Chapter Seven

FISCAL POLICY AND ENTREPRENEURSHIP GROWTH IN NIGERIA

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ABSTRACT

This study investigated the influence of fiscal policy on entrepreneurial growth in Nigeria with the adoption of survey research design which is based on the use of primary source of data involving the use of questionnaires of selected four hundred (400) entrepreneurs in the Lagos state of Nigeria derived from Yaro Yamani's sample size formula. This study employed multiple regression analysis and it was established that fiscal policy ensured the growth of entrepreneurship in Nigeria. This is evidenced in the regression result, R square = .116, which stipulates that about 12% variation in the entrepreneurial growth in Nigeria can be attributed to the combined effect of all the exogenous variables used in this study, while the remaining 88.4% can be attributed to other factors not covered in the study's model. Though this low explanatory power but the result of the regression estimates of model indicated that the coefficient of all the endogenous variables shows both positive and negative evidence from multiple regression analysis, which shows that taxation and public debt has a positive effect on entrepreneurial growth in Nigeria while tax incentives and public/government expenditure has a negative effect on the entrepreneurial growth in Nigeria. This study recommends that tax incentives should be used with care by the government as though may motivate people to create new businesses and to have taxes holidays until such a time when they will be buoyant to do so but reduces government revenue in the short-run. Governments at all levels are also advised to consider taxation which is one of the major tools of fiscal policy, as a veritable tool for financing government expenditure which will in turn aid entrepreneurship growth in Nigeria.

KEYWORDS: Economic Growth, Entrepreneurship, Fiscal Policy, Taxation, Public Expenditure
1.0 INTRODUCTION
1.1. Background of the Study
This work introduces the impact of fiscal policy on entrepreneurship development in Nigeria. The two main instruments of macroeconomic policy are monetary and fiscal policies. Fiscal policy is how a government adjusts its levels of spending in order to monitor and influence a nation’s economy (Akpapan, 1994). It is the sister strategy to monetary policy, with which a Central Bank influences a nation's money supply. These two policies are used in various combinations in an effort to direct a country's economic goals. The governance of fiscal policy is a powerful instrument for stabilizing the economy, which controls over the amount and structure of taxes, expenditures, and the debt management. The governance of fiscal policy affects aggregate demand, the distribution of wealth, and the economy's capacity to produce goods and services. Fiscal policy can be defined as policy measure aimed at influencing or controlling the flow of income and consumption, revenue and expenditure, savings and spending, and production and distribution.

Fiscal policy is widely recognized as a strong tool for economic growth in most economies of the world, however, experience in developing nations of the world tends to suggest otherwise. The problems faced by these countries, particularly Nigeria, at a given period associated with fiscal policy measures include; high rate of unemployment, price instability inflation rate low per capita income with serious balance of payment crisis. This resulted in domestic macroeconomic instability and has not indicated economic growth. Hence, this work tried to find out if taxation and government spending through fiscal policy have any substantial impact on entrepreneurship development in Nigerian.

Nigeria's economic situation is in "its worst possible time", according to Finance Minister Kemi Adeosun. The inflation rate shrank at 17.1%, The GDP had contracted by 2.06%, the economy by 0.36%. The National Bureau of Statistics (NBS) has released a report on Nigeria's economy in the second quarter, including the Gross Domestic Product (GDP), Inflation, Employment, and Unemployment, Capital Importation and other key fundamentals. The oil price has crashed to less than $50 per barrel; Nigeria's production output has tumbled over 400,000 barrels due to militancy activities in Niger Delta region. Oil production plummeted to 1.69 million barrels per day in the second quarter of 2016, down from 2.11 million barrel per day in the first quarter, with oil-based GDP contracting by 17.5% in quarter two compared to 1.9% in the first quarter.

On Employment; 4.58 million Nigerians have become jobless since 2015, adding 2.6 million to unemployment figures of 1.46 million recorded in the third quarter of 2015 and 518.102 in the fourth quarter of 2015. According to reports during the reference period, the unemployed in the labour force increased by 1,158,700 persons, resulting in an increase in the national unemployment rate to 13.3% in Q2 2016 from 12.1 in 2016, 10.4% in 2015 from
9.9% in Q3 2015 and from 8.2% in Q2 2015. The value of capital imported into Nigeria in the second quarter of 2016 was estimated to be $647.1 million, which represents a fall of 75.73% relative to the second quarter 2015. This provision figure would be the lowest level of capital imported into economy on record and would also represent the largest year on year decrease. The way out of this Recession is Entrepreneurial Revolution. Entrepreneurial revolution is the way out that will take us to our promised land. Kemi Adeosun stated also that it is no longer news, the country is broke, and oil prices have gone down to an all-time low of less than $50 per barrel. We didn't save when we had excess, we didn't build infrastructures. Not enough power to drive the industries. These are tough times but provide the opportunity to learn and build. For Nigeria to be great again we need to take tough decisions. Entrepreneurship needs to take the front burner. With about 70% youth population (Approximately 80 million) there is an abundance of human resources. We need to create jobs for the growing population of youths. But it is not all for government to create jobs for the growing population of youths. Government has responsibility to create right environment for entrepreneurial growth. However, there are numerous challenges hindering the growth of entrepreneurship in Nigeria, which includes lack of access to fund; over taxation of SMEs; insufficient power; lack of critical infrastructures;

As economic recession bites harder on Nigerians, the International Monetary Fund (IMF) has projected that Nigeria's economy will be out of recession in 2017. According to IMF, the economy will grow by 0.6 percent next year adding that it is projected that the recession will outlast 2016 with a Gross Domestic Product (GDP) contraction of 1.7 percent. Nigeria's economy is forecast to shrink 1.7 percent in 2016 and South Africa's will barely expand. By contrast, several of the region's non-resource exporters, including Côte d'Ivoire, Ethiopia, Kenya, and Senegal are expected to continue to grow at a robust pace of more than five percent this year.

IMF also forecasted a GDP contraction and subsequent recession for Russia and Brazil throughout 2016. The fund added: “Growth in emerging Asia and especially India continues to be resilient. “India’s gross domestic product is projected to expand to 7.6 percent in 2017 and next, the fastest pace among the world’s major economies.” Maurice Obstfeld, IMF chief economist and economic counsellor, who spoke on the outlook, said global economic growth would remain subdued in 2016 following a slowdown in the United States of America and Britain's vote to leave the European Union. Obstfeld also stated that the fund forecasted a slight pickup in 2017 and beyond, driven mainly by emerging market strength. Taken as a whole, the world economy has moved sideways. We have slightly marked down 2016 growth prospects for advanced economies while marking up those in the rest of the world.” Nigeria's economy was earlier projected to contract by 1.8 percent in 2016, but the October version of the WEO has seen that reviewed positively to a contraction of only 1.7 percent. The country has recorded a
0.36 and 2.06 percent contraction in the first and second quarter of 2017 respectively, plunging into its worst recession in 29 years

1.2 Problem Statement
Nigeria as a country has numerous business and investment potentials due to the abundant, vibrant and dynamic human and natural resources it possesses. The performance and effectiveness of entrepreneurs in the country as an instrument of economic growth and development has long been under scrutiny. This intense scrutiny has been against the backdrop of the low performance and inefficiency that characterized small business particularly in assessing its role on economic growth and development. Tapping the country's resources require the ability to identify potentially useful and economically viable fields of endeavors. Nigerians have equally made their marks in diverse fields such as science, technology, academics, business and entertainment. Entrepreneurship activities and innovative ingenuity in Nigeria have developed enterprises in areas such as agriculture/ agro-allied, solid minerals, transportation, information and telecom, hospitality and tourism business, building and construction etc. According to Anyadike, Emeh and Ukah (2012) these human and natural resources notwithstanding, Nigeria is still one of the poorest countries in the world and has one of the highest rates of youth unemployment in sub-Saharan Africa, and despite its alleged strong economic growth. In respect of the above sad and deplorable situation, the government has done little to reduce the misery and frustrations of the citizenry. This has foisted a state of hopelessness on majority of young and old people who have resorted to any means including crime to succeed in life. They resort to vices because they are not gainfully engaged. In other words, they are unemployed; unemployed, not because they lack the qualification but because the system has been crippled politically, economically, socio-culturally and even religiously Anyadike, Emeh and Ukah (2012). The need for entrepreneurship development through fiscal policy in the country today is necessitated by the fact that entrepreneurship development is a major factor in economic growth and development and also the permanent cure for extreme hunger and poverty necessitated by unemployment.

1.3 Research Questions
To what extent can Fiscal Policy Influence Entrepreneurship Growth in Nigeria?

1.4 Objectives of the study
This study investigated empirically the influence of fiscal policy on entrepreneurship development in Nigeria. This study noted the dynamic nature of fiscal policy with its attendant impact on successes and failure for business concerns. This study, therefore, measured the degree of relationship and applies fiscal instrumental variables towards the understanding of the deployment of business enterprises.

1.5 Research Hypothesis
H01: Fiscal Policy cannot significantly Influence Entrepreneurship Growth in Nigeria
2.0 LITERATURE REVIEW
2.1 Conceptual Review
2.1.1 The Concept of Fiscal Policy
The understanding of fiscal policy holds most profoundly as with any other discussions of government interactions with the economy. The principal objective of fiscal policy according to Keynes is to solve "the real problem, fundamental, yet essentially simple to provide employment for everyone" (Keynes 1980: 267). This role has however assumed second fiddle behind a modern fiscal policy that has largely been confined to stabilizing incomes, consumption, and investment, whereas employment stabilization is determined as a byproduct of these policies (Tcherneva, 2011).

Fiscal policy, therefore, is the use of government spending and taxation to influence the economy (Horton and El-Ganalny; 2014:52). For Gbosi, 1998; fiscal policy is a major economic stabilization weapon that involves measures taken to regulate and control the volume, cost and availability as well as the direction of money in an economy to achieve some specified macroeconomic policy objective and to counteract undesirable trends in the Nigerian economy. Fiscal policy is one of the key elements on the way to the achievement of a socially just, sustainable and dynamic growth model. It relates to fundamental questions defining the role of the state in promoting economic development and providing public services to its citizens (Pasha Hafiz; 2014).

Fiscal policy is undoubtedly one of the most important tools used by the government in achieving macroeconomic stability in most developing countries (Siyan and Adebayo, 2005). Its effectiveness has waxed and waned over the decades although Keynes provided the reason d'etre for government action in the General Theory (1936), the proponents failed to seize the full import of his theoretical contributions and gradually rejected his conclusions. The Ricardian equivalence hypothesis was developed to reinforce the claim that fiscal policy had no place in macroeconomic stabilization (e.g., Barro, 1974; Lucas, 1972). Nevertheless, the mainstream has resurrected in recent years, albeit reluctantly, a limited role for fiscal policy (e.g., Bernanke, 2000; Blinder, 2004; Woodford, 2003).

Fiscal policy affects aggregate demand, the distribution of wealth, and the economies' capacity to produce goods and services. In the short run, changes in spending or taxing can alter both the magnitude and the pattern of demand for goods and services. With time, this aggregate demand affects the allocation of resources and the productive capacity of an economy through its influence on the returns to factors of production, the development of human capital, the allocation of capital spending, and investment in technological innovations. Tax rates, through their effects on the net returns to labour, saving, and investment, also influence both the magnitude and the allocation of productive capacity (Kpocke, 2015).

In the meantime, empirical testing of the efficacy of monetary and fiscal policy in an economy pioneered by Friedman and
Meiselman (1963) investigated the responsiveness of general price level on economic activity represented by aggregate consumption to change in money supply and autonomous government expenditure using ordinary simple linear regression model to estimate the US data from 1897-1957. Their findings led to the conclusion that a stable and predictable causal relationship existed between demand and money supply while no such significant relationship was observed for government expenditure (Bogunjoko, 1997). Hence, there was stable aggregate and money supply for the period under study.

Research has also been widely conducted, among others, Guimaraes (2010) which particularly studied impacts of fiscal policy on the Indian economy, Nurudeen and Usman (2010) explored impact of government spending on economic growth in Nigeria, Seok, et al (2010) examined fiscal policy and crowding out using panel data of 24 countries in Asia, Hong (2010). All of them noted that fiscal policy could play an effective role in the economy. On the other hand, Forni (2009) studied fiscal policy in European countries; Ramos (2007) examined the long-term fiscal policy in the UK and they all found that personnel expenditure and goods and services expenditure had an insignificant effect on consumption, while the government spending in form of transfers to households had a greater and permanent impact.

Fiscal Policy and Nigeria Economy
Some scholars have argued that increase in government expenditure on socio-economic and physical infrastructures encourage economic growth likewise expenditure in health and education raises the productivity of labour and increases the growth of national output (Barro and Sala-I-Matins, 1995). Similarly, expenditure on infrastructures such as roads, communications and power, reduces production costs, increases private sector investment and profitability of firms, thus fostering economic growth. Supporting this view, scholars concluded that expansion of government expenditure contributes positively to economic growth.

Conversely, some scholars are of the view that higher government expenditure might slow down overall performance of the economy deterring economic growth. For instance, to finance rising expenditure, the government may increase taxes and/or borrowing which might affect her spending behaviour. Thus, higher income tax discourages an individual from working for long hours or even searching for jobs and this reduces income and aggregate demand. In the same vein, higher company income tax tends to increase production costs and reduces investment expenditure as well as the profitability of firms. Moreover, if government increases borrowing (especially from the banks) to finance its expenditure; it will compete away the private sector, thus reducing private investment.

Studies conducted in Kenya by Amanja and Morrissey (2006), support theoretical and empirical debate on the question of whether fiscal policy stimulates growth in the long
They opined that government involvement in economic activities is vital for growth, but an opposing view holds that government operations are inherently bureaucratic and inefficient and therefore stifle rather than promote growth. Using time series annual data, they investigated the relationship of various measures of fiscal policy on growth. Categorizing government expenditure into productive and unproductive and tax revenue into distortionary and non-distortionary, they found out that unproductive expenditure and non-distortionary tax revenue do not contribute to growth as predicted by economic theory (Oseni, 2012).

However, and contrary to expectations, productive expenditure has a strong adverse effect on growth whilst there was no evidence of distortionary effects on growth of distortionary taxes. On the other hand, government investment was found to be beneficial to growth in the long run. The results prove useful to policymakers in the country including other developing nations with similar fiscal structure in formulating expenditure and tax policies to ensure unproductive expenditures are curtailed while at the same time boosting public investment.

Easterly and Rebello (1993) admitted that many fiscal policy variables are highly correlated with initial income levels and fiscal variables being potentially endogenous. Another study found a positive relationship between government transfers, public investment and growth and a negative one between distortionary taxes and growth from panel data of 23 developed countries between 1971 and 1988 (Cashin, 1995). Similarly, Devarajan et al (1996) showed that public current expenditures increase growth, whilst government capital spending decreases growth in 43 developing countries over 1970-1990. Kneller et al. (1999, 2001) showed that the biases relating to the incomplete specification of the government budget constraint present in previous studies are significant and after taking them into account, they found for a panel of 22 OECD countries for 1970-1995 that distortionary taxation hampers growth, while non-distortionary taxes do not; productive government expenditure increases growth, while non-productive expenditure does not and long-run effects of fiscal policy are not fully captured by five-year averages commonly used in empirical studies.

Basically, the motive of this study is to test the fiscal-growth effect hypothesis which was pioneered in the study of Kneller et al (1999) and supported with endogenous growth model that only three fiscal variables contributed to growth among the functional classification of fiscal variables in developed countries and this study was intended to test this hypothesis using a developing country data precisely Nigeria. In hypothesizing this statement, this study employed step by step ordinary least square technique until there were stable significance fiscal-growth effect variables. Two model equations were estimated. The first model estimated five fiscal variables and only four were significant at 1, 5 and 10 percent level. These variables were distortionary tax, non-distortionary tax,
productive expenditure and government budget deficit while unproductive expenditure has not statistically contributed to growth in Nigeria. In the second model, only those variables that were initially signed in the first model were included and the result confirmed that all these variables contributed to growth in Nigeria since they were all statistically significant at 5 percent level. This result indicated that non-distortionary tax that was not contributing to growth in developed countries contributed to growth in Nigeria in addition to Kneller et al (1999) fiscal-growth effect variables (Distortionary tax, Productive expenditure and Fiscal deficit).

2.1.2 Fiscal policy timings
Arguments, beginning with the lags in the making of economic policy and further lags in the implementation and effects after the policy is enacted, makes it difficult for policymakers to time fiscal policy effects on economic stabilization. Recession could end even before the need for action was recognized, with government officials still focused, as they were in 1975, on the need to “Whip Inflation Now.”

Lucas (1976) critiqued thata policy's stabilizing effects can be undercut by the expectations and actions of rational agents who observe the government's policy process. For example, one reason that investment might drop during a recession is the anticipation that a countercyclical investment incentive will be enacted soon. Consumption might not respond much to a counter-cyclical reduction in income taxes, because the wealth effects of such tax reductions are small when the reductions are temporary. The intriguing notion of Ricardian equivalence (Barro, 1974) would promote further scepticism about the effectiveness of fiscal policy. Alternative tools of stabilization policy, notably the interest-rate interventions of independent central banks and the automatic stabilizers already built into the government's tax and transfer systems. UnalUmut (2015) first attempted in the literature that concentrates solely on the impacts of fiscal policy on macroeconomic aggregates, particularly on unemployment in the Netherlands.

A common approach in both empirical and theoretical studies on fiscal policy shocks is to evaluate the response of macroeconomic aggregates to exogenous changes in the fiscal policy variables. Both the empirical and theoretical studies, unfortunately, do not provide a common picture. For instance, following a positive government spending shock, New Keynesian theory tends to predict an increase in output, real wages and interest rate and a decrease in consumption and private investment. Yet in RBC models, the expansionary fiscal policy will lead to a decrease in real wages and an increase in private investment.

Ismaila and Imoughele (2015) examined the fiscal policy variables considering the effect of government gross fixed capital formation, tax, government expenditure, the budget deficit as well as external debt on economic growth over the period of 26 years. Unit roots of the time series were examined using the Augmented Dickey-Fuller technique after which the co-integration test was conducted using the
Johansen Cointegration Approach. Error-correction models were estimated to take care of short-run dynamics. Overall, the results indicate that fiscal policy has a long-run relationship with Nigeria economic growth confirmed by the co-integration test. The study further reveals that government expenditure and gross fixed capital formation from government has positive and significant impact on Nigeria economic growth while budget deficit has negative and significant effect on Nigeria economic growth and concluded that that fiscal policy has the ability to induced business growth in Nigeria through government expenditure and investment in the economy while ensuring that fiscal discipline is practiced by keeping to budgetary provisions and minimizing budget deficit.

Nathan (2012) also evaluated the causal relationship between money supply, fiscal deficits and exports as a means of analyzing the impact of policy on the growth of the Nigerian economy for the period of forty (40) years using the Co-integration Error Correction Mechanism (ECM), a two-band recursive least square to test for the stability of the Nigerian economy as well as determine the effect of money supply, fiscal deficits, and exports on the relative effectiveness of fiscal policies in the Nigerian economy. The study reveals that there is a significant causal relationship between gross domestic product (GDP) and the variables used in this research. The study revealed that there was a significant causal relationship between exports and gross domestic product and hence fiscal policies. Conclusively, on the whole, it was recommended that fiscal policies have a significant influence on the output growth in the Nigerian economy.

In the same vein, Ogbole (2011) made a study of the comparative analysis of the impact of fiscal policy on economic growth in Nigeria during regulation and deregulation periods. Econometric analysis of time series data for the period of 36 years was conducted. Results obtained showed that there is a difference in the effectiveness of fiscal policy in stimulating economic growth during and after regulation periods. The impact was marginally higher (only N140 million or 14% contribution to GDP) during deregulation than in the regulation period. We recommend appropriate policy mix, prudent public spending, the setting of achievable fiscal policy targets and diversification of the nation’s economic base, among others. Several studies such as Glomm & Ravikumar (1997); Eusterly and Rebelo (1993) and Genetski & Chin (1978) have examined the relationship between fiscal policy variables (taxation and public expenditure) and economic growth. The statistical result from these studies is uncertain; while some studies found out that taxes have the long-term influence on growth rate, others found no significant effect.

2.1.3 Direct effects of Taxes
Effects of tax cuts on stimulation of consumption have a long history. These policy efforts have generated a substantial literature, reviewed in greater detail in Auerbach and Gale (2009a), that offers several fairly robust results about the marginal propensity to consume (MPC) out
of tax cuts. First, consistent with standard life-cycle and permanent-income models, most of the evidence suggests that household consumption responds more vigorously to tax changes that are plausibly expected to be long-lasting than to changes that are expected to be shorter-lasting, with estimates of MPC of 0.9 for long-lived policies. Second, household responses to a given tax cut are heterogeneous. As theory predicts, borrowing-constrained households tend to have a larger MPC out of tax cuts than do other households, and low- and middle-income households are more likely to be borrowing-constrained than upper-income households. Third, the effect of tax changes on consumer spending tends to occur when the policy change is implemented, not when it is enacted or credibly announced. Auerbach Alan et al; 2010 holds that while these three findings are generally consistent with standard optimizing behaviour in a setting where some households face borrowing constraints, other results suggest the importance of an additional set of factors namely, the way tax cuts are described and delivered.

The literature on the effect of federal transfers on consumption is not as extensive as analysis of tax cuts, but it shows clearly that transfer payments do affect household consumption. Gruber (1996, 1997) demonstrates strong effects on contemporaneous consumption from increases in welfare payments and unemployment insurance benefits, respectively. Edwards (2004) estimates a marginal propensity to consume out of Earned Income Tax Credit payments of approximately 0.7. Barrow and McGranahan (2000) also find strong effects of EITC receipts on spending. Besides cutting taxes or transferring funds to households and businesses, federal policy can also influence aggregate activity by altering state and local spending and tax policy. This is, in principle at least, a potentially powerful avenue for stimulus, given the magnitude of state and local spending and taxes (more than 12 percent of GDP in 2009) and the fact that almost all states have balanced budget rules. When revenues fall during a recession, states can either draw down their “rainy day” funds, raise taxes, or cut spending—and the latter two options are likely to act as procyclical policies that could exacerbate the downturn. Poterba (1994), for example, finds strong evidence that states reduce spending and raise taxes when faced with a negative fiscal shock. In such cases, federal transfers could ease the constraint and reduce the need for contractionary state responses.

While the argument for transfers to states being simulative is plausible, there is surprisingly little evidence of the countercyclical effects of federal transfers to states. Gramlich (1978, 1979) and Reischauer (1978) evaluated the effects of three federal grant programs undertaken in response to the 1974–75 recessions.

2.1.4 Taxation and Business Survival
A taxation is a major tool in regulating the economy by the government; hence the government achieves many objectives through taxation which include the provision of government revenues, wealth and income distribution, acceleration of
economic growth and savings. Therefore, taxation if well administered leads to the good performance of the economy (Mulooki & Mugisha, 2012).

Taxation as an expense and when hiked reduces the profitability of businesses (Mulooki & Mugisha, 2012). Balunywa et al. (2010) argued that profitability is a function of all the expenses made during an accounting year period among which taxation is inclusive while Turyahebwa et al. (2013) states that profitability is a crucial indicator for determining the financial position of the enterprise. Through taxation, the government takes away financial capital from people, which would otherwise use for business expansion. They further asserted that one of the most frequent arguments against the high-income tax is that it destroys the incentive to business people and employees to work harder and more efficiently. It also revealed that business owners or entrepreneur were inclined to run their businesses informally in fear of being caught thus making tax implementation difficult (Najeeb, 2010).

It can be denoted that Government through it policies can support and influence the survival of businesses in Nigeria. These would include tax incentive among others. Tax incentives affect investment, with the compositional effects more easily identified than the aggregate effects. But relatively little attention has been given to the announcement effects of policy. Also, it is worth keeping in mind that the conditions governing investment in a recession, such as cash-flow constraints and business losses for tax purposes, may produce quite different investment responses to temporary tax cuts that would be predicted using models based on responses to long-term tax reforms adopted under more normal circumstances.

2.1.5 Tax Incentives
Tax incentive means deduction, exclusion, or exemption from a tax liability, offered as an enticement to engage in a specified activity (such as investment in capital goods) for a certain period (Business dictionary.com). Ifueko (2012) opined that tax incentives are only beneficial if they are appropriately granted and that tax incentives alone will not influence investment decisions and should be considered along with other factors.

According to Ifueko (2012), four considerations are applicable in granting tax incentives: "first, tax incentives when granted, should be for a shorter duration (with a provision for renewal) as opposed to long-term tax incentives which are mere painkillers. Second, there should be proper economic analyses before tax incentives are granted. This is to compare the benefits of incentives with tax expenditure/loss. Third, incentives should be granted based on industrial perspective as against the individual. Finally, incentives must be legislated, and all tax exemptions are enshrined in the laws" (Ifueko, 2012). Tax Policy centre posited that a more coherent set of incentives supports private investments in specific communities and that these tax incentives have been tied to low-income communities, with few limitations on the type of business claiming them (tax policy center.org).

Three basic kinds of tax benefits encourage
economic development: The work opportunity, empowerment zone, and renewal community tax credits offer credits to businesses for hiring workers from targeted underemployed groups; The new market tax credit and provisions related to empowerment zones and renewal communities offer tax subsidies for investing in low-income communities; The low-income housing tax credit subsidizes the construction of affordable rental housing for low-income families (taxpolicycenter.org).

2.2 Theoretical Framework

The Resource-Based View/Theory

This study is anchored on Resource-based view (RBV) that posited that a subset of a firm's resources enables it to achieve competitive advantage and a sub-set for superior long-term performance. A firm's resources vary in quantity and quality from industry to industry. Studies on firm performance using the resource-based view approach have found that variations between firms' performances in the same industry and across industries are traceable to the amount and quality of their resources. The performance of the companies is influenced by the companies' assets and capabilities (Oyebamiji, 2015; Barney, 1991; Cool & Schendel, 1988; Hansen & Wernerfelt, 1989).

2.3 Empirical Review

2.3.1 Fiscal Policy

Abdurrauf (2015) examined the short and long-run impact of fiscal policy on economic development using annual time series data sourced from World Development Indicators (2014) and the Central Bank of Nigeria (2014). It used government recurrent expenditure, government capital expenditure, government investment and tax revenue to indicate fiscal policy. He stated that Economic development was proxied by real per capita income. The model was estimated using Pair-wise Correlation to ascertain the relationship and then Cointegration and Error Correction Mechanism for impact after confirming the data's stationarity using Unit Root. He concluded that government recurrent expenditure and government investment have a significant positive impact on economic development in both the short and long run within the period under consideration. Capital expenditure appeared to have a short run positive impact but not in the long run. Tax revenue had an inverse significant impact in both short and long run. The speed of adjustment to equilibrium was found to be high.

According to Audu (2012), the use of Co-Integration Error Correction Mechanism (ECM) was employed to test the impact of Fiscal Policy on the Nigerian Economy and it was discovered that a significant causal relationship exists between gross domestic product (GDP) and money supply, fiscal deficits and exports used as proxy fiscal policy variables in measuring effects on GDP. From empirical findings, government direct expenditure, net revenue, GDP, the price level, and the interest rate impact increases in government spending in France with the concomitant positive reaction of private consumption. Nick, Igwe and Wilfred (2015) adopted econometric analysis -OLS techniques and unit roots of the series were examined through the Augmented Dickey-Fuller after
which the co-integration tests were conducted using the Engle-Granger approach. It was found that while government expenditure through fiscal policy had a positive relationship with unemployment problem in Nigeria, the result of government revenue was negative and insignificant on unemployment problem. This meets the a priori expectation. The study also revealed that increases in interest and exchange rates escalate unemployment by increasing the cost of production which discourages the private sector from employing a large workforce. On the other hand, national productivity measured by real GDP had a negative and significant impact on the unemployment rate and entrepreneurship development in Nigeria.

Jeffrey and Miran (2012) examined the behaviour of Sub National Government over the course of the business cycle and concluded that it has a Ricardian effect that is the tendency for deficits to crowd out private consumption and investment. Oseni and Onakoya (2012) investigated the fiscal policy variables that contributed to growth in Nigeria for the period of 1981 to 2010 and established that there is a long run relationship among productive expenditure, unproductive expenditure, distortionary taxes, non-distortionary taxes, fiscal deficit and real growth of GDP.

Akhmad and Sumedi (2013) applied simultaneous equations model in analyzing the panel data on the Impact of Fiscal Policy on the Regional Economy: Evidence from South Sulawesi, Indonesia from 2004 to 2009 concluded that Fiscal policy implemented by regional governments, particularly capital spending, both on agriculture and other sectors could encourage private investment in the regencies/cities of South Sulawesi. Simões, José and Coelho (2014) deployed content analysis to consider the Impact of Fiscal Policy on Foreign Direct Investment by identifying the factors that are uniformly accepted as conditions of Foreign Direct Investment (FDI), distinguishing them from other factors which—based on the current research—are not broadly accepted as influencing FDI decisions and established that exogenous variables (namely, market size, geographical and cultural proximity between home and host countries) are preponderant in FDI decisions. Sorenson and Oved (n.d) examined the business cycle behaviour of state fiscal policy to determine whether the policy is asymmetric and if so, to identify the causes. It was discovered that State revenue and expenditure display significant asymmetry over the business cycle, with nearly offsetting effects on the budget surplus. As a result, state fiscal policy tends to mute economic booms to roughly the same degree it mitigates slowdowns.

Tcherneva (2014) employed content analysis as well as ex-post facto approach in the critique of the shape and form of Keynesian fiscal policy and assumed transmission mechanisms for its effectiveness and manner in which it is usually executed, and it was noted that reorientation away from the Keynesian demand-side trickles down measures toward a bottom-up approach that is based
on labour-demand targeting. ÜNAL (2015) examined the features of the dynamic effects of total net tax, government spending and social security tax shocks on GDP, unemployment, consumption and investment in Netherlands using the ex-post facto analysis and structural Vector Autoregression approach with Blanchard and Perotti (2002) identification scheme and concluded that unemployment rises in response to a fiscal contraction whereas it falls following a fiscal expansion.

Binta and Abubakar (2016) stated that an increase in government expenditure will lead to increase in real gross domestic product (GDP). On the other hand, the coefficient of government tax receipt will increase government tax which will lead to decrease in real gross domestic product. This implies that the government expenditure is a strong determinant of economic growth, especially when properly directed towards the provision of adequate basic infrastructural facilities to stabilize investment activities. The regression result also shows that tax was not properly signed, and this could largely be credited to poor tax administration in Nigeria and over-dependence of government on earnings from crude oil in funding her projects and this study was arrived at using Ordinary Least Square (OLS) technique of multiple regression models using statistical time series data.

Elmendorf and Reifschneider (2002) examined the short-run effects of fiscal policy using applied simulations of an empirical, rational-expectation, open-economy macro-model developed at the Federal Reserve Board, they found out that tax cuts and spending increases generally stimulate economic activity in the short run. Alberto, Campante and Tabellini (2008) on the other hand investigated why fiscal policy is often procyclical in workings of many developing countries testing the wisdom in the “starve the leviathan” argument. They employed panel regression analysis and found out that failure of a developing nation to self-insure stems from apolitical agency problem inside each country. Developing countries procyclicality of fiscal policy is more often driven by a distorted policy reaction to booms, rather than to recessions (Horton, Mark & Asmaa El-Ganainy, 2009).

2.3.2 Entrepreneurial growth

Ogbo, Et al. (2012) considered the ways and means by which we establish and sustain the vibrancy for Nigerian SMEs so that they can play the expected vital role as the engine of growth in our economic development efforts. It was discovered that Nigerian SMEs are performing as a result of our attitudes, habits, way of thinking as well as our environment including our educational system, culture, government, lacklustre approach to policy enunciation and poor implementation among others.

Ebiringa (2012) reviewed the perspectives of Entrepreneurship Development and Growth of Enterprises in Nigeria-Entrepreneurial Practice Review and discovered that Government efforts towards entrepreneurship development were not sufficient. The study also revealed that entrepreneurial/vocational training programs were inadequate and business
registration often comes with difficulties while tax holidays are not being extended to entrepreneurs and the government does not provide basic infrastructure that can encourage the growth/expansion of entrepreneurial ventures in Nigeria.

Oyelola (2013) employed the narrative-textual case study to highlight the challenges facing entrepreneurs. The methodology adopted in this paper is the narrative-textual case study (NTSC); it is a social science research method that relies on the information and data from several sources for problem-solving or problem-identification. It was concluded that government should focus on capacity building, improving infrastructure, judicious utilization of the oil wealth and enabling environment thereby leading to sustainable economic growth.

Okezie (2013) considered the Challenges and Prospects of Entrepreneurship in Nigeria. The study revealed that initiatives by the government failed abysmally due to overbearing bureaucracies' corruption, inadequate and inefficient infrastructural facilities and maladministration. The paper concluded that Government (policy makers) should genuinely recognize the essence of entrepreneurship to economic development by providing the enabling environment for private sector-led investment for economic development and adequate infra-structural facilities (water, electricity, road network, communications etc.)

Oghenetega and Ugeh (2014) reviewed contemporary issues of entrepreneurship in information science and business education professions: Implications for education of Nigeria tertiary institutions and unveiled current trends in entrepreneurship, some available self-employed business; soft skills needed to create wealth/employment or small business opportunities for graduates in library and information science and business education professions in Nigeria.

Owusu-Acheampong (2014) employed the cross-sectional design, with the aid of questionnaire and interview guide as tools for collecting data to evaluate entrepreneurs' competency on the growth of small-scale businesses in the Cape Coast Metropolis, the association between entrepreneurs' competency on the growth of small-scale businesses and strategies for the development of entrepreneurial competency and its associated challenges. The study revealed that small-scale businesses in the Beautician and the Mechanics sectors in the metropolis were faced with challenges in their attempt to develop their capability for an improved performance and survival despite their high competencies in terms of formal education, working experience, knowledge and skills as well as training.

Hemantkumar (2014) studied the journey of the one-woman entrepreneur in the fashion industry and the challenges faced by her in the garment sector in the city of Surat, India. Primary data were collected by personally interviewing the woman entrepreneur and secondary data were also gathered from Journals, articles newspaper, internet, books and concerned organizations. It was revealed that the challenges faced by women entrepreneurs need to be addressed by the educational institutions especially in terms of business planning and inculcation of managerial skills. The analysis of the case exposed...
different factors like Social, Economic, Competitive, Facilitating and Locational Mobility of the entrepreneur.

Abiodun (2014) employed survey instrument based on measures used in the exporting literature that is available to test the mediating effect of reconfiguring capabilities on the relationship between entrepreneurial orientation and export performance of small and medium enterprises using survey data from 201 manufacturing exporting SMEs in Nigeria. It was found out that reconfiguring capabilities mediate the relationship between entrepreneurial orientation and export performance and entrepreneurial strategic orientation also have a positive and significant effect on the export performance of SMEs.

Ahilé (2014) used the personal interview method to analyze the effect of culture on small business enterprise innovation in Sub-Saharan Africa, with reference to Ghana. The research results revealed that 79 percent of restaurant businesses and 76 percent of retail business owners affirmed that the culture of organizing prestigious funerals has given them the opportunity to acquire more than 10 years of business experience, while 68 percent of all business owners affirm that they have also been in business at least one year.

Ibrahim and MohdShariff (2014) employed the use of descriptive statistics to analyze data selected from the SMEs operating in Nigeria on Strategic Orientation, Access to Finance, Business Environment and SMEs Performance in Nigeria. Strategic orientations are firm activities that indicate the course in which an organization wants to be in the future. It indicates how well these activities help organizations to achieve these dreams. Strategic orientations are organizational culture and complex abilities that can lead an organization to achieve better performance (Zhou, 2007).

3.0 METHODOLOGY

This study adopts survey research design which is based on the use of both sources of data. The choice of survey research method is based on the fact it is used to observe the population of study and the reaction of that population to a phenomenon. The primary source of data of this study involves the use of questionnaires and personal interview of selected entrepreneurs in Lagos State. The Researcher interviewed three hundred and eighty-six (386) entrepreneurs in Lagos State. The number was arrived at using Yaro Yamani formula.

The population of study consists of Nigerians who are individual entrepreneurs in Lagos State totaling 11,663. Individual entrepreneurs and their management team in Lagos State are significant and essential to this study. Some of their functions include but not limited to analysis of the effects of taxation, public debt, tax incentives, public expenditure on entrepreneurial growth as well as interviewing owners of business organizations on their various experiences with respect to entrepreneurship in Nigeria (Oyedokun, 2018).

This study is in a specialised area and it requires users of financial statements, financial analysts and professionals in the
related field in eliciting responses for arriving at the testable conclusion. Thus, a purposive random sampling technique was adopted. These techniques ensure that only people with specified characteristics are selected. The characteristics here represent the broad range of characteristics of the population of the study. According to Saunders, Lewis, and Thornhill (2009) as cited in Oyedokun (2015), purposive or judgemental sampling enables one to use his judgement to select cases that will best enable him to answer his research question(s) and to meet his objectives. This form of the sample is often used when working with very small samples such as in case study research and when one wishes to select cases that are particularly informative.

In order to arrive at the sample size that would be representative of small and medium scale (entrepreneurs) in Lagos State, the use of YARO YAMANI formula was adopted as follows:

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

Where:
- $n$ - The sample size
- $N$ - The population size
- $e$ - Error constant

* 95% confidence level and $e = 0.05$ would be assumed in investigating the effect of Fiscal Policy and Entrepreneurial growth in Nigeria

$$n = \frac{11,663}{1 + 11,663(0.05^2)}$$

$$n = 386$$

From the population size (sample) of 11,663.00, the researcher got 386 as the sample size based on the Yaro Yamani’s formula with the error constant as 5%. This estimation was arrived at having referred to the choice of sampling techniques in this study. Notwithstanding that, 386 was scientifically arrived at as the sample size, the researcher administered 350 copies of the research instruments to boost the response rate and also exceed the threshold number of respondents as earlier determined.

The researcher administered 390 questionnaires for this study, while 356 questionnaires were returned, and these were considered suitable and valid for the analysis. Therefore, the analysis of the data was based on the correctly filled and returned three hundred and fifty-six (356) questionnaires representing 91% of the entire questionnaires administered. A pilot test was carried out on samples of respondents in determining the level of understanding and proper interpretation of the questions with respect to the effect of Fiscal Policy and Entrepreneurial growth in Nigeria. This is to test the validity and reliability of the research instrument.

Reliability of research instrument is the measure of the dependability and the internal consistency of the items of the instrument of data collection. In this research work, the researcher adopts Cronbach's Alpha statistical test as it is the most popular internal consistency reliability estimate. The pilot test was conducted using 27 questionnaires with Cronbach's Alpha statistical test result of 0.783 obtained (it exceeds the standard of 0.70) therefrom which was considered to be appropriate in achieving the research objectives. Fiscal policy techniques,
taxation, public debt, tax incentives, and public expenditure, are the independent variables while entrepreneurial growth in Nigeria is the dependent variable. This research work involved the use of multiple regression analysis because this type of test can only be carried out when there is a need to establish the linear relationship between two or more variables and as well as to establish how strong these relationships are. This is in line with the objectives of the study which is to determine empirically the strength of the application of Fiscal policy tools in ensuring the growth of entrepreneurship in Nigeria.

Functions:

Dépendent Variables

\[ Y = \text{Entrepreneurial Growth in Nigeria (ENTGROWTH)} \]

Therefore, \[ Y = y_1 + y_2 + y_3 \] (Dépendent variables)

Where:

\[ Y = \text{Entrepreneurial growth in Nigeria (ENTGROWTH)} \]

\[ y_1 = \text{New company formation (NCF)} \]

\[ y_2 = \text{Self-employed population (SEP)} \]

\[ y_3 = \text{Capital formation (CF)} \]

Independent Variables

\[ X = f(x_1, x_2, x_3, x_4, \mu), (\text{Independent variables}) \]

\[ X = \text{Fiscal Policy (FP)} \]

Where:

\[ X = x_1 + x_2 + x_3 + x_4 + \mu \] (Independent variables)

\[ x_1 = \text{Taxation (TAX)} \]

\[ x_2 = \text{Public Debt (PD)} \]

\[ x_3 = \text{Tax Incentives(TI)} \]

\[ x_4 = \text{Public Expenditure (PE)} \]

\[ f = \text{functional dependency of the relationship} \]

\[ \mu = \text{Random Variable (error term). This is to stand for other possible factors of concern that are not included in the model.} \]

Model specification:

\[ \text{ENTGROWTH} = \alpha_0 + \beta_1 \text{TAX} + \mu_0, \ldots \] (i)

\[ \text{ENTGROWTH} = \alpha_1 + \beta_1 \text{PD} + \mu_1, \ldots \] (ii)

\[ \text{ENTGROWTH} = \alpha_2 + \beta_2 \text{CA} + \mu_2, \ldots \] (iii)

\[ \text{ENTGROWTH} = \alpha_3 + \beta_3 \text{FE} + \mu_3, \ldots \] (iv)

\[ \text{ENTGROWTH} = \alpha_4 + \beta_4 \text{TAX} + \beta_5 \text{PD} + \beta_6 \text{CA} + \beta_7 \text{FE} + \mu_4 \] (v)

Where:

\[ f = \text{functional dependency of the relationship} \]

\[ \alpha_{0,4} \text{ are intercepts} \]

\[ \beta_{0,7} \text{ are the Coefficients of the explanatory variables} \]

\[ \mu_{0,5} \text{ are the errors or disturbing terms that absorb the influence of omitted variables in the proxies used. This model was adopted from the research work of Dada (2013).} \]

4.0 DATA ANALYSIS AND DISCUSSION

Analysis of the Questionnaires

To obtain primary data, three hundred and ninety (390) copies of questionnaires were administered personally by the researcher on entrepreneurs, public finance experts and professionals in relevant fields. Three hundred and fifty-six (356) questionnaires were returned and these were considered suitable and valid for the analysis. Therefore, the analysis of the data was based on the correctly filled and returned three hundred and fifty-six (356) questionnaires representing 91% of the entire questionnaires administered.
Table 1. Distribution of Questionnaires

| Questionnaire                | Frequency | Percentage % |
|----------------------------|-----------|--------------|
| Returned and duly completed | 356       | 91%          |
| Unreturned                  | 34        | 9%           |
| Total                       | 390       | 100%         |

Source: Field Survey Result (2018)

Empirical Analysis and Testing of Hypothesis

All the models were estimated at two broad stages as follows:

In the first stage, we established the consistency or otherwise of the models with theoretical a priori expectations of the study ($\alpha_{0.4} > 0$; and $\beta_{0.5} > 0$). This was to show whether the estimated parameters of the model were consistent with the relationship as theorized exist between the influence of the fiscal policy on the development of entrepreneurship in Nigeria. At this stage of the evaluation, the researchers established whether Taxation (TAX), Public Debt (PD), Tax Incentives (TI), and Public Expenditure (PE) were sustainable forms of Fiscal Policy Variables.

Effect of Fiscal Policy on Entrepreneurial Growth in Nigeria

Table 2. The goodness of the Fit of Model

| Model | R     | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------|----------|-------------------|----------------------------|
| 1     | .340  | .116     | .104              | 1.741                      |

a. Predictors: (Constant), Public Expenditure, Taxation, Tax Incentives, Public Debt.

Source: SPSS Regression Analysis Results, 2018

Table 3. Regression Result of Model

| Model          | Unstandardized Coefficients | Standardized Coefficients | T       | Sig.    |
|----------------|-----------------------------|---------------------------|---------|---------|
| (Constant)     | 4.046                       | .761                      | 5.315   | .000    |
| Public Debt    | .121                        | .083                      | .085    | 1.451   | .148    |
| Taxation       | .213                        | .090                      | .133    | 2.380   | .018    |
| Tax Incentives | -.252                       | .113                      | -.125   | -2.235  | .026    |
| Public Expenditure | -.414                     | .086                      | -.281   | -4.833  | .000    |

a. Dependent Variable: Entrepreneurial growth in Nigeria.

Source: SPSS Regression Analysis Results, 2018
ENTGROWTH = \alpha + \beta_1 TAX + \beta_2 PD + \\
\beta_3 TI + \beta_4 PE + \mu

ENTGROWTH = 4.046 + 0.213TAX + 0.121PD – 0.252TI – 0.414PE

The result of the regression estimates of model above indicates that the coefficient of all the exogenous variable (\beta_i) shows both positive and negative evidence from multiple regression analysis, which shows that taxation and public debt has a positive effect on entrepreneurial growth in Nigeria while tax incentives and public/government expenditure has a negative effect on the entrepreneurial growth in Nigeria. This is indicated by the sign and size of all the variables beta (\beta) which only tax and public debt in their respective beta size is above zero (0) while tax incentives and public expenditure are less than zero (0) which is not consistent with the a priori expectation while tax and public debt are consistent with our a priori expectation.

Interpretation of Result
The regression model result shows that R square gives 0.116, which stipulates that 11.6% variation in the entrepreneurial growth in Nigeria can be attributed to the combined effect of all the exogenous variables used in this study, while the remaining 88.4% reasons for Entrepreneurial growth in Nigeria can be attributed to other factors not covered in this model. Although the R-square is low the result is seen to be highly significant while only public debt is seen not to be significant. This shows that the coefficient (\beta) alone is statistically not significant in this model.

The result indicates that public debt has a not significant positive effect on Entrepreneurial growth in Nigeria while all other independent variables have a significant effect on entrepreneurial growth in Nigeria.

5.0 CONCLUSION AND RECOMMENDATIONS

5.1. Conclusion
In this study, it was revealed that fiscal policy techniques are employed by the government and they affect entrepreneurial growth and development in Nigeria. The place of taxation as a tool of fiscal policy is seen to be capable of being deployed to stimulate the creation of businesses and to sustain those that are already in existence in Nigeria. While Government expenditures make possible the infrastructural development as well as positive impact in encouraging the creation of new businesses. Tax incentives, if used judiciously, especially tax holidays are allowed by Government to encourage entrepreneurs to set up new ventures by defraying some of their costs till such a time when they begin to make a profit.

The study found that the knowledge of fiscal policy tools by entrepreneurs is very essential to effective management of businesses in Nigeria and that entrepreneurial training is important for all prospective entrepreneurs and managers of businesses in Nigeria; Public debt aids and is necessary for capital creation by entrepreneurs and Government expenditure in Nigeria influence the returns on entrepreneurship investment. This study, therefore, concluded that
5.2. Recommendations
This study investigated the effect of fiscal policy and entrepreneurial growth in Nigeria, it has been able to establish that there is a significant relationship between variables of interest. Because of the foregoing, and based on the findings of this study, the following recommendations have been outlined which will be useful to the stakeholders, such as accountants, auditors, investors, financial analysts, students, entrepreneurs and government:

i. Government is encouraged to spend more money on infrastructural development, which will in turn aid the formation of companies by entrepreneurs;

ii. Tax incentives should be used by Government to motivate people to create new businesses and to avoid paying taxes until such a time when they will be buoyant to do so. This was evident in this study where the competing proportion of respondents (42.8%) were of the strong opinion that Credit aid/Tax incentives lead to a favourable return on entrepreneurial investment.

iii. Governments at all levels are advised to consider taxation as a veritable tool for financing government expenditure which will in turn aid entrepreneurial growth in Nigeria. This position is supported by the position of the respondents (82.9%) who agreed that taxation can be used by the government to create capital for entrepreneurial growth;

iv. Business organizations should consider sending their employees on entrepreneurial training to reduce the urge to continue in paid employment indefinitely;

v. Banks and other financial institution are advised to pay more attention to the policy of the government on the need to finance entrepreneurial business ideas in Nigeria.

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