

Where  $\beta^+$  and  $\beta^-$  are long-run parameters and  $x_t$  is a  $k \times 1$  vector of regressors expressed as follows:  $x_t = x_0 + x_t^+ + x_t^-$  (6)

Where,  $x_t^+$  and  $x_t^-$  are negative and positive changes on partial sum processes in  $x_t$ :

$$x_t^+ = \sum_{j=1}^t \Delta x_j^+ = \sum_{j=1}^t \max(\Delta x_j, 0) \text{ and } x_t^- = \sum_{j=1}^t \Delta x_j^- = \sum_{j=1}^t \min(\Delta x_j, 0) \quad (7)$$

Combining equation 2 and the ARDL (p, q) we generate an asymmetric error correction model (AECM)

$$\Delta y_t = p y_{t-1} + \theta^+ x_{t-1}^+ + \theta^- x_{t-1}^- + \sum_{j=1}^{p-1} \phi_j \Delta y_{t-j} + \sum_{j=0}^q (\pi_j^+ \Delta x_{t-j}^+ + \pi_j^- \Delta x_{t-j}^-) + e_t, \quad j = 1, \dots, q \quad (8)$$

Where,  $\theta^+$  is  $-p\beta^+$  and  $\theta^- = -p\beta^-$

The researcher performed the analysis by using the following function:

$$Y_{it} = \alpha Y_{it-1} + \beta(L)X_{it} + \mu_i + \varepsilon_{it}, \quad |\alpha| < 1, \quad i = 1, \dots, N; \quad t = 1, \dots, T \quad (9)$$

where  $Y_{it}$  is the dependent variable representing total entrepreneurship activities (TEA) indicators,  $\beta(L)$  is the  $1 * k$  lag polynomial vector,  $X_{it}$  is the  $k * 1$  vector of explanatory variables other than the  $Y_{it-1}$ ,  $t$  is time,  $i$  is the cross-sectional dimension respectively,  $\mu_i$  is the unobserved

heterogeneity and  $\varepsilon_{it}$  is the error term. The difference transformation of equation 5 was first applied to make it possible to eliminate the macroeconomic policies effects in both categories of economies.

$$\Delta Y_{it} = \alpha \Delta Y_{it-1} + \beta(L) \Delta X_{it} + \Delta \varepsilon_{it}, \quad (10)$$

With  $\Delta$  as the first difference operator. Equation 7 included the following variables:

$$\begin{aligned} \Delta TEA_{it} = & \alpha_0 + \alpha_1 TEA_{t-1} + \alpha_2 FP_{t-1} + \alpha_3 MP_{t-1} + \alpha_4 EP_{t-1} + \sum_{i=1}^3 \alpha_{5i} \Delta TEA_{t-1} \\ & + \sum_{i=1}^3 \alpha_{6i} \Delta FP_{t-1} + \sum_{i=1}^3 \alpha_{7i} \Delta MP_{t-1} + \sum_{i=1}^3 \alpha_{8i} \Delta EP_{t-1} + \varepsilon_{it} \end{aligned} \quad (11)$$

Where  $\Delta$  and  $\varepsilon_{it}$  are the first difference operator and the white noise term respectively. The ARDL bound test approach for the long-run relationship between TEA and its determinants is based on the Wald statistics or F-statistics. ARDL follows the estimation of the regression but chooses an appropriate lag length using the Akaike Information Criterion (AIC). It imposes restrictions on the long-run estimated coefficients of one lagged period of TEA, MP, FP and EP to be equal to zero, which is  $H_0: \alpha_1 = \alpha_2 = \alpha_3 = \alpha_4 = \alpha_5 = 0$ . Pesaran *et al.* (2001) assumed the explanatory variables to be integrated of order zero, that is,  $I(0)$  for values of the lower bound while an integration of order one, i.e.  $I(1)$  is assumed for upper values. Based on the Pesaran *et al.* (2001) decision rule, if the computed F statistic exceeds the upper bound value, then it can be concluded that TEA and its determinants are cointegrated. On the other hand, should the computed F statistics fall below the lower bound value, then reject the null hypothesis (no cointegration). Thus, specifying the short-run dynamics of the bound test using the error correction model (ECM), results in:

$$\begin{aligned} \Delta TEA_{it} = & \alpha_0 + \sum_{i=1}^4 \alpha_{1i} \Delta TEA_{t-1} + \sum_{i=1}^2 \alpha_{2i} \Delta FP_{t-1} + \sum_{i=1}^2 \alpha_{3i} \Delta MP_{t-1} + \sum_{i=1}^2 \alpha_{4i} \Delta EP_{t-1} + \\ & \alpha_5 ecm_{t-1} + \varepsilon_{it} \end{aligned} \quad (12)$$

$ecm_{t-1}$  in the above equation long-time lagged residual term depicts the disequilibrium in the long run while  $\alpha$  represents the rate of change of each variable in equation (12).

## 6.6. SUMMARY STATISTICS

Table 6.1 depicts the summary statistics of the variables used for the ARDL panel data in the study for the periods spanning from 2000 to 2018 using STATA 13. The study examined ten countries as a unit, with five of them being francophone countries and the remaining five anglophone countries. The variables are TEA, money supply, interest rate, inflation, exchange rate, government expenditure and elections. The mean value of TEA over the period was  $1.89e+08$  with a standard deviation of  $9.21e+08$ . This implies that the data were not normally distributed over the periods as a result of wide variation in the values. The minimum and maximum values of TEA were 11598.62 and  $9.96e+09$  respectively. The behaviour of money supply showed the ranges from 5.21006 to 54.94486 as minimum and maximum values respectively. The mean value was 26.11378 with a standard deviation of 9.290927 and this indicated that the data were normally distributed over the periods under this study. Again, examining the behaviour of interest rate, it was shown that the average value was 12.72949 with standard deviation of 8.722722. The minimum and maximum values of interest rate were 2.8 and 40.56 which is an indication that the variable was not normally distributed over the periods. Inflation had an average value of 6.697251 with a standard deviation of 6.275125 which indicates that the data were not normally distributed over the periods. The values range from 0.051997 to 35.83668 as minimum and maximum values respectively. About 678.6527 was estimated as the mean value of exchange rate and its standard deviation was 1156.938 which showed that the variable was not normally distributed over the periods. It had a minimum value of 0.5449192 and maximum value of 7384.432 over the periods. On government expenditure on infrastructure, the minimum and maximum values were 3.243096 and 34.85998 respectively, while the mean and standard deviation values were 19.36686 and 6.867205 respectively. The value of standard deviation confirms that the data were not far from the mean and this showed that the variable was normally distributed over the periods. All the variables discussed above were measured as continuous variables but election was measured as a dummy variable. It was coded as E and N and represented in the analysis as 1 and 0 respectively. The average value of election was 0.1894737 with a standard deviation of 0.3929198 and ranges from 0 to 1 as minimum and maximum value respectively. Despite wide disparity, it was evident that they were no regular elections across the countries during the period.

**Table 6.1: Summary statistics of the variables used for the ARDL panel data**

Variable	Mean	SD	Min	Max
TEA	1.89e+08	9.21e+08	11598.62	9.96e+09
MS	26.11378	9.290927	5.21006	54.94486
IR	12.72949	8.722722	2.8	40.56
INF	6.697251	6.275125	0.051997	35.83668
ER	678.6527	1156.938	0.5449192	7384.432
GEI	19.36686	6.867205	3.243096	34.85998
EP	0.1894737	0.3929198	0	1

The data were disaggregated based on the regions. The behaviour of the data set based on francophone countries was examined and is listed in Table 6.2. The table shows that TEA had an average value of  $1.23e+07$  and standard deviation of  $3.08e+07$  which implies that the data were not normally distributed over the periods. The minimum and maximum values for TEA were 11598.62 and  $1.94e+08$  respectively. The estimate of MS indicates that the mean and standard deviation values were 28.07863 and 7.479422 respectively. The results show that the variable was normally distributed over the periods and the values ranged from 15.9508 to 46.9355 as minimum and maximum values respectively. The results of IR reveal that the mean value was 5.70886, while the standard deviation was 1.455879 and the minimum and maximum values were 2.97 and 11.89 respectively. It is evident that the variable is normally distributed given the value of standard deviation. According to the results of INF, 2.377135 was estimated as mean and 2.172202 as standard deviation. As ascertained from the value of the standard deviation, the data were not normally distributed over the periods and ranged from 0.051997 to 10.7 as minimum and maximum values respectively. ER had a mean and standard deviation of 549.7765 and 83.05592 respectively; and this indicated that the data were normally distributed over the periods going by the value of standard deviation. The minimum and maximum values were 447.81 and 733.04 respectively. The results of GEI show that the mean value was 22.03756 with standard deviation of 3.043737 and ranged from 14.93044 to 29.72464 as minimum and maximum values respectively. Given the value of standard deviation, the variable was normally distributed over the periods. EP being a dummy variable, ranged from 0 to 1 as minimum and maximum values respectively. The average value was 0.1684211 with a standard deviation of 0.3762251, which implies that there were more years in which elections did not take place in the series and they were not normally distributed.

**Table 6.2: Statistics of francophone countries**

Variable	Mean	SD	Min	Max
TEA	1.23e+07	3.08e+07	11598.62	1.94e+08
MS	28.07863	7.479422	15.9508	46.9355
IR	5.70886	1.455879	2.97	11.89
INF	2.377135	2.172202	0.051997	10.7
EXR	549.7765	83.05592	447.81	733.04
GEI	22.03756	3.043737	14.93044	29.72464
EP	0.1684211	0.3762251	0	1

The behaviour of the data set based on anglophone countries was examined and is listed in Table 6.3. This shows that TEA had an average value of  $3.66e+08$  and standard deviation of  $1.28e+09$  which implied that the data were not normally distributed over the periods. The minimum and maximum values for TEA were 11598.62 and  $9.96e+09$  respectively. The estimate of MS indicates that the mean and standard deviation values were 24.14894 and 10.4793 respectively. The results show that the variable was normally distributed over the periods and the values ranged from 5.21006 to 54.94486 as minimum and maximum values respectively. The results of IR reveal that the mean value was 19.75013, while the standard deviation was 7.157814 and the minimum and maximum values were 2.8 and 40.56 respectively. It is evident that the variable is normally distributed given the value of standard deviation. According to the results of INF, 11.01737 was estimated as mean and 6.060605 as standard deviation. As ascertained from the value of standard deviation, the data were not normally distributed over the periods and ranged from 0.8 to 35.83668 as minimum and maximum values respectively. EXR had a mean and standard deviation of 807.5288 and 1628.122 respectively; which indicates that the data were not normally distributed over the periods going by the value of standard deviation. The minimum and maximum values were 0.5449192 and 7384.432 respectively. The results of GEI show that the mean value was 16.69616 with a standard deviation of 8.434296 and ranged from 3.243096 to 34.85998 as minimum and maximum values respectively. Given the value of standard deviation, the variable was normally distributed over the periods. EP being a dummy variable, ranged from 0 to 1 as minimum and maximum values respectively. The average value was 0.2105263 with a standard deviation of 0.4098452, which implies that the years in which no elections were held dominated the series and they were not normally distributed.

**Table 6.3: Statistics of anglophone countries**

Variable	Mean	SD	Min	Max
TEA	3.66e+08	1.28e+09	11598.62	9.96e+09
MS	24.14894	10.4793	5.21006	54.94486
IR	19.75013	7.157814	2.8	40.56
INF	11.01737	6.060605	0.8	35.83668
EXR	807.5288	1628.122	0.5449192	7384.432
GEI	16.69616	8.434296	3.243096	34.85998
EP	0.2105263	0.4098452	0	1

## 6.7. CORRELATION ANALYSIS

In Tables 6.4, 6.5 and 6.6, the results of correlation analysis are presented based on the pool, francophone and anglophone divide using STATA 13. The essence of correlation analysis in panel data regression is to show that there is no perfect linear dependence among the regressors in a bid to avoid multicollinearity in the model. Table 6.4 shows that all the results are not linearly dependent on one another. Therefore, the model passed the problem of a multicollinearity test. The results show that three variables (IR, INF and GEI) had a positive correlation with TEA and this implied that they had an upward movement with the TEA. On the other hand, three variables, MS, EXR and EP, had a negative relationship with TEA, which implies that they had an opposite movement with TEA. Among the regressors, all the variables were negatively correlated with MS except for GEI which implies that they had an opposite movement with TEA. Apart from MS and GEI, all variables had a positive correlation with IR which means that they had an upward movement. The same applies to INF and EXR but there was positive correlation between GEI and EP, meaning an upward movement over the periods.

**Table 6.4: POOLED: Correlation analysis**

Variable	TEA	MS	IR	INF	EXR	GEI	EP
TEA	1.0000						
MS	-0.1146	1.0000					
IR	0.1017	-0.1723	1.0000				
INF	0.1302	-0.2996	0.6544	1.0000			
EXR	-0.0218	-0.1854	0.1289	0.0922	1.0000		
GEI	0.1648	0.1294	-0.2981	-0.1556	-0.3711	1.0000	
EP	-0.0243	-0.0111	0.0482	0.0111	0.0033	0.0127	1.0000

Table 6.5 below depicts the correlation analysis in francophone countries. The results indicate that none of the coefficients were up to 0.80 which confirms that all the variables were not linearly

dependent on one another. Therefore, the model passed the problem of a multicollinearity test. It is estimated that all the variables were negatively correlated with TEA, except for MS. This means that they have an opposite movement with the TEA. Also, MS had a negative association with other regressor variables which implies that they had an opposite relationship with MS. In the case of IR, all the variables had a positive correlation with IR except for GEI which indicates an upward movement with the IR. Only GEI and EP were positively correlated with INF which indicates an upward movement with the variable. Three out of six variables were positively correlated with EXR, namely INF, GEI and EP, and they also indicated an upward movement with the variable. Similar results were observed in GEI where TEA, MS and IR were negatively correlated. All the variables were positively correlated with EP except for TEA and MS which implies that they had an upward movement with EP over the periods.

**Table 6.5: Correlation analysis in francophone countries**

Variable	TEA	MS	IR	INF	EXR	GEI	EP
TEA	1.0000						
MS	0.1838	1.0000					
IR	-0.0145	-0.0983	1.0000				
INF	-0.0470	-0.3608	0.1325	1.0000			
EXR	-0.1763	-0.2656	0.0406	-0.0873	1.0000		
GEI	-0.1079	-0.0105	-0.1117	0.0067	0.0475	1.0000	
EP	-0.0758	-0.0878	0.1549	0.0677	0.1499	0.0676	1.0000

Table 6.6 below presents the results of the correlation analysis of anglophone countries. It is evident that none of the variables had a coefficient of 0.80 and above, which implies that all the variables were not linearly dependent on one another. Therefore, the model passed the problem of a multicollinearity test. Except for GEI, all the variables were negatively correlated with TEA which means that they had an opposite movement with TEA. Apart from INF and EXR, other variables were positively correlated with MS. This implies that they had an upward movement with MS. Again, all the variables were positively correlated with IR except for MS and EP. This also implies an upward movement with IR. In the case of INF, negative correlation was estimated in TEA, MS and EP against INF which implies an opposite movement, while other variables were positive which implies an upward movement. The same results were estimated for EXR but GEI had positive coefficients except with EXR and it is clear that those variables had an upward movement with GEI. Lastly, TEA, IR, INF and EXR had a negative correlation with EP and showed an opposite movement, while only MS and GEI had a positive correlation which implies an upward movement over the periods under the study.

**Table 6.6: Correlation analysis of anglophone countries**

Variable	TEA	MS	IR	INF	EXR	GEI	EP
TEA	1.0000						
MS	-0.0978	1.0000					
IR	-0.0944	0.0116	1.0000				
INF	-0.0035	-0.1905	0.2374	1.0000			
EXR	-0.0442	-0.1951	0.0671	0.0239	1.0000		
GEI	0.2832	0.0705	0.0412	0.1916	-0.3820	1.0000	
EP	-0.0463	0.0581	-0.0175	-0.0741	-0.0107	0.0304	1.0000

### 6.7.1. Unit root test

Despite the fact that the ARDL panel data cointegration technique does not require pre-testing of variables included in the empirical model for the order of integration, it has also been reported that a macroeconomic panel series may not exhibit stationarity over time. Therefore, the implementation of unit root tests might still be necessary in order to ensure that the assumption of Pesaran *et al.* (2001) is not violated. The presence of  $I(2)$  variables according to Pesaran *et al.* (2001) rendered the model invalid and also caused spurious regression because the bounds test is based on the assumption that the variables are  $I(0)$  or  $I(1)$  or mutually cointegrated. A unit root test result would therefore provide important information to justify the choice of the ARDL framework for cointegration analysis as the appropriate technique of estimation. The standard Im-Pesaran-Shin (IPS) unit root test was estimated to check the order of integration of these variables. The results obtained are listed in Table 6.7 using Eviews 10. Based on the IPS test statistic, it is evident that all the variables were stationary at level  $I[0]$  except for MS and GEI which were stationary at first difference  $I[1]$ . Expectedly, the mixture of both  $I(0)$  and  $I(1)$  variables gives a good justification for using the ARDL panel data model which was proposed by Pesaran *et al.* (2001). Therefore, since all the requirements were met, this analysis seems appropriate for a pool mean group.



**Table 6.7: Results of unit root test using IPS (Im-Pesaran-Shin) test for POOLED**

Variable	Coefficient	Prob. I[0]	Prob. I[1]
LnTEA	-5.5596	0.0000***	-
LnMS	-7.5008	-	0.0000***
LnIR	-3.7112	0.0001***	-
LnINF	-4.0184	0.0000***	-
LnEXR	-1.7236	0.0424**	-
LnGEI	-7.4691	-	0.0000***
EP	-8.5764	0.0000***	-

The results of the IPS test statistic, listed in Table 6.8, show that all the variables were stationary at level  $I(0)$  except MS and GEI which were stationary at first difference  $I(1)$ . Expectedly, the mixture of both  $I(0)$  and  $I(1)$  variables gives a good justification for using the ARDL panel data model which was proposed by Pesaran *et al.* (2001). Therefore, since all the requirements were met, this analysis seems appropriate.

**Table 6.8: Results of unit root test for francophone countries**

Variable	Coefficient	Prob. I[0]	Prob. I[1]
LnTEA	-3.9831	0.0000	-
LnMS	-6.1014	-	0.0000
LnIR	-2.8300	0.0023	-
LnINF	-1.9525	0.0254	-
LnEXR	-2.9932	0.0014	-
LnGEI	-4.9238	-	0.0000
EP	-5.3121	0.0000	-

The results of the IPS test statistic, listed in Table 6.9, show that the variables TEA, IR, INF and EP were stationary at level  $I(0)$ , while MS, INF and GEI were stationary at first difference  $I(1)$ . Expectedly, the mixture of both  $I(0)$  and  $I(1)$  variables gives a good justification for using the ARDL panel data model which was proposed by Pesaran *et al.* (2001). Therefore, since all the requirements were met, this analysis seems appropriate.

**Table 6.9: Results of unit root test for anglophone countries**

Variable	Coefficient	Prob. I[0]	Prob. I[1]
LnTEA	-3.8794	0.0001	-
LnMS	-4.5063	-	0.0000
LnIR	-2.4184	0.0078	-
LnINF	-3.7304	0.0001	-
LnEXR	-4.2506	-	0.0000
LnGEI	-5.6391	-	0.0000
EP	-6.8168	0.0000	-

### 6.7.2. Optimal lag selection criteria

Lag selection criteria were modelled to the panel data series data in order to determine the optimal number of lags for the model. This was necessary to ascertain how many lags had to be used in the equation. The result in Table 6.10, using Eviews 10, reveal that the optimal lag length was two (2) as estimated by all the criteria, i.e. Likelihood ratio (LR), Final Prediction Error (FPE), Akaike Information Criterion (AIC), Schwarz's Bayesian Information Criterion (SBIC) and Hannan-Quinn Information Criterion (HQIC). The model with the lowest value of estimated standard errors was chosen for the study, and the lowest value for each estimator was under lag two (2). The study decided to use AIC because of its popularity in the literature. Based on the result, the AIC criterion was chosen for the determination of optimum lag length of the ARDL panel data model. The specific lag for the variables TEA, MS, IR, INF, EXR, GEI and EP was ARDL model (2,1,1,1,1,1) respectively and was selected as a common consequence of the AIC criterion.

**Table 6.10: Results of optimal lag selection criteria**

Model Selection Criteria Table

Dependent Variable: LNY1

Date: 05/31/19 Time: 11:58

Sample: 2000 2018

Included observations: 190

Model	LogL	AIC*	BIC	HQ	Specification
2	-258.567229	4.171379	5.942183	4.889951	ARDL(2, 1, 1, 1, 1, 1)
1	-279.910416	4.304828	5.891174	4.948549	ARDL(1, 1, 1, 1, 1, 1)

### 6.7.3. Pedroni cointegration test

Pedroni (1999, 2004) proposed several tests for cointegration that allow for heterogeneous intercepts and trend coefficients across cross-sections. In order to determine whether a cointegrating relationship exists, Pedroni's cointegration tests were estimated using STATA 13. The null hypothesis of no cointegration was rejected in all the statistics (variance ratio, rho, t and adf) under both panel and group models since they were statistically significant. This implied that there is a presence of cointegration in the model.

**Table 6.11: Results of Pedroni's cointegration tests**

No. of Panel units: 10; Regressors: 6; No. of obs.: 190; Avg obs. per unit: 19; Data has been time-demeaned.

Test Stats.	Panel	Group
V	-2.05	-
Rho	2.568	2.667
T	-5.526	-7.959
Adf	-5.058	-8.418

All test statistics are distributed  $N(0,1)$ , under a null of no cointegration, and diverged to negative infinity (save for panel v).

### 6.7.4. Hausman test

To estimate the null hypothesis of homogeneity, the Hausman test using STATA 13 was used to determine the most appropriate estimator between Mean Group (MG) and Pooled Mean Group (PMG). Table 6.12 shows that the null hypothesis failed to be rejected i.e. there is no significant difference between MG and PMG. The alternative hypothesis also failed to be rejected and therefore PMG is more appropriate.

**Table 6.12: Hausman test**

	MG	PMG	Difference	SQRT S.E.
<b>LnMS</b>	9.88e+08	1.58e+09	-5.95e+08	1.74e+09
<b>LnIR</b>	6.95e+08	4.76e+08	2.19e+08	9.03e+08
<b>LnINF</b>	4.34e+07	-2.25e+08	2.68e+08	2.81e+08
<b>LnEXR</b>	7.76e+08	-2.20e+08	9.97e+08	1.48e+09
<b>LnGEI</b>	2.51e+09	5.33e+08	1.97e+09	5.22e+09
<b>EP</b>	2.34e+08	1.83e+09	-1.59e+09	-

$$\begin{aligned}\chi^2(6) &= (b-B)'[(V_b-V_B)^{-1}](b-B) \\ &= -1.28\end{aligned}$$

$$\chi^2 < 0.301$$

## 6.8. ARDL REGRESSION POOL

The long-run coefficients of ARDL (2,1,1,1,1,1) are presented in Table 6.13 below. The results demonstrate that all the variables were significant at 1% level except for INF and EXR. Variables EXR and GEI had a negative impact on TEA in the long run, while MS, IR, INF and EP had a positive impact on TEA in the long run. Statistically, the empirical findings demonstrate that a 100% increase in MS and IR will lead to 80.9% and 33.8% increase in TEA respectively over the periods. In the case of EP, conducting an election will increase TEA by 1.49 units than not conducting an election over the periods. Again, GEI had a negative coefficient but was statistically significant. This implies that a 100% increase in GEI will result in about a 192% decrease in TEA over the periods.

In the short-run results, the error correction term (-0.18) here was negative and significant meaning that there was a long-run causality running from independent variables to the dependent variable. It also confirms that all the variables were cointegrated and had long-run relationship. The results reveal that the system corrects its previous period disequilibrium at an adjustment speed of 18% annually across the countries.

The short-run dynamic coefficients associated with the long-run cointegration relationships were obtained from the analysis of Error Correction Model (ECM) based on ARDL panel data approach. The results of the short-run coefficients of ARDL (2,1,1,1,1,1) model are presented in Table 6.12. The empirical findings demonstrated that there was short-run relationship among the variables. The results showed that MS, EXR, GEI and EP were statistically significant in determining TEA in the short run. MS, INF, EXR and EP had negative coefficients in relations to TEA, while IR and GEI had positive association with TEA. The results can be statistically explained, *ceteris paribus*, that a 100% increase in any of the values of MS and EXR will decrease TEA by 318% and 61% respectively. Again, in case of EP, conducting elections over the periods will decrease TEA than when election is not conducted by about 75% in the area. A positive and significant coefficient of GEI indicated that a unit increase in GEI will result to increase in TEA by 3.57 units over the periods.

**Table 6.13: Estimated Long and Short Runs Coefficients using the ARDL Panel Data Approach**

Selected Model: ARDL(2, 1, 1, 1, 1, 1, 1)

Note: final equation sample is larger than selection sample

Variable	Coefficient	Std. Error	t-Statistic	Prob.*
Long Run Equation				
LNX1	0.808921	0.291042	2.779395	0.0066
LNX2	0.337722	0.102478	3.295564	0.0014
LNX3	0.138940	0.113565	1.223448	0.2242
LNX4	-0.249683	0.201869	-1.236860	0.2192
LNX5	-1.923608	0.396367	-4.853094	0.0000
LNX6	1.488041	0.176305	8.440156	0.0000
Short Run Equation				
COINTEQ01	-0.118123	0.022932	-5.151119	0.0000
D(LNY1(-1))	0.315344	0.146543	2.151887	0.0340
D(LNX1)	-3.184785	1.404525	-2.267518	0.0256
D(LNX2)	0.515785	1.186824	0.434592	0.6649
D(LNX3)	-0.000932	0.656481	-0.001420	0.9989
D(LNX4)	-0.605895	0.080703	-7.507713	0.0000
D(LNX5)	3.573339	1.103979	3.236782	0.0026
D(LNX6)	-0.746060	0.276891	-2.694416	0.0084
C	21.18380	4.026800	5.260703	0.0000
Mean dependent var	-0.046452	S.D. dependent var	2.508338	
S.E. of regression	1.821395	Akaike info criterion	3.732287	
Sum squared resid	311.8432	Schwarz criterion	5.372888	
Log likelihood	-258.5672	Hannan-Quinn criter.	4.396870	

\*Note: p-values and any subsequent tests do not account for model selection.

### 6.8.1. ARDL regression in francophone and anglophone countries

In the long run, INF, EXR and GEI were statistically significant at 5%, 1% and 5% levels respectively in francophone countries, while IR, INF, GEI and EP were statistically significant at 1%, 1%, 5% and 1% levels respectively under anglophone countries. Also, IR was significant and positive under anglophone but negative and not significant under francophone. This showed that 1% increase in IR in anglophone will increase TEA by 0.21%. Variable INF was statistically significant at 5% and 1% levels with positive and negative coefficients in both francophone and anglophone countries respectively. A unit increase in the value of INF will lead to increase in TEA by about 0.12% in francophone but decrease in TEA by 0.61% in anglophone. The coefficient of EXR was not significant under anglophone but statistically significant under francophone and this implied that a unit increase in EXR, *ceteris paribus*, will increase TEA by 0.0013% in francophone. There is positive and significant relationship between GEI and TEA in both francophone and anglophone

countries. A unit increase in GEI will increase TEA by 0.20% and 5.41% at significant levels of 5% and 1% respectively. The coefficient of EP was positive and statistically significant under anglophone but negative and not significant under francophone. This implied that under anglophone, conducting election will statistically increase TEA than when election is not conducted in the long run *ceteris paribus*.

The short-run dynamic coefficients associated with the long-run cointegration relationships were obtained from the analysis of Error Correction Model (ECM) based on ARDL panel data approach for the regions (francophone and anglophone). The results of the short-run coefficients of ARDL (2,1,1,1,1,1) model are presented in Table 6.14).

In the short-run results, the error correction term for both francophone and anglophone experienced negative coefficients (-0.198 and -0.367) and they are significant at 1% and 5% respectively. This means that there is a long run causality running from independent variables to dependent variable in both regions. It means that the system corrects its previous period disequilibrium at an adjustment speed of 19.8% and 36.7% annually across the regions.

The empirical findings demonstrated that there was short-run relationship among the variables. It was shown that all the variables under francophone had negative coefficients except MS and EP in the short run. MS, INF and EP had negative coefficients while IR, EXR and GEI had positive coefficients under anglophone. Statistically, IR was significant at 5% level under francophone and this implied that 1% increase in IR will decrease TEA by 1.79% in the periods. Again, INF were significant at 1% and 5% under francophone and anglophone and this indicated that a unit increase in the value of INF will lead to 2.63% and 2.81% decrease respectively in TEA *ceteris paribus*. Likewise, EXR was significant at 5% apiece with positive and negative coefficients in both francophone and anglophone respectively. This showed that a unit increase in the value of EXR will decrease TEA by 0.75% in francophone but will increase TEA by 0.80% in anglophone *ceteris paribus*. GEI only significant under francophone but negatively associated with TEA. It means a unit increase in its value under francophone will lead to a reduction in TEA by 1.02%, all things being equal. Again, EP was only significant at 10% level but negatively associated with TEA under anglophone. This implied that in the short run, observing elections in anglophone will reduce TEA by 0.57% than not conducting election, all things being equal.

**Table 6.14: Regional Results for Estimated Long and Short Runs using ARDL Approach**

TEA		Francophone		Anglophone	
		Coef.	P> z	Coef.	P> z
ECT	LnMS	-0.5642	0.101	1.3509	0.152
	LnIR	-0.2701	0.304	0.2051	0.008
	LnINF	0.1182	0.048	-0.6131	0.000
	LnEXP	0.0013	0.000	5.8108	0.130
	LnGEI	0.1984	0.024	5.4108	0.019
	EP	-1.2092	0.719	1.1509	0.008
SR	ECT	-0.1980	0.000	-0.3665	0.037
	LnMSD1.	6.9368	0.864	-1.5007	0.976
	LnIRD1.	-1.7907	0.031	1.9109	0.105
	LnINFD1.	-2.6293	0.001	-2.8108	0.019
	LnEXRD1.	-0.7510	0.052	0.8021	0.032
	LnGEID1.	-1.0208	0.080	1.3809	0.333
	EPD1.	0.1356	0.629	-0.5728	0.096
	Constant	-3.817	0.000	-4.9909	0.160

## 6.9. THE SHORT-RUN RESULTS OF ARDL ACROSS COUNTRIES

### 6.9.1. Code Ivoire

The error correction coefficient, estimated at -0.1927 and highly significant at 1%, has the correct negative sign, and this implies a speed of adjustment to the equilibrium. The highly significant error correction term further confirms the existence of a stable long-run relationship. Moreover, the coefficient of the error term (ECM-1) implies that the deviation from the long-run equilibrium level of (TEA) of the current period is corrected by 19.27% in the next period to bring back equilibrium. In the short run, MS, INF, EXR and EP had negative coefficients while IR and GEI had a positive coefficient in association with TEA. Statistically, INF, EXR and GEI were significant at the 5%, 1% and 5% levels respectively, meaning that a 1% increase in their values will decrease TEA for INF and EXR but increase TEA in the case of GEI.

### 6.9.2. Mali

The error correction coefficient, estimated at -0.1656 and highly significant at 1%, has the correct negative sign, and this implies a speed of adjustment to the equilibrium. The highly significant error correction term further confirms the existence of a stable long-run relationship. Moreover, the coefficient of the error term (ECM-1) implies that the deviation from the long-run equilibrium level of (TEA) of the current period is corrected by 16.56% in the next period to bring back equilibrium. In the short run, MS, IR, INF and EP had negative coefficients while EXR and GEI had a positive

coefficient in association with TEA. Statistically, INF was significant at the 1% level; meaning that a 1% increase in the value of INF will decrease TEA, while a unit increase in GEI will lead to an increase in TEA over the periods. Also, conducting an election will lead to a decrease in TEA in the short run, *ceteris paribus*.

### **6.9.3. Burkina Faso**

The error correction coefficient, estimated at -0.2821 and significant at 5%, has the correct negative sign, and this indicates a speed of adjustment to the equilibrium. The significant error correction term further confirms the existence of a stable long-run relationship. Moreover, the coefficient of the error term (ECM-1) implies that the deviation from the long-run equilibrium level of TEA of the current period is corrected by 28.21% in the next period to bring back equilibrium. In the short run, MS, IR and INF had positive coefficients while EXR, GEI and EP had negative coefficients in association with TEA. Statistically, only MS and INF were significant at the 1% and 10% levels respectively, meaning that a 1% increase in their values will increase in TEA in the short run, *ceteris paribus*.

### **6.9.4. Senegal**

The error correction coefficient, estimated at -0.1522 and highly significant at 1% has the correct negative sign, and this indicates a speed of adjustment to equilibrium. The significant error correction term further confirms the existence of a stable long-run relationship. Moreover, the coefficient of the error term (ECM-1) implies that the deviation from the long-run equilibrium level of TEA of the current period is corrected by 15.22% in the next period to bring back equilibrium. In the short run, all the variables were negatively associated with TEA except MS and INF which had positive coefficients. Statistically, only MS and INF were significant at the 1% and 5% levels respectively, meaning that a 1% increase in their values will increase in TEA in the short run, *ceteris paribus*. EP was negative which implies that not conducting an election will increase TEA more than conducting an election in the short run.

### **6.9.5. Benin**

The error correction coefficient, estimated at -0.5654 and highly significant at 1%, has the correct negative sign, and this implies a high speed of adjustment to the equilibrium. The highly significant error correction term further confirms the existence of a stable long-run relationship. Moreover, the coefficient of the error term (ECM-1) implies that the deviation from the long-run equilibrium level



of (TEA) of the current period is corrected by 56.54% in the next period to bring back equilibrium. In the short run, all the variables were negatively related to TEA except GEI which had a positive coefficient in association with TEA. Statistically, IR, INF, GEI and EP were significant at the 5%, 5%, 1% and 1% levels, meaning that a 1% increase in their values will decrease TEA except GEI *ceteris paribus*.

#### **6.9.6. The Gambia**

The error correction coefficient, estimated at -0.2404 and highly significant at 1%, has the correct negative sign, and this implies a speed of adjustment to the equilibrium. The highly significant error correction term further confirms the existence of a stable long-run relationship. Moreover, the coefficient of the error term (ECM-1) implies that the deviation from long-run equilibrium level of (TEA) of the current period is corrected by 24.04% in the next period to bring back equilibrium. In the short run, MS, IR, INF and EP had negative coefficients while EXR and GEI had positive coefficients in association with TEA. Statistically, IR, INF and EP were each significant at the 1% level while EXR was significant at the 5% level, meaning that a unit increase in the values of IR, INF and EP will decrease TEA, while an increase in the value of EXR will increase TEA in the short run, all things being equal.

#### **6.9.7. Ghana**

The error correction coefficient, estimated at -0.9688 and highly significant at 1%, has the correct negative sign, and this implies a speed of adjustment to the equilibrium. The highly significant error correction term further confirms the existence of a stable long-run relationship. Moreover, the coefficient of the error term (ECM-1) implies that the deviation from the long-run equilibrium level of (TEA) of the current period is corrected by 96.88% in the next period to bring back equilibrium. In the short run, all the variables had negative coefficients except IR and EXR which had positive coefficients in association with TEA. Statistically, IR and EP were significant at the 1% and 5% levels respectively, meaning that a unit increase in the values of IR and EP will decrease TEA *ceteris paribus*.

#### **6.9.8. Liberia**

The error correction coefficient, estimated at -0.14921 and highly significant at 1%, has the correct negative sign, and this implies a speed of adjustment to the equilibrium. The highly significant error correction term further confirms the existence of a stable long-run relationship. Moreover, the coefficient of the error term (ECM-1) implies that the deviation from the long-run equilibrium level

of (TEA) of the current period is corrected by 14.92% in the next period to bring back equilibrium. In the short run, all the variables had negative coefficients except IR and INF which had positive coefficients in association with TEA. Statistically, IR and EXR were each significant at the 1% level, meaning that a unit increase in the value of IR will increase TEA, while a unit increase in EXR will decrease TEA *ceteris paribus*.

#### **6.9.9. Nigeria**

The error correction coefficient, estimated at -0.3018 and highly significant at 1%, has the correct negative sign, and this implies a speed of adjustment to the equilibrium. The highly significant error correction term further confirms the existence of a stable long-run relationship. Moreover, the coefficient of the error term (ECM-1) implies that the deviation from the long-run equilibrium level of (TEA) of the current period is corrected by 30.18% in the next period to bring back equilibrium. In the short run, all the variables had positive coefficients except MS that had a negative coefficient in association with TEA. Statistically, MS and GEI were significant at the 1% level; meaning that a 1% increase in the value of MS will decrease TEA while a unit increase in GEI will increase TEA in the short run *ceteris paribus*.

#### **6.9.10. Sierra Leone**

The error correction coefficient, estimated at -0.6935 and highly significant at 1%, has the correct negative sign, and this implies a high speed of adjustment to the equilibrium. The highly significant error correction term further confirms the existence of a stable long-run relationship. Moreover, the coefficient of the error term (ECM-1) implies that the deviation from the long-run equilibrium level of (TEA) of the current period is corrected by 69.35% in the next period to bring back equilibrium. In the short run, all the variables had negative coefficients except ER and GEI that had a positive coefficient in association with TEA. Statistically, GEI and EP were each significant at the 1% level, meaning that a 1% increase in the value of GEI will increase TEA while conducting an election will decrease TEA in the short run *ceteris paribus*. INF was significant at the 10% level, meaning that a unit increase in the variable will result in a decrease in TEA, all things being equal.

### **6.10. ANALYSIS OF ARDL DIAGNOSTIC TESTS**

At the 5% significant level, the F-test accepts the null hypotheses of no serial correlation, homoscedasticity and normal distribution, as depicted in Table 6.15.

**Table 6.15: Results of diagnostic tests**

Test	$\chi^2$ statistic	Probability
Durbin-Watson	1.8941	-
Breusch-Godfrey Serial Correlation test	1.5686	0.103
White Heteroskedasticity test	1.7987	0.161
Jarque-Bera test (Normality)	1.0658	0.583

## 6.11. CONCLUSION

This chapter dealt with the effects of monetary and fiscal policies on entrepreneurship in both anglophone and francophone West African countries using cross-sectional data. Following the evaluations of the TEA in Chapter 5 that found that the anglophone divide countries are more entrepreneurship enhancing than the francophone divide, of interest to this chapter is the question of whether the dependence on the central bank and the emerging stock exchange market in the francophone divide has either made or marred entrepreneurship in the region. However, despite the fact that the emerging capital market operating in the francophone divide remains relatively small and illiquid, the performance of the stock market variable was slightly higher than in the first divide, i.e. anglophone countries.

The ARDL result found that the money supply in the francophone divide during the period under study had a positive relationship with entrepreneurship activities, thereby confirming that monetary policy impacts entrepreneurship more in the francophone divide than does the fiscal policy. Perhaps, the central bank, regional integration, and common currency are to the advantage of entrepreneurship in the divide and have been instrumental in entrepreneurship development. Monetary policy acts as an important instrument for accelerating entrepreneurial development by influencing both cost of and availability of finance, controlling inflationary pressures and by maintaining balance of payment equilibrium in countries. An ideal monetary policy suitable for entrepreneurship activities should be able to provide an elastic credit supply to meet the requirements for expanding the monetised sector (Jhingan, 1989). As such, monetary policy stimulates entrepreneurship development. The supply of money into a market system affects both demand-side and supply-side conditions conducive for entrepreneurship (Harper, 2003). The availability of money supply empowers entrepreneurs to participate in entrepreneurial activities

On the other hand, the study found that the government expenditure on infrastructure in the anglophone divide had a positive relationship with entrepreneurship activities during the period. This is justified by the numerous entrepreneurship development initiatives enacted mostly by

government to drive entrepreneurship, dating back to the 1960s. However, development economists acknowledge the centrality of public expenditure, particularly on infrastructure, as an important instrument in the development process (Edame & Fonta, 2013). Entrepreneurship tends to grow when there are good road networks, an effective telecommunication system and regular power supply. However, expenditure on infrastructures is capital intensive and it is one of the main considerations of a financial budget. Government expenditure on infrastructure has been an issue for policy discourse among scholars the world over (Sanchez-Robles, 1998; Aschauer, 1989; Adenikinju, 2005; Agenor & Dodson, 2006). Nevertheless, the role of government influencing investment is a very important function of fiscal policy. Fiscal incentives influence entrepreneurship development (Sangram, 2009). These incentives not only stimulate the economic environment but also create a favourable climate for entrepreneurial growth. Entrepreneurship activities serve to promote economic growth (Acs & Armington, 2006). Although the relative effectiveness of both monetary and fiscal policies in boosting growth is different across countries, both policies significantly influence entrepreneurship which suggests that they should be jointly used to drive entrepreneurship. However, poor public policy undermines entrepreneurial behaviour and reduces public welfare (McCaffrey, 2015). Public policy should therefore take crucial steps to promote entrepreneurship by creating conducive business environments, providing financial support for entrepreneurship activities and spending more on infrastructural development.

## **CHAPTER 7**

### **SUMMARY, RECOMMENDATIONS AND CONCLUSIONS**

#### **7.1. INTRODUCTION**

The research questions raised in Chapter 1 of this study have been answered through the chapters, outlined in such a way that the nexus, similarities and differences in the anglophone and francophone divides of West Africa have been determined. Thereby, the cogent question has been answered, namely ‘Does public policy matter for entrepreneurship performance?’ For the sake of emphasis, the specific objectives of the study were: (i) to establish the concept of public policy and the implications of the macroeconomic policy instruments to entrepreneurship activities, through theoretical and empirical evidence in the literature; (ii) to establish stylised facts on entrepreneurship indicators and policies and the influence of some entrepreneurship initiatives on the business environment in West Africa countries; and (iii) to determine and compare the effects of the selected macroeconomic policy instruments on the TEA in anglophone and francophone West African countries. These objectives were achieved using a variety of research approaches to ensure that the phenomena were not investigated through a single lens, but rather through a variety of lenses (methods) which allowed for multiple robust findings across qualitative and quantitative methods. The techniques of analysis used were applied while comparing the two divides in order to establish the relationship between public policy and entrepreneurship.

#### **7.2. SUMMARY OF FINDINGS**

In the literature review presented in Chapter 2, the study established a relation between the selected public policies and entrepreneurship activities. Hence, the review affirmed that the role of government in fostering entrepreneurship through policies cannot be overemphasised, as there are established relationships derived from the literature reviewed. This is not without referring to economic growth, which is often linked to entrepreneurship. Entrepreneurship activities, which happen to be a major driving force for economic growth in all economies (Austretsch & Thurik, 2001), are measured in similar ways and through common indicators as economic growth. GEM data also makes a lead way for advancing statistical analysis for the links between entrepreneurial activity and economic growth. Nevertheless, the review in the chapter established that public policy has a role in promoting a favourable business environment that is conducive for entrepreneurship activities. The overriding importance of environmental forces such as macroeconomic variables were identified in their role of shaping entrepreneurship activities, and illustrated as the independent

variables for the various forms of performance measures used in the research and presented in Chapters 4, 5 and 6.

The contextualisation in Chapter 3 established a univariate definition of entrepreneurship and how it can be measured given data constraint. However, due to the fact that a host of heterogeneous definitions can be found in the literature, the study took a toll from Hornby (2010) and UNDP to adopt the definition of entrepreneurship as the process of enhancing entrepreneurial activities, as well as the ‘influences’ and ‘characteristics of entrepreneurial behaviour, leading to innovation, creativity and adding value, to suit the context of the study. From the definition arrived at, a measure for capturing entrepreneurship activities was derived following the OECD’s institutional framework for entrepreneurship measurement by Ahmad and Hoffman (2007), which captures indicators of entrepreneurship determinants, entrepreneurship outcome and entrepreneurship impact in countries.

The research methodology in Chapter 4 considered and explained the logic behind the research approaches and techniques used to measure public policy performance, as explained in Chapter 2, which justified the use of quantitative techniques along with other descriptive statistics for policy analysis. In this study performance was perceived as a systematic process of determining the effects of macroeconomic policies on entrepreneurship performance. Assessing and learning from such performance results could be a highly proactive and forward-looking process as it advances informed policy recommendations based on the results derived from the statistical analysis of the study. The descriptive statistics methods used in the study are presented in Chapter 5, while the autoregressive distributed lag (ARDL) cointegration technique that was used in the study is presented in Chapter 6

Based on the descriptive statistics, the anglophone divide ranked higher than the francophone divide under the ‘entrepreneurship determinant’ category, during the period under review. While the anglophone divide performed better under the ‘entrepreneurship outcome’ category, countries within the francophone divide received more returns from exported goods. The data used shows that Burkina Faso ranked highest in job creation criteria while the anglophone divide’s economic growth was cumulatively higher than that of the francophone divide under the ‘entrepreneurship impact’ category. However, based on the overall TEA performance, the efforts of the francophone divide seems uniformed across the countries. This could be because of the regional cooperation that exists in the divide. The common currency, the common central bank, i.e. BCEAO, and the regional capital market, i.e. BRVM, could be instrumental to the uniformity of performance across the countries. The cluster analysis shows that the anglophone divide has a cumulative higher mean of

the entrepreneurship indicators than the francophone divide which signifies that the anglophone countries were entrepreneurship enhancing while the francophone countries were entrepreneurship inhibiting during the period reviewed. The comparative analysis of the business environment using various economic ranking shows that both divides operate within a factor-driven economy whereby economic sustainability is heavily reliant on subsistence agriculture, extraction business, unskilled labour and natural resources. Instead, countries are supposed to be efficiency and innovation driven in order to attract more entrepreneurship activities (GEM, 2010).

Considering the type of public policies enacted in the business environment of the countries reviewed, it is indisputable that governments in both divides have made entrepreneurship a policy focus. Nevertheless, many of the efforts made have been largely supported by the government in the anglophone divide, while the francophone divide countries have been more open to private sector partnership in the drive to promote entrepreneurship development. Based on the findings in chapter 5, most of the enacted entrepreneurship policies in the countries focused more on agriculture related businesses and SMEs development. For instance, most of the enacted entrepreneurship initiatives in Nigeria, Ghana and Cote D'Ivoire were funded by the government. However, there is a number of private sector participation in Benin using Songhai as a point in reference. Also, some of the entrepreneurship initiatives in Benin have a new focus on factor driven economic approach by focusing on technology and innovation centres. These policies adopt an incubation strategy as a medium for transferring skills to upcoming entrepreneurs. It was also found that most of the specific entrepreneurship policies have been focused on the agricultural and service sector, while few efforts have been made regarding technology and innovative entrepreneurship activities.

Indeed, an enabling macroeconomic and social environment is imperative for setting up a successful business. Moreover, the success of a business is dependent on good managerial skills, technical skills, productivity skills and technological skills. The analysis of the effect of macroeconomics policies focusing on fiscal and monetary policy instruments and entrepreneurship performance in Chapter 6 revealed that the central bank dependency and the emerging stock exchange market's (*BVRM*) role in entrepreneurship performance had a significant effect on the performance of entrepreneurship in francophone West African countries. However, cumulatively, the anglophone West Africa countries were found to be more entrepreneurship enhancing while the francophone countries were entrepreneurship inhibiting during the period reviewed. This could be due to the fact that the monetary policies in the francophone countries lack the autonomy to respond to sudden opportunities because of their dependency on the *BCEAO* – the central bank of West Africa serving

eight countries using the CFA franc currency in the regime. The money supply, interest rate and exchange rate in the countries were static during the period reviewed. Hence, it takes a bureaucratic process for the monetary policies in countries to respond to entrepreneurship opportunities, whereas entrepreneurship is opportunity driven. According to Nieman and Nieuwenhuizen (2009), opportunities are the push or pull factors that motivate entrepreneurship activities. Druker (1964) and Botha (2006) support that entrepreneurs are attracted to engage in entrepreneurship activities when they spot that a gap in the market can lead to business opportunities.

The ARDL estimation revealed that the exchange rates in the anglophone divide during the period reviewed had a high mean value which signalled huge entrepreneurial activities that necessitated cross-border transactions amongst the countries under study, specifically for the acquisition of domestic assets and international portfolio management. This supports Bollerslev, Chou and Kronner's (1992) findings that exchange rate movements have implications for trade.

The return on exports variable also showed a significant relationship indicating high inter-country trade activities and the export dependence across the countries in both divides corroborates the result from exchange rates that both divides engage in cross-border transactions. There is also an indication that the two divides constantly invested in a measure of entrepreneurship potential, i.e. science and technology research which drives innovation for entrepreneurship development. However, the efforts have been rather minimal when compared with developed countries. This supports the submission of Lo (2006) that academic research articles are mediums for communicating technology development in more developed economies. According to Garavan and Barra (1994), entrepreneurship possesses three main characteristics, namely knowledge, skills and attitudes. Knowledge refers to the know-how of the techniques and processes of production (Marvel & Lumpkin, 2007). Skills refer to people's ability to lead, manage and control resources such as finance, creativity, innovation, human capital, etc. which are important to entrepreneurship (Hisrich & Peters, 1998). Attitude is planned behaviour (Krueger, 2007), and much of what is considered as an entrepreneurial activity (business plan, opportunity searching, exploitation, managing of resources, etc.) is controlled by the attitude of the entrepreneur, often referred to as an entrepreneurial intention.

Where sufficient data permitted, the econometric analyses were carried out using the ARDL cointegration technique. The findings can be summarised as follows: Firstly, the effects of monetary and fiscal policies on entrepreneurship were mixed, hence a nexus of effects, but what is apparent in the period under review, is that countries in the anglophone divide were more entrepreneurship enhancing and produced more discernible evidence of the positive impact of their public policies on



entrepreneurship. In the francophone divide, it was found that the emerging stock exchange market was encouraging for entrepreneurship performance in countries.

Despite the fact that the link between infrastructure and economic growth is explained in theories (Canning & Petroni, 2004) – entrepreneurship growth inclusive – government expenditure on infrastructure in all the West African countries reveals that the proportion of the fiscal policy of government spending on infrastructural development was not being encouraged during the period. However, policy attention on infrastructure expenditure is given much focus by government due its capital intensive nature. The debate on infrastructural development is often accompanied with the expected revenue to be generated from such expenditure. Nevertheless, when capital is expended on entrepreneurship-enhancing purposes in an environment that is conducive for entrepreneurship, there is likely to be substantial returns on such investment considering the gains entrepreneurship offers. Specifically, Edame and Fonta (2013) claimed that infrastructure has a tremendously positive effect on a country's economic growth. Infrastructure development was also found by Udjo *et al.* (2000) to be responsible for both the direct and indirect impact on the growth of an economy because it raises efficiency and provides facilities useful for the entrepreneur to be productive.

The high interest rate of the monetary policy revealed during the period shows that domestic investment within the region was not really impressive, especially in the anglophone countries, which unfortunately was to the detriment of entrepreneurship because the cost of getting money definitely became high when the interest rate increased. This situation acted as an impediment to the supply of finance for entrepreneurship. In this regard, the francophone divide had an advantage over the anglophone divide because the former operated a steady/fixed interest rate across member countries. However, the general minimal effect that the interest rate had on entrepreneurship in West Africa could be because of the resultant effect of the global financial crises and lack of adequate coordination between monetary and fiscal policymakers in the region. This aligns with Dixit and Lambertini's (1999) finding that suggests that fiscal and monetary policymakers should agree on the levels of output and inflation in order to achieve positive effects of the policies despite their differences in objectives. The performance of the money supply variable of the monetary policy indicates that the average money in circulation too was extremely inadequate. Horwitz (2000) recognised that it is impossible to determine the rate of money supply without making reference to the institution responsible for the disbursement. To this end, the central banks in both divides during the period of study were not efficient in the supply of money for certain reasons such as inflation targeting. However, Favero (2004) reiterated that the complementarity or substitutability of both fiscal and monetary policies depends crucially on the specific types of

shocks hitting individual countries. In addition, Adegboye (2015) found that the stabilisation of both policies is required to achieve the highest level of economic outcomes. This calls for an ideal fiscal-monetary policy mix and management in West Africa.

From the comparative analysis in Chapter 5, it is evident that fiscal and monetary policies in the selected francophone divide affect the business environment in the countries uniformly due to the centrality of the authorities and the common objective of the BCEAO which share a common CFA currency and operate in the same monetary union, i.e. UEMOA. Furthermore, while the business environment in Senegal outperforms other countries in the francophone divide, Ghana's business environment scores highest by the IAG ranking in the anglophone divide. The regulatory efficiencies of the fiscal and monetary policies across the francophone countries reveal that the monetary freedom situation has only become better in Cote D'Ivoire where the BCEAO is physically located, while none of the countries within the anglophone divide has become better from the previous years in terms of monetary freedom despite the independency of the central banks in individual countries. These findings reveal that the monetary policies across West Africa have not been regulated satisfactorily. However, government spending and business freedom have been quite impressive in the anglophone divide compared to the francophone divide as rated by the 2018 Index of Economic Freedom. The international ratings show that most countries in West Africa have accommodative policies towards entrepreneurship, especially in Nigeria and Burkina Faso where efforts at enhancing entrepreneurship have been encouraging. Nevertheless, the fact still remains that the entrepreneurship drive across the West Africa countries is still factor driven rather than being efficiency driven. A factor-driven economy is peculiar to the least developed economies of the world according to GEM standards. Public policies in West Africa should be formulated and executed in such a way that they attract competitiveness in efficiency-driven economies.

### **7.3. POLICY IMPLICATIONS AND RECOMMENDATIONS**

From the above discussions and findings, some issues immerge in favour of entrepreneurship performance through public policy actions. Monetary policies should be favourably inclined to entrepreneurs and managed by unfixed foreign exchange rates unlike in the francophone countries. This will enhance entrepreneurship activities and provide entrepreneurs with the choice to respond to opportunities in the business environment. Fiscal policies should be advanced to allot more financial resources to science and technology research as well as entrepreneurship education in order to awaken a higher level of innovation and creativity through research, as well as enhance linkages between tertiary institutions and the private sector. As explained in Chapter 2 of this study, it will be of particular interest to governments and stakeholders in both divides of West Africa to

adopt 'meta policy' structures which aim at making better public policies by improving on already existing programmes or interventions, because these meta policy structures pay particular attention to the operational mode of policies at macro-scale level and aim at explaining the contextual factors of public policies such as political, economic and socio-cultural influences in policymaking. The entrepreneurs within the counties should operate in groups comprising like-minded persons who share common goals and aspirations, so that they can make efforts to influence public policy to their favour and advantage. Entrepreneurs must operate as a formidable force capable of having positive effects on the economic wellbeing of their countries. By so doing, the group of entrepreneurs will serve as a pressure group for influencing public policy in line with the dictates of the 'Group theory'. On the other hand, governments should enact entrepreneurship policies that maximize societal gains as well as minimize costs according to the public and rational choice theories.

Generally, there is a growing trend in entrepreneurship development in West Africa but it has definitely not reached its peak. The results generated from both the preliminary evaluation in Chapter 5 and the statistical analyses in Chapter 6 revealed that entrepreneurship activities in both the anglophone and francophone divides of West Africa are factor driven rather than efficiency or innovation driven. A factor-driven economy is one where the country relies on unskilled labour for production and is heavily dependent on natural resources, while the efficiency or innovation-driven country is one that the growth of entrepreneurship activities is based on more efficient production means which lead to increased product quality. This could be the reason for the state of entrepreneurship performance in the region. However, the performance of entrepreneurial activities depends on the government's recognition of the intrinsic role of entrepreneurs in an economy, and thereby advances policies that make the business environment conducive, such as giving entrepreneurs adequate attention in public policy formulation. Particularly, the following policy areas need attention:

- (i) *Financial support* – Based on the findings of the ethnographic research in the study, the responses of entrepreneurs who benefited from entrepreneurship initiatives advocated for financial supports in form of single digit lending rates, elongation of loan repayment period as well as a review of collateral conditions, among others. For instance, the supply of money into a market system affects both demand-side and supply-side conditions conducive for entrepreneurship (Harper, 2003). Finance is an essential ingredient for entrepreneurship. Although the conventional banks and other finance firms can provide capital for entrepreneurship purposes, most of the conditions for accessing such finance do not consider the peculiar structure of entrepreneurship. A common problem faced by both male and female

entrepreneurs is the lack of access to credit facilities or seed funding necessary to start their businesses. However, bearing in mind the importance of entrepreneurship to economic growth, there is need for public policies to support specialised development finance institutions (DFIs) for entrepreneurship to bridge the effects of market failure which the conventional finance banks are not primarily designed to cater for. While the conventional banks are profit oriented, the DFIs are more development oriented in their objectives. For instance, literature has it that the survival rate of an SME is between three to five years before its success can be determined. However, in reality, no conventional bank will wait for that period of time before it starts recovering its money. The advantage of the DFI in supporting finance is that it can grant loans on a long-term basis and at concessionary interest rates. Sometimes, DFIs go the extra length to assist entrepreneurs by monitoring and evaluating their activities.

- (ii) *Infrastructural development* – Since it is evident from the result of the econometrics analysis that government expenditure on infrastructure had positive relationship with the TEA across West Africa. Therefore, fiscal policy priority should focus on spending more on infrastructural development projects such as road networks, telecommunication, technology etc. in order for entrepreneurship to grow in the region. The centrality of public expenditure, particularly on infrastructure, is an important instrument in the development process (Edame & Fonta, 2013). Owing to the needs of economic growth, a substantial portion of government expenditure should be committed to infrastructural development which will in turn enhance entrepreneurship activities. Lack of the needed infrastructure impedes production capabilities and reaching out to markets. For instance, a good road, sea and airport network facilitates the movement of goods to the market; electricity is essential for powering plants, machineries and other production equipment; a functioning telecommunication system facilitates prompt business transactions and it reduces the problems of information asymmetry.
- (iii) *Legal and regulatory framework* – Governments, through policies, should uphold laws, orders and obligations in their duties of maintaining sound business environments. Specifically, the legal and regulatory frameworks in countries should guide against unprecedented fiscal expansions before and during elections, so that entrepreneurship activities can benefit from some level of relative economic certainties and projections. Also, policy makers should bear in mind that the incidences of corruption and undue bureaucratic procedures deter entrepreneurship intentions. Unfortunately, corruption hampers entrepreneurship development in most states across the world. It is as a result of corruption's detrimental effects on the economy that governments initiate strategies to fight corruption by revisiting their legal and

regulatory policies. An entrepreneur will only feel comfortable to invest capital when government is credible and can be held accountable for its policy actions. However, it is the responsibility of governance to keep to equity, fairness and social justice when dealing with entrepreneurs as these obligations have a positive impact on the growth of entrepreneurship activities.

- (iv) *Transformative initiatives* - Policy makers should enact initiatives that are capable of transforming the economy in the countries from factor driven to technology and innovative driven, as it is in developed countries. This would stimulate conducive business environments for entrepreneurship activities.
- (v) Private sector participation should be encouraged in the pursuit of promoting entrepreneurship in West Africa.

However, the gap between entrepreneurially vibrant economies and others will continue to widen if there is no deliberate policy thrust of economic leverage on the part of Africa and other societies. It is therefore in the best interest of all governments to continue to develop entrepreneurs to meet the impending challenge of unemployment and curb redundancy in the productive populace. There is a need for the various stakeholders, i.e. policy experts and entrepreneurs in West African countries, to work together as a system. The ability to synergise the various stakeholders to function as a composite system is the basic requirement to realise the benefit of entrepreneurship in countries. A systemic solution is recommended as a plausible suggestion for sustainable entrepreneurship development in both divides of West Africa. Also, it is the consistent human capacity building that would rekindle an entrepreneurship spirit and pierce the veil of illusion that West Africa would not become fully industrialised. Innovative and creative ability is the result of sustained human capacity building, which will nurture and create an entrepreneurial climate. If public policies pay adequate attention to human capacity building for entrepreneurs, irrespective of gender differences in their respective countries, through education, learning, health care, development climate, leadership, empowerment, financial independence, value system, security and human capital preservation, there will be a manifestation of entrepreneurial spirit and development. But if the countries within the divides remain apathetic to the above raised issues, such that nothing systematic is being done to harness human capacity, entrepreneurship development will remain in the doldrums.

In addition, the researcher recommends public policies that will deliver on their set objectives. Specifically, it is recommended that governments in West Africa should embark on the following:

- (i) Re-order entrepreneurship policy priorities to align with the current global realities making use of modern technologies and strategies.
- (ii) Enact firm, focused and very effective policies, and commit resources for entrepreneurship development.
- (iii) Develop a sustainable vision for orientation and re-orientation of the people to inculcate entrepreneurial values.
- (iv) Create enabling business environments and incentives for entrepreneurs.
- (v) Create specialised schools for entrepreneurship.
- (vi) Use and encourage strong media participation in entrepreneurship development efforts.
- (vii) Tackle entrepreneurship as a broad-based issue, deploying the entrepreneurship development approach as in Figure 3.1 of Chapter 3.
- (viii) Seek international collaborations with governments, institutions and folk who have successfully created working models.
- (ix) Sacrifice selfish and greedy political ambitions for the common good, to foster qualitative, competitive and conducive growth in the sector. This may include regular elections to bring in policymakers with fresh ideas for development.
- (x) Spearhead and support policies geared at promoting the growth of entrepreneurship and condemn anti-entrepreneurship policies that directly or indirectly hamper the development of entrepreneurship.

The policies of the government can no longer relegate entrepreneurship issues. The policies must be proactive, robust and deliberate to address all the issues that affect and concern entrepreneurship development at all levels. In West Africa, the policies of individual countries should harness and synergise the best of monetary-fiscal policy mix and a regional cooperation approach that encompasses the broad differences such as: a common currency for the purpose of trade openness; a unified official language for the purpose of better communication; a unified regional stock exchange for effective capital market growth; and a wider international affiliation of countries for global market advantage. Therefore, public policies in the region should be designed appropriately by having entrepreneurship in focus, in order to mutually reinforce economic dynamism and cross-cultural development. The dynamic process and cross-cultural development synergies in the countries within the divides will introduce and disperse innovative products, processes and organisational structures in the divides.

The finding of this study provides information for policy making and also contributes to knowledge by pioneering a study on the relationship between public policy and entrepreneurship in the West

African region. Nevertheless, if the recommendations of this study are implemented, entrepreneurship performance will be enhanced in West Africa. Specifically, they will not only have ripple effects towards realising the United Nations seventh millennium development goal (MDG 7) which targets sustainable environments where people's economic needs are sufficiently satisfied, but will also align with the Vision 2020 strategy of the Economic Community of West African States which aims to develop the region by harmonising sectoral policies across countries. These will also serve as a step in the right direction towards actualising the African Union's 'Agenda 2063' aimed at engendering transformed, inclusive and sustainable economies in member states through institutional reforms. To development finance, the findings will ensure the access of more countries to developmental capital through the improvements of their macroeconomic performance while promoting greater engagement with financial markets. Ultimately, the outcomes will create a pathway to the growth and development of entrepreneurship (process), the entrepreneur (person) as well as enterprise creation or activities (object).

#### **7.4. AREAS FOR FUTURE STUDIES**

Due to the limitation of the study based on insufficient data, future investigations into the performance of entrepreneurship activities in countries could focus on the informal sector level to deviate from the findings of a country level study as this. The studies will benefit from relying on the World Bank enterprise index and gender development index. The data type, if qualitative rather than quantitative, will add to the robustness of the findings of this study. Also, the actors (entrepreneurs) within each country rather than the process (entrepreneurship) alone should be interviewed for their feedback on the performance investigated in both divides, while the study should explore both the theoretical and empirical issues at small, medium and large scale enterprise levels. Going forward, the researcher suggests that there should be a lag in the models used for the analysis in subsequent studies. This is because the effect of the independent variables on the dependent variable is rarely instantaneous, which unfortunately constitutes a lapse of time in analysis (Gujarati, 2003). In addition, a stepwise regression approach is also recommended to explicitly determine the effect of each component of the TEA, thereby conducting a multivariate analysis. The method will test the relevance of each independent and dependent variable in the regression equations consecutively. It may also be necessary for stakeholders in public policy and entrepreneurship to commission researches to study, the role of gender, culture and public versus private sector participation in entrepreneurship performance in West Africa.

## 7.5. CONCLUSIONS

Entrepreneurship is good in all its ramifications: it creates wealth, a new economic order, encourages congruency, and invariably a more productive world. However, West Africa, as in other parts of the world, faces an unusual dilemma to continue with business as usual or dive into the flick of an entrepreneur-driven economic transformation. There is a more pressing need to address the socio-economic issues of wealth creation and income generation with entrepreneurship as the most important catalyst in the countries.

Enough cannot be said of West Africa's urgency to focus on intensive and comprehensive entrepreneurship development as inevitable, if it wants to make any significant ascent from the doldrums of underdevelopment and poverty. The need is more pressing now with the changing global economic realities. For instance, the rapid cycle of technology has caused transition around the globe. The world is connected and the time required to go from concept to product has shortened considerably. This paves the way for opportunities which are left to countries to design favourably and for entrepreneurs to take advantage of.

However, with the significant successes that can be made by entrepreneurs in all endeavours, there is a strong drive globally to re-position entrepreneurship as a core economic concern in all progressive economies. The urgency to understand, embrace, develop and propagate entrepreneurship more than ever stems from the yearning to address the global concerns addressed in the Sustainable Development Goals (SDGs) agenda of the United Nations. Much of the improvements expected will depend on entrepreneurship and the policies driving it in countries. Entrepreneurship concerns need to be given preference in the mainstream of economic and social policies, with most governments paying more attention to entrepreneurship performance. Particularly, there must be a political will, political re-engineering and a concerted effort to forge and rebuild the entrepreneurship structures in the West African countries. The success stories from around the world could be emulated in order to understand the reasons why previous attempts failed.

Entrepreneurship activities must take note of and consider the convergence that has helped foster development in the rest of the world. One country makes progress and the others soon fall in line with it in order to understand, adopt and imbibe the unique entrepreneurship-enhancing policies, thereby making such policy a welcomed contagion with ripple effects across countries. This will offer answers and relief to millions of entrepreneurs who would otherwise remain unproductive or underproductive. Any country that can create more entrepreneurs and maintain a conducive



business environment through its public policies is on its way to realising its socio-economic objectives faster. It can however be concluded that public policy matters for entrepreneurship performance in both the anglophone and francophone divides in West Africa have taken commendable strides in formulating policies to improve entrepreneurship based on the indicators used in individual countries. However, the public policy in the anglophone divide was more entrepreneurship enhancing compared to the francophone divide based on the various methods used, during the period reviewed for this study. It is recommended that the emerging stock exchange (*BVRM*) existent in the francophone divide should be encouraged and supported by policies so that the market will be more liquid, which in turn will increase entrepreneurship performance. The central bank independence has its benefits as well as demerits. In the francophone divide, policymakers have not been given much independence to diversify, innovate and take advantage of opportunities due to uncertainties. Such actions promote entrepreneurship in countries and this has been enormously supported in entrepreneurship literature. Regular elections should be encouraged in order to ensure the sustenance of enacted policies in attracting both local and foreign investment in entrepreneurship activities. Nevertheless, not all entrepreneurship activity can be measured neither can all the effects on the selected policy be realisable due to some complexities of a cross-country analysis such as the unavailability of contemporaneous data.

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**APPENDIX****THE SHORT RUN RESULTS OF ARDL ACROSS COUNTRIES****CODE IVORE**

Variable	Coefficient	Std. Error	t-Statistic	Prob. *
COINTEQ01	-0.192683	0.016494	-11.68223	0.0013
D(LNY1(-1))	0.311436	0.099084	3.143149	0.0515
D(LNX1)	-4.410678	10.26151	-0.429827	0.6963
D(LNX2)	0.476991	2.108286	0.226246	0.8355
D(LNX3)	-1.077666	0.245144	-4.396048	0.0218
D(LNX4)	-5.581075	1.245980	-4.479268	0.0000
D(LNX5)	28.47530	14.09650	2.020026	0.0351
D(LNX6)	-0.126291	2.171923	-0.058147	0.9573
C	36.31292	71.63241	0.506934	0.6471

**MALI**

Variable	Coefficient	Std. Error	t-Statistic	Prob. *
COINTEQ01	-0.165559	0.014423	-11.47871	0.0014
D(LNY1(-1))	0.395995	0.044768	8.845576	0.0030
D(LNX1)	-2.969789	4.219166	-0.703881	0.5322
D(LNX2)	-0.703908	0.823155	-0.855135	0.4553
D(LNX3)	-0.498169	0.069426	-7.175539	0.0056
D(LNX4)	2.818769	5.457218	0.516521	0.6412
D(LNX5)	2.263335	0.534718	4.232760	0.0051
D(LNX6)	-1.128067	0.288906	-3.904616	0.0298
C	30.91098	63.98700	0.483082	0.6621

**Burkina Faso**

Variable	Coefficient	Std. Error	t-Statistic	Prob. *
COINTEQ01	-0.282145	0.076743	-3.676505	0.0348

D(LNY1(-1))	-0.334119	0.078137	-4.276057	0.0235
D(LNX1)	1.305212	0.070390	18.54256	0.0000
D(LNX2)	5.014847	10.57424	0.474251	0.6677
D(LNX3)	0.363819	0.126535	2.875238	0.0638
D(LNX4)	-7.300545	38.71686	-0.188562	0.8625
D(LNX5)	-4.948920	26.78068	-0.184794	0.8652
D(LNX6)	-0.328288	0.852857	-0.384928	0.7260
C	5.426883	26.97461	0.201185	0.8534

## Senegal

Variable	Coefficient	Std. Error	t-Statistic	Prob. *
COINTEQ01	-0.152230	0.012246	-12.43055	0.0011
D(LNY1(-1))	0.646758	0.052781	12.25369	0.0012
D(LNX1)	4.042417	0.104299	38.75795	0.0000
D(LNX2)	-4.733057	2.825539	-1.675099	0.1925
D(LNX3)	0.197578	0.048747	4.053083	0.0271
D(LNX4)	-3.660564	25.34572	-0.144425	0.8943
D(LNX5)	-4.373365	50.23006	-0.087067	0.9361
D(LNX6)	-0.418122	0.038922	-10.74253	0.0000
C	29.70238	55.47140	0.535454	0.6295

## Benin

Variable	Coefficient	Std. Error	t-Statistic	Prob. *
COINTEQ01	-0.565388	0.060257	-9.382958	0.0026
D(LNY1(-1))	0.053583	0.025165	2.129304	0.1231
D(LNX1)	-3.956421	4.090026	-0.967334	0.4047
D(LNX2)	-4.317235	1.279884	-3.373146	0.0433
D(LNX3)	-0.211446	0.036561	-5.783420	0.0103
D(LNX4)	-1.077446	7.394926	-0.145701	0.8934
D(LNX5)	0.263512	0.007582	34.75423	0.0000
D(LNX6)	-1.321680	0.133728	-9.883343	0.0022
C	10.89502	22.85499	0.476702	0.6661

## The Gambia

Variable	Coefficient	Std. Error	t-Statistic	Prob. *
COINTEQ01	-0.240385	0.002136	-112.5306	0.0000
D(LNY1(-1))	0.884431	0.010224	86.50660	0.0000
D(LNX1)	-6.714241	3.235229	-2.075352	0.1296
D(LNX2)	-1.177223	0.073376	-16.04377	0.0005
D(LNX3)	-1.729246	0.095942	-18.02393	0.0004
D(LNX4)	6.285935	1.975011	3.182735	0.0500
D(LNX5)	5.858087	9.597625	0.610368	0.5847
D(LNX6)	-1.832444	0.119435	-15.34254	0.0006
C	40.49787	21.84968	1.853477	0.1609

## Ghana

Variable	Coefficient	Std. Error	t-Statistic	Prob. *
COINTEQ01	-0.968829	0.074325	-13.03510	0.0010
D(LNY1(-1))	-0.143119	0.042439	-3.372345	0.0433
D(LNX1)	-4.845048	18.07860	-0.267999	0.8061
D(LNX2)	2.418131	1.864894	1.296658	0.2855
D(LNX3)	-2.109237	0.188768	-11.17370	0.0013
D(LNX4)	12.63976	23.05209	0.548313	0.6216
D(LNX5)	-1.223296	22.86937	-0.053491	0.9607
D(LNX6)	-1.338672	0.667340	-2.005979	0.0451
C	14.59942	23.39648	0.624001	0.5769

## Liberia

Variable	Coefficient	Std. Error	t-Statistic	Prob. *
COINTEQ01	-0.149211	0.247594	-6.026440	0.0092
D(LNY1(-1))	0.158515	0.074461	2.128833	0.1231
D(LNX1)	-2.247297	6.585461	-0.341251	0.7554
D(LNX2)	1.835117	0.051296	35.77537	0.0000
D(LNX3)	1.359259	1.120219	1.213387	0.3118
D(LNX4)	-6.556141	0.574843	-11.40509	0.0007
D(LNX5)	-1.469894	0.798049	-1.841859	0.1627
D(LNX6)	-1.568386	1.233140	-1.271864	0.2931
C	24.21840	68.56139	0.353237	0.7473

**Nigeria**

Variable	Coefficient	Std. Error	t-Statistic	Prob. *
COINTEQ01	-0.301773	0.036713	-8.219891	0.0038
D(LNY1(-1))	1.145214	0.300146	3.815526	0.0317
D(LNX1)	-0.077571	0.005980	-12.97180	0.0000
D(LNX2)	7.159120	76.87847	0.093123	0.9317
D(LNX3)	5.095741	10.58619	0.481357	0.6632
D(LNX4)	6.252142	16.91241	0.369678	0.7362
D(LNX5)	9.797517	1.812592	5.405250	0.0004
D(LNX6)	1.124624	1.165668	0.964789	0.4058
C	6.730490	20.81671	0.323322	0.7677

**Sierra Leone**

Variable	Coefficient	Std. Error	t-Statistic	Prob. *
COINTEQ01	-0.693535	0.083954	-8.260904	0.0037
D(LNY1(-1))	0.034748	0.162571	0.213740	0.8445
D(LNX1)	-11.97443	63.29708	-0.189178	0.8620
D(LNX2)	-0.814936	87.83746	-0.009278	0.9932
D(LNX3)	-1.381313	0.814582	-1.695732	0.0985
D(LNX4)	2.238111	26.01920	0.086018	0.9369
D(LNX5)	1.091113	0.167996	6.494888	0.0073
D(LNX6)	-0.523276	0.052060	-10.05140	0.0006
C	12.54363	26.07418	0.481075	0.6634