

Micro-credit Facility for Graduates of Vocational and Technical Institutions as a Panacea to Unemployment in Nigeria

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Abstract

Over the time, lack of adequate start-up finance has been identified as one of the most significant barriers to young people seeking to create their own businesses. Infact, it has been observed that the bulk of the problem being encountered by young entrepreneurs is the impaired access to micro credit that can promote establishment of new enterprises and supporting existing ones. Due to their lack of resources, credibility, credit history or collateral, young people are often seen as particularly risky potential clients and therefore face difficulties in accessing finance.

The methodological approach adopted in writing this paper was content analysis and after reviewing the prevailing situation, the author observed that vocational and entrepreneurial training alone has not led to and cannot lead to establishment of own business after graduation because it is not only the lack of investable skills and entrepreneurial spirit that is preventing graduates of vocational schools from starting own business after graduation but also unavailability or difficult to access start-up capital.

It is therefore suggested that micro lending should be incorporated into vocational education program in order to provide easy to access micro credits for these graduates through micro finance banks for microenterprise development. This will not only ensure that qualified youths with requisite qualification (investable skills and entrepreneurial spirits) have access to such micro credits but also prevent usage of such money for consumption purposes that will lead to no long term benefits.

Keywords: Micro-credit Facility, Unemployment, Vocational Institutions Graduates

1. Introduction

Since independence, unemployment and poverty has been two major challenges in the country and several efforts in the form of self-employment programmes have been made to fight these two challenges vis-à-vis establishment of vocational and technical institutions to enable the youths acquire the necessary skills and to produce graduates who will be equipped with what it takes to be job creators and not job seekers in other to reverse the upward trend of unemployment (Aladekomo, 2004). But the result is yet to be seen, going by the report that the national unemployment rate has continued to ratchet upward unabated and this has further worsened the economy of the Nation (Abani et al 2005). Also, past and present governments in the country have tried to salvage the country through diverse empowerment programmes, policy shifts and infusion of hundreds of billions of naira to execute projects without tangible success (Abani et al 2005). Nigeria still remains in abject poverty despite her rich and abundant human and natural resources.

One possible approach to reverse this trend is for government to incorporate micro lending into technical and vocational education so as to make it attractive for the ever-growing youths in order to change the perception of using it as dead -end. Also, since, vocational education is designed to offer training to improve individuals' general proficiency, especially in relation to their present or future occupations, incorporating micro lending into it will eliminate usage of lack of access to finance as excuses for not establishing own business by graduates of these institutions after graduation.

This review therefore examines the significance of micro financing graduates of vocational and technical institutions as a strategy for reducing unemployment rate and poverty.

2. Methodology

The methodological approach adopted in writing this paper is content analysis by reviewing of related previous work and literature.

3. Graduates Unemployment in Nigeria

The level of unemployment in the country has become a source of concern to many people. Yearly, the tertiary institutions churn out fresh graduates without any provision made for their absorption into any of the nation's sectors. Four, five and even six years after graduation with good results, many Nigerian graduates are still roaming the streets in search of the ever receding employment opportunities. It is the hopelessness and helplessness of their situation that drive many of them to criminal activities. The nation's rising unemployment rate is the major fuel to the insecurity situation the country is currently enmeshed in. Crime in the country has gone hi tech because many of those engaged in it are highly educated (Sulaiman O. 2012).

Apart from the figures released early this year by the National Bureau of Statistics, which puts unemployment rate in 2011 at 29.3 per cent, the situation has over the years grown from bad to worse. From 2006 until 2011, the unemployment rate averaged 14.60 per cent, reaching an all-time high of 23.90 per cent in December of 2011 representing about 20.3 million Nigerians who are currently jobless (N.B.S 2011). The situation which was put at about 71 per cent early this year would have rocketed to over 75 per cent, throwing even some of the hitherto employed out of jobs. The matter is compounded daily as higher institutions churn out fresh graduates to add to the already saturated labour market. Except for the bourgeoisie, there is no Nigerian household that does not have at least one unemployed university or polytechnic graduate still searching for job. As the *vanguard* of December 23, 2004 noted, unemployment rate has moved from 4.3% in 1985 to 5.3% in 1986, to 7.0% in 1987 and jumped to 60% in 1997. And the weak economy has exacerbated the unemployment condition.

The report shows that in 2003 primary school accounted for 14.7% unemployment, secondary school 53.6%, and tertiary schools constituted 12.4%. This seems to have worsened the poverty level. The same report put the nation's poverty level at 70%; and more than 91 million Nigerians live on less than one dollar per day. However, the *This Day* of Dec 20, 2004 put the number of poor Nigerians at 75.14million. According to statistics from the Manpower Board and the Federal Bureau of Statistics, Nigeria has a youth population of 80 million, representing 60% of the total population of the country (64 million of them unemployed, while 1.6million are under-employed). The 1990 - 2000 data on youth unemployment showed that the largest groups of the unemployed are the secondary school graduates (*This Day* of Dec 20, 2004). There are also 40% unemployment rate among urban youth aged 20 - 24years and a 31% rate among those aged 15 - 19years. Two-third of the urban unemployed ranges from 15 - 24 years old. Moreover, there is no consistent trend of unemployment rates in Nigeria because an increase in one or two years is sometimes followed by a decline in the subsequent years. Table 1 below shows the average annual rates of unemployment for the year 1990- 2004 by rural-urban place of residence. Also, a published report from Punch editorial of June 10, 2003 referred to a report by the National Poverty Eradication Programme (NAPEP) in 2001 saying that the universities and other tertiary institutions in the country produce an average of 120,000 graduates each year while another 500,000 school leavers or college graduates are turned out each year, without the hope of any job.

Although, rising unemployment rate is a global phenomenon, with unemployment rate in the USA rose from five per cent in 2007 to nine per cent in 2011. In the United Kingdom, it rose from 5.3 per cent to 8.1 per cent, while the rate in Spain increased from 8.6 per cent to 21.52 per cent. Due to the recession in Greece, unemployment rate has increased from 8.07 per cent to 18.4 per cent, while it moved from 4.8 per cent to 14.3 per cent in Ireland. African countries are also affected. Unemployment rate in South Africa is 25 per cent, in Egypt it is 11.8 per cent, in Botswana it is 17.5 per cent, in Angola it is 25 per cent, in Kenya it is 11.7 per cent and in Namibia it is 51 per cent (Sulaiman O. 2012).

And since there is no single policy model that can guaranty a dependable and sustainable development, it is therefore become imperative that every country has to evolve an appropriate policy mix of initiatives that can help in combating the most important barriers and constraints such as youth unemployment, food insufficiency, poverty, hunger and insecurity that exist in their cultures.

3.1 Causes of Unemployment in Nigeria

According to Sulaiman O. (2012), Aina O.O., Adeola A.O., Ayo J.A., Idowu M.A (2011) graduate unemployment in Nigeria could be attributed to one of the following reasons:

Faulty education system

Graduate unemployment was unheard of in the past. At a point in the history of this country, before graduating from the university or the polytechnic, there was an assurance of employment for the Nigerian undergraduates (Peter Osalor 2012). This was the time when corporate organizations would storm the few campuses in the

country then to offer employment to graduating students. That sounds years ago. With the experience of the current generation of university graduates, this is only a cock and bull story. But it is not.

Hostile economic environment

But just as the mismatch between industry requirement and skills of graduates result in unemployment, so has the hostile economic environment led to a number of young graduates being left in the unemployment lurch. Many of the manufacturing companies in the country are operating far below their installed capacities because they, in most cases, have to source their own electricity, water and other amenities that companies in other countries take for granted. All of these additional costs increase their cost of production and as a result their prices are uncompetitive with imported items. The effect of this is that while imported items are cheap, the locally produced ones are comparatively expensive. The price differentials forced Nigerians to go for imported items. This led to local companies not being able to produce at maximum capacities with the effect that many of them have been unable to employ as many hands as they would have had to, had they been producing at maximum capacity.

The inability of the manufacturing sector and the private sector generally to employ many Nigerian jobseekers have a telling effect on the nation. The reason is that there is a limit to the number of people that the government can employ. Unlike the private sector that can expand its operation and thereby increase its workforce, the business of government is largely administrative and it hardly expands. This means that the capacity of government at all levels to employ is restricted. So, the private sector is really the one that has unlimited ability to offer employment opportunities. But when the sector is incapacitated as a result of some factors, the chance of many getting employed becomes very dim.

Underdeveloped Small and Medium Industries

Just as the manufacturing sector is suffering, so is the small and medium industries (SMI) sector. In other climes, this sector is a major employer of labour. In North America and Europe, the contribution of SMIs to the development of countries in these regions is enormous. The sector employs up to about 50 per cent of the workforce of the countries, contribute between 40 and 60 per cent to the Gross Domestic Product (GDP), while contributing between 30 and 50 per cent to exports. The sector even fares better in Asian countries (China, Indonesia, India, Malaysia, Japan and South Korea) where it employs up to 90 per cent of the workforce and contributes about 40 per cent to the GDP. The SMIs in these countries are doing well because of deliberate government policies to encourage them. In the Asian countries in particular, young people are encouraged to set up their own small companies and see how they can improve their own lot through them instead of seeking employment elsewhere. With funds and other requirements supplied by the government, it is not difficult for young people to embark on their own businesses. The encouragement given to young people to set up their own businesses in Europe, Asia and North America has produced good result with many young people under the age of 30 coming up with great ideas that have changed the way they live.

However, in Nigeria, the reverse is the case. Though young people are urged to set up their own businesses, the environment is so stifling that many of the businesses do not last two years with the promoters being thrown back into the labour. Annually, Nigerian universities graduate about four million people with less than 200,000 getting jobs because we inherited a culture that once you graduate, you get a job. The unemployment challenge is so bad in the country that even if two million people are given jobs on a quarterly basis, it will still not salvage the situation (NUC, 2009).

Unstable Government policies

some policies of the government have also resulted in unemployment in the country. Before Professor Charles Soludo became the Governor of the Central Bank of Nigeria (CBN), there were 89 banks in Nigeria. With the consolidation policy introduced by the Soludo-led CBN, the banks were reduced to 25 in number. It is given that the reduction in the number of banks in the industry also led to the shrinking of employment opportunities in the industry. With the policy of the CBN under Mallam Lamido Sanusi Lamido, the opportunities have even further shrunk. Following the success of the consolidation of the banking industry, the regulators of the insurance industry also jacked up the paid up capital of players in the industry with the effect that the number of insurance companies also plummeted and with it the available opportunities for employment in the industry.

Neglect of Agriculture

Another cause of unemployment is the attitude of many Nigerians to agriculture. Agriculture is the biggest employer of labour in the country with about 70 per cent of Nigerians engaged in one form of agriculture or the other. However, most Nigerian youths do not want to touch agriculture with a barge pole because it is seen as

hard labour; everyone is busy looking for blue collar jobs even those with degrees in agriculture related disciplines (Shetty, 2002). This particular development has two consequences on the nation. One is that the army of unemployed youth keeps swelling together with the attendant security threats. The other is that the country is also faced with the threat of food insecurity because old people who are used to the old way of farming are the ones left to practice agriculture.

Lack of Access to Finance

The major problem that resulted to graduate unemployment in Nigeria is that there are not enough provision for jobs both in the private and public sector and the graduates of college of Agriculture and other vocational & technical schools who possessed skills that can be invested on found it difficult if not impossible to access loan from financial institutions due to lack of collateral securities (Pankaj and Moore 2003). Hence, they cannot start businesses of their own. Therefore, graduate unemployment is endemic in Nigeria and there is need for immediate intervention to stem down the rate. Incorporating micro lending into training programs of these vocational and technical institutions, so as to guaranty the needed initial capital that will assist the students to establish on their own after graduation remain the only antidote to this hydra-headed monster called unemployment.

3.2 Attempts at Curbing Youth's Unemployment in Nigeria

Skills acquisition and employment generation have remained a focal point in the Nigerian Government policy (NUC, 2009). Between 1986 and now, various administrations' initiatives to promote self-dependence and self-reliance in the generation of gainful self-employment have been profound. Starting with the acquisition of vocational skills, it is believed that the education system operated since the post-independence placed emphasis on academic excellence rather than skill acquisition which can prepare the individual for a more useful and fulfilling life within the society. Vocational skills acquisition it is believed would be more relevant to the development of the nation.

Hence, a new national policy on education was promulgated in 1977, introducing vocational courses in the educational curriculum. The ineffectiveness of the vocational courses in the school curriculum to address youth unemployment which assumed alarming proportion, prompted the Federal Government to set up the Chukwuma Committee on 26 March, 1986 (Omoruyi and Osunde, 2004). The report of the Committee led to the creation of the National Directorate of Employment in November 1986 and charged with the responsibility of promoting skills acquisition; facilitate the spirit of creativity, self-reliance and independence. To this day, vocational skills' training is receiving greater attention as many centers have been established. However, the National Economic Empowerment and Development Strategies (NEEDS) document 2004 claimed that many of the responses to poverty reduction appeared to be ad-hoc, uncoordinated and more or less fire-brigade (NEEDS document, 2004). Programmes such as Community Bank, DFRRI, National Directorate of Employment (NDE), People's bank, Better Life for Rural Women, Family Support Programme were some of such projects aimed at addressing various manifestations of poverty. It was concluded that while none of these programmes were completely without merits, the truth is that they did not have a significant, lasting and sustainable positive effect (Oyebade 2003).

The Nigeria government is very worried on the increasing unemployment rate, poverty and generally bad economic condition in the country. Different scholars are therefore of the opinion that vocational and technical education alone cannot provide the necessary remedy to the problem of unemployment. Urwick, 1992, Onifade (2002) revealed that vocational education has not and cannot provide permanent solution to unemployment as some of us may believe. Ojukwu, 1999 and Onifade (2002) also observed that "the threat of job scarcity and growing unemployment creates doubts and pessimism on the programs of vocational technical schools and the education system in general". Therefore, incorporating micro lending into vocational and technical education will provide the needed impetus for enterprising graduates to delve into sustainable micro enterprise development. Since empowerment is not complete without a corresponding adequate funding provision for the trained manpower because the greatest challenge still remains financial intermediation. Trainees keep raising the concern about the practicability of the post-training activities. Majority have doubt about the availability of funding and the possibility of having access to fund to finance businesses. If the bottom-line of creating the entrepreneurship development centres in the country is to reduce poverty, then there is need to ensure that soft loans are accessible by the people within a reasonable time frame.

4. Conclusion

Lack of investable skills and entrepreneurship spirit is not the only problem of developing nations because they have plenty of entrepreneurs and when people in developing regions are provided with opportunity, they will likely start a business. Going by the above, this paper was able to identify lack of access to take off capital by graduates of vocational and technical institutions for establishment of own business after graduation as the missing link that prevented them from transforming their investable skills and entrepreneurial spirit into micro enterprise development and hence provided the needed job in the economy.

Therefore, the possible intervention that can reduce the rate of graduate unemployment in Nigeria, is for governments at all levels to change focus from emphasis on training alone because that's not what our graduates lack but the opportunities to do what they have learnt. So there is need for us to de-emphasize the issue of training without appropriate and adequate support for those already trained to develop what they have already learnt.

5. Recommendations

As stated earlier, with the growing number of students coming out from various institutions especially vocational and technical institutions into the labour market, if some measures are not taken there is every tendency that the situation will further escalate the rate of poverty, corruption and other social crime especially among youths.

This paper is therefore suggesting that micro credit that will not require any collateral for it to be accessed should be provided for such graduate entrepreneurs who are self-sufficient, highly innovative and creative so as to enable them to transform skills that they have acquired through training into virtual reality, so that lack of access to start-up capital will no longer be a hindrance to wealth creation through micro enterprise development.

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