Entrepreneurship, Institutional Quality, and Macroeconomic Performance: Evidence from Nigeria

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Abstract: Following the endogenous growth theory, entrepreneurship has been considered pivotal to economic growth and development, particularly in developing countries like Nigeria. Meanwhile, efforts to reduce unemployment has yielded minimal result with over 36% of youth unemployment and a dwindling economic growth despite the country's natural and human resource endowment. This study, therefore, investigates the effects of entrepreneurship and institutional quality on economic growth and unemployment in Nigeria over the period 1996 to 2018. The data is obtained from the National Bureau of Statistics (NBS), World Bank's World Development Indicators (WDI), and the World Bank's World Governance Indicators (WGI). The study period is guided by the availability of data, and the study employs both descriptive and econometric techniques of analysis (specifically, the Auto-regressive Distributed Lag Approach). This approach is preferable given that the variables are stationary at the first difference, while the bounds test suggests the existence of co-integration among the variables. By implication, an increase in entrepreneurship significantly improves economic growth, and it reduces unemployment in both the short-run and the long-run. Besides, institutional quality proxied by the control of corruption, political stability, and government effectiveness significantly mediates the interaction between entrepreneurship and macroeconomic performance. This study concludes that improved institutional quality enhances the effect of entrepreneurship on economic growth and unemployment in Nigeria, and it recommends an improvement in Nigeria's institutional quality because it can jeopardise or augment the effect of entrepreneurship on macroeconomic performance.

Keywords: entrepreneurship, institutional quality, unemployment, gross domestic product, Nigeria

Conference Title: ICSEED 2020: International Conference on Social Entrepreneurship and Enterprise Development

Conference Location : New York, United States **Conference Dates :** October 08-09, 2020