

**THE ROLE OF INCUBATORS AND ACCELERATORS IN PROMOTING
ENTREPRENEURSHIP GROWTH IN NIGERIA**

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Abstract

The aim of the study was to examine the role of incubators and accelerators in promoting entrepreneurship growth in Nigeria. The study conceptual review was on Incubators and Accelerators in Nigeria, Entrepreneurship, The Role of Incubators and Accelerators in Fostering Entrepreneurship Growth in Nigeria and Information Technology Developers Entrepreneurship Accelerator (iDEA Hub). Based on the conceptual review, it was observed that there were impact of these institutions on the success and scalability of startups, identify the key factors influencing their effectiveness and provide actionable recommendations for policymakers, stakeholders and practitioners to enhance their support for entrepreneurs. Therefore the study concluded that incubators and accelerators play a vital role in promoting entrepreneurship growth in Nigeria.

Keywords: Incubators, Accelerators, Entrepreneurship, Growth

Introduction

Entrepreneurship is a driver of economic development, innovation, and job creation. In Nigeria, with a rapidly growing population and a dynamic economy, entrepreneurship has been recognized as a key factor in addressing challenges such as unemployment, poverty, and underdevelopment (Li, et al., 2020). In spite of the significant potential, entrepreneurs in Nigeria often face numerous obstacles, including limited access to funding, inadequate infrastructure, and a lack of supportive networks and mentorship. However, incubators and accelerators have emerged globally as essential mechanisms for supporting startups and fostering entrepreneurship. Olayiwola (2019) incubators are organizations designed to help startups in their early stages by providing services such as office space, mentorship, networking opportunities, and access to capital. They typically offer a nurturing environment where startups can develop their ideas and business models over a more extended period (Olayiwola, 2019). Accelerators, on the other hand, are programs that support early-stage, growth-driven companies through education, mentorship, and financing. These programs are usually fixed-term, cohort-based, and culminate in a public pitch event or demo day. Unlike incubators, accelerators focus on rapid growth and scaling of startups within a short period.

In recent years, Nigeria has seen a significant increase in the number of incubators and accelerators. Chinonso (2020) posited that this growth can be attributed to various factors, including the rising recognition of the importance of entrepreneurship, increased investment in the tech and innovation sectors, and government policies aimed at promoting small and medium-sized enterprises (SMEs). Several notable incubators and accelerators, such as Co-Creation Hub (CcHub), Tony Elumelu Foundation, and Ventures Platform, have been instrumental in shaping the entrepreneurial landscape in Nigeria (Chinonso, 2020). These organizations provide critical support to startups, helping them overcome the challenges of starting and growing a business in the Nigerian context.

The role of incubators and accelerators in fostering entrepreneurship growth in Nigeria cannot be overstated. They provide startups with the necessary resources, knowledge, and networks to thrive. By offering mentorship from experienced entrepreneurs and industry experts, they help startups refine their business models, develop viable products, and scale their operations. Moreover, these programs often facilitate access to funding, which is one of the most significant barriers for Nigerian entrepreneurs. Through connections with investors and venture capitalists, incubators and accelerators help bridge the funding gap, enabling startups to secure the capital needed for growth.

While incubators and accelerators have made substantial contributions to entrepreneurship in Nigeria, they also face several challenges. These include the sustainability of the programs, ensuring adequate follow-up and support for startups post-graduation, and adapting their models to the unique socio-economic context of Nigeria. Despite these challenges, the opportunities for incubators and accelerators in Nigeria are immense. With the right support and strategic initiatives, these programmes can significantly contribute to the development of a robust entrepreneurial ecosystem, driving economic growth and innovation across the country.

Statement of the Problem

Entrepreneurship is widely recognized as a key driver of economic development, innovation, and job creation. In Nigeria, a country with a burgeoning population and high unemployment rates, fostering entrepreneurship is crucial for sustainable economic growth and development. However, Nigerian entrepreneurs face numerous challenges, including limited access to finance, inadequate infrastructure, lack of business support services, and a challenging regulatory environment. These obstacles hinder the growth and sustainability of new ventures, thereby stifling economic progress and innovation. Incubators and accelerators have emerged as pivotal mechanisms to support entrepreneurs by providing critical resources, mentorship, networking opportunities, and access to capital. Despite their potential, the effectiveness of these institutions in the Nigerian context remains under-researched and not well understood. There is a significant gap in knowledge regarding how incubators and accelerators contribute to entrepreneurship growth in Nigeria, what specific challenges they face, and how they can be optimized to better serve the entrepreneurial ecosystem. Thus, this study seeks to address this gap by exploring the role of incubators and accelerators in fostering entrepreneurship growth in Nigeria.

Literature Review

Incubators and Accelerators in Nigeria

Colonial rule significantly influenced the development of numerous urban settlements in Nigeria. According to Laurent as cited in Chinonso (2020), "the colonial period transformed

the urban system by changing the pattern of distribution of towns in the country." Urbanization and cities existed in Nigeria prior to colonialism, but the advent of colonial rule expanded and highlighted this phenomenon. The colonial era introduced infrastructure and facilities, such as pipe-borne water, electricity, and paved roads, primarily for the benefit of the colonial administrators. These amenities, along with modern conveniences like cars, technologies, and urban lifestyles, drew rural inhabitants, particularly those selling goods to Europeans, non-Europeans, and other African residents. New towns emerged as administrative centers, while others developed as commercial and industrial hubs. Infrastructure built during the colonial period further promoted urbanization, especially along the growing rail and road-river networks in eastern Nigeria. These networks served as trade hubs for their surrounding areas, facilitating international economic relations through the export of agricultural products and minerals and the import of manufactured goods. These developments encouraged the migration of people from rural areas to the burgeoning urban centers.

In the immediate post-colonial period, small-scale businesses were prevalent, yet many of them did not last long, primarily due to a lack of funds and poor management. As Adisa et al. (2014) observed, obtaining external or additional funding from financial institutions and banks was challenging. Even when banks were willing to finance local businesses, the conditions or collateral required for loans were often unattainable for business owners. Despite the government providing limited financial support to SMEs in Nigeria, these businesses continued to struggle for survival.

In 1970, the Central Bank of Nigeria expanded its credit guidelines to include Small and Medium Scale Enterprises (SMEs), directing banks to allocate at least 20% of their loans and advances to these enterprises. The following year, the Industries Credit Scheme (ICS) was introduced by both federal and state governments in Nigeria to better meet the credit needs of SMEs, offering more favorable terms than private lending institutions. In 1977, the Central Bank of Nigeria initiated the Central Bank Rural Banking Program to address the issue of limited credit access for rural SMEs. This program led to the establishment of rural banking offices, which increased to 756 branches by 1988 (Oni & Daniya, 2012). Additionally, in 1978, the Nigeria Bank for Commerce and Industry (NBCI) was created by the Federal Government of Nigeria and the Central Bank of Nigeria (CBN) to finance SMEs. The NBCI was tasked with ensuring the efficient use of scarce financial resources for the development of viable SMEs and was authorized to manage the Federal Ministry of Commerce and Industry's special funds for SMEs through soft loan agreements (Oni & Daniya, 2012).

To enhance fund availability and accessibility for those in need, a number of specialized financial institutions have been established. Over the years, these institutions have developed and implemented more favorable credit policies (Ayodeji & Balcioglu, 2010), facilitating easier access to funds for entrepreneurs. These institutions include the Nigeria Industrial Development Bank (NIDB, established in 1964), the Nigerian Bank for Commerce and Industry (NBCI, established in 1973), and various Microfinance Banks. Other notable programs and institutions include the Small Scale Industries Credit Scheme (SSICS, initiated in 1971), the Small and Medium Industries Equity Investment Scheme (SMIEIS), the SME Apex Unit of the Central Bank (founded in 1989), the World Bank Assisted SME Loan

Scheme, the Nigerian Agricultural and Cooperative Bank (NACB), the Small-Scale Industries Credit Scheme of the Federal Ministry of Commerce and Industry, the Nigerian Export Import Bank (NEXIM), the African Development Bank/Export Stimulation Loan (ADB/ESL, initiated in 1989), the Small and Medium Enterprises Equity Investment Scheme (SMEEIS), the National Directorate of Employment (NDE, established in 1986), the National Poverty Eradication Program (NAPEP, initiated in 2000), the Family Economic Advancement Program (FEAP, launched in 1993), the Family Support Program (FSP, also started in 1993), the Industrial Development Coordinating Center (IDCC), the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN, established in 2003), the Bank of Industry (BOI), the Youth Empowerment Scheme (YES), and the National Economic Reconstruction Fund (NERFUND, established in 1990).

According to Chinonso (2020), she explained that despite the efforts made by various governments, accessing funds remains a significant challenge for entrepreneurs. The stringent conditions attached to loans from financial institutions discourage many entrepreneurs from applying. Additionally, young entrepreneurs still struggle with business and financial management skills due to inadequate business counseling and advisory support from the government. Fortunately, business incubators and accelerators have stepped in to ease the previously arduous journey for startups in Nigeria's commercial and industrial sectors, helping to mitigate the financial and advisory challenges faced by young and emerging entrepreneurs (Chinonso, 2020).

Entrepreneurship

Entrepreneurship takes on different meanings depending on how it is viewed by various scholars and the context in which it is applied. Hisrich et al. (2017) added that entrepreneurship is a multifaceted skill that emerges from a combination of various qualities and traits. These encompass imagination, a willingness to take risks, and the capability to integrate and effectively utilize other factors of production—such as capital, labour, and land and as well intangible elements like the ability to harness scientific and technological advancements (Hisrich et al., 2017). Tuoyo et al. (2020) “Entrepreneurship is the ability to differentiate business opportunity, create the business with innovative ideas by absorbing all associated risks and bring the action to reality for (profit)” (p. 4). Taxmann (2024), describe entrepreneurship as the dynamic process of creating incremental wealth. This wealth is created by individuals who assume the major risks in terms of equity, time, and/or career commitment to providing value for some product or service. The product or service itself may or may not be new or unique but value must somehow be infused by the entrepreneur by securing and allocating the necessary skills and resources (Taxmann, 2024). According to Palanivelu and Manikandan (2015);

Entrepreneurship can be described as a process of action an entrepreneur undertakes to establish his enterprise. Entrepreneurship is a creative activity. It is the ability to create and build something from practically nothing. It is a knack of sensing opportunity where others see chaos, contradiction and confusion. Entrepreneurship is the attitude of mind to seek opportunities, take calculated risks and derive benefits by setting up a venture.

In all, Palanivelu and Manikandan (2015) asserted that, entrepreneurship is equally applicable to big and small businesses as well to economic and non-economic activities. According to the World Bank, Small and Medium Enterprises (SMEs) account for most businesses worldwide

and are important contributors to job creation and global economic development. They represent about 90% of businesses and more than 50% of employment worldwide. However in this study, the small businesses or Small and Medium Enterprises (SMEs) is also refer as Micro-Entrepreneurship.

The Role of Incubators and Accelerators in Fostering Entrepreneurship Growth in Nigeria

According to Obaji et al. (2015, p. 1629), small and medium-sized enterprises (SMEs) are regarded as "engines and bedrocks of industrial and economic development and growth in many dynamic economies." Governments in various emerging nations have been playing a crucial role in formulating strategies and agendas that support the enhancement of entrepreneurs, from grassroots to medium enterprises. Small businesses, therefore, generate the majority of new jobs in most countries. It is essential "to provide targeted support to start and grow new ventures for creating employment in the face of globalization, rapid technological change, economic uncertainties, and more-open markets" (Lalkaka, as cited in Chinonso, 2020).

In Nigeria, there are approximately ten business incubators and accelerators working diligently to support aspiring entrepreneurs interested in small and medium-scale businesses. Some of these organizations are self-funded, while others rely on external grants to conduct their activities. These include, but are not limited to:

Tony Elumelu Foundation: Founded in 2010 by Nigerian businessman Tony O. Elumelu, this organization is positioned as a 21st-century catalytic philanthropy. As a primary driver of Africapitalism, the foundation is dedicated to the economic transformation of Africa by enhancing the competitiveness and growth of the African private sector through a strong emphasis on entrepreneurship (Vanguard in Chinonso, 2020). The foundation's goal is to improve the competitiveness of African economies and create an environment where entrepreneurship can thrive sustainably. To achieve this, the foundation has outlined several objectives, including catalyzing economic and social development in Africa through entrepreneurship, focusing on the following areas:

- a. Empowerment of entrepreneurs through capacity development, seed capital, mentoring and networking.
- b. Promotion of thought leadership on entrepreneurship through advocacy and evidence-based research as a guide for policymakers across African governments.
- c. Creation of an integrated entrepreneurial ecosystem that promotes African entrepreneurship.
- d. Developing the next generation of business leaders for Africa.
- e. Building the networks and developing the framework for enhancing the competitiveness of African economies.
- f. Identifying impact investing opportunities.

Information Technology Developers Entrepreneurship Accelerator (iDEA Hub):

Established in 2013, iDEA leverages information technologies to drive disruptive change. The Hub offers training in software development, focusing on cultivating essential business skills. Entrepreneurs accepted into the program receive a physical workspace, access to shared technical facilities, and capital to turn their ideas into reality (Chinonso, 2020). As an incubator, iDEA provides qualifying startups with high-quality office space, business support, technical and entrepreneurship training, networks, professional services (legal, accounting,

marketing), and resources essential for growth. In its role as an accelerator, iDEA runs programs concentrated on mobile financial services, healthcare, enterprise (SME), and e-commerce. These programs offer the knowledge, organizational, operational, and strategic support necessary to rapidly expand businesses and attract investment (Chinonso, 2020).

Innovation Ecosystem (Co-creation Hub) CcHUB: Nigeria's first open living lab and pre-incubation space is a versatile, multi-functional hub designed to spark creative social tech ventures. This hub serves as a collaborative environment for technologists, social entrepreneurs, government officials, tech companies, impact investors, and hackers in and around Lagos to co-create innovative solutions to Nigeria's social challenges (Utibe, 2015). The hub's objectives include facilitating creative thinking and collaborative problem-solving, fostering technology innovation for enhanced social accountability in Nigeria, and incubating novel tech ideas that promote good governance and the provision of public services. Additionally, it aims to encourage shared accountability between technologists and innovators, act as a living lab for prototyping and testing socially focused tech tools, develop new skills and competencies, and provide a space for connection, sharing, creation, and finding expertise (Chinonso, 2020).

Passion Incubator: The Passion Incubator, is a recent addition to the accelerator landscape in Nigeria, offers a three-month program designed for entrepreneurs. Each cohort admits five startups into an intensive course that emphasizes business growth and development (Chinonso, 2020). Despite being relatively new, Passion Incubator has achieved significant success with its startups. The organization possesses the tools, knowledge, and resources needed to support complex projects. Passion Incubator equips innovative startup entrepreneurs with essential resources to launch lean startups capable of rapid growth, ensuring that success is swiftly institutionalized (Chinonso, 2020).

Wennovation Hub: This organization, managed by Wole Odetayo, is among the earliest, if not the first, technology start-up accelerators in Nigeria (Utibe, 2015). It offers five distinct services to both new and experienced entrepreneurs. Through this organization, individuals can access comprehensive office support as well as technical and business mentorship. Additionally, it provides funding, strategic advice, and business consulting services (Chinonso, 2020).

Conclusions and Recommendation

In conclusion, incubators and accelerators play a vital role in promoting entrepreneurship growth in Nigeria. By providing essential resources, mentorship, and access to capital, they help startups navigate the complexities of starting and scaling a business. As Nigeria continues to embrace entrepreneurship as a key driver of economic development, the importance of these support structures will only grow. However, the paper recommends that the government should provide actionable policy to enhance the support of ecosystem for entrepreneurs in Nigeria.

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