

# Enterprise education and the role of banking

## Samuel Kasumu

We in the Commonwealth recognise the need to encourage and educate tomorrow's wealth creators. For this to be possible there is a need for a strong enterprise education framework that cuts across both age and gender. But perhaps too much focus has been placed on the need for educating the next generation of entrepreneurs without recognising the fact that there is already a pool of business start-ups that just needs a bit of support to go to the next level. Within so many of our countries there is a strong and active informal economy that is sustaining the lives of so many citizens. These are the self-starters with the determination and drive to grow. But the support from many of our institutions is lacking. Not only is there a gap in regards to how governments find a solution to these non-taxpaying entrepreneurs, banks are also ignoring the potential of the informal economy and are instead looking abroad for their growth strategy.

### Where the banks are going wrong

We are seeing many banks from developing nations within the Commonwealth joining the London Stock Exchange. In March 2013, Zenith Bank joined five other Nigerian entities that were already listed in London. This is a message to the world that these organisations can now be seen as serious entities with enough quality within their structures to be considered able to list on a world-class exchange. But as these banks, and other larger corporations, develop their international presence, they must not forget that their work within their countries of domicile has not finished. Their countries' own exchanges are still not seen as an internationally reputable place for investors to do business, and their markets are yet to develop to a level where they can say it is now saturated.

### A look at Nigeria and Bangladesh

Nigeria is a country with a population in excess of 160 million, and 56 million citizens are yet to own a bank account. There is therefore a disconnect with the growth of the country's larger firms and the economic participation of those who are most marginalised. But even for those who have bank accounts in many developing countries, it is difficult to see where normal citizens are able to participate on an entrepreneurial level. Banks aren't lending and are seemingly not engaging with small, medium and micro businesses. Much more needs to be done by banks within developing countries before their growth strategy moves on to diversifying into new markets.

Another example of a Commonwealth developing country with a banking system that has a lot of growth potential is Bangladesh. I recently returned from Bangladesh where I attended the Commonwealth Women's Ministers Meeting, and prior to that I was in Lagos, Nigeria, which has allowed me to make interesting comparisons. Bangladesh is an example of an economy that is fast-paced and dynamic in many ways. The country shares a similar population size to Nigeria, and is also part of what Goldman Sachs classifies as 'The Next 11'. These are the 11 developing countries that can be assumed to become powerhouse economies shortly after the BRICS (Brazil, Russia, India, China and South Africa) nations. But like Nigeria, the banking system within Bangladesh has failed to engage a large part of the population. According to some figures, less than ten per cent of the people of Bangladesh own a bank account. These are worrying figures when you consider how fast both economies are growing, and how many multinational firms have been benefiting from their prosperity.

### How banks can boost entrepreneurial activity

We simply cannot ignore the role that banks have and will play in helping to take Commonwealth countries to the next level. Being actively involved in both business and politics within the UK often gives me the privilege to marry the often disconnected prisms of policy and practicality. One key example is my observation of the age-old challenge of access to capital for small businesses and the need for governments to find an effective enterprise education strategy. This is a challenge that spreads throughout the Commonwealth and one where both business and government must co-operate for a credible solution. If banks aren't lending, or are lending with ridiculously high interest rates, businesses won't grow and jobs cannot be created. We need to develop a Commonwealth framework that allows us to create a better climate for lending to businesses with the entrepreneurial characteristics to grow.

The question now is how one can incentivise banks to participate better in the economic prosperity of a nation. Yes, banks are vital parts of many of the great things being done in all Commonwealth countries, but they can and must do more. In Britain, we have similar challenges when it comes to bank lending. The government has focused on a range of policies to encourage banks, including the Start-Up Loans initiative, a £117.5 million fund distributed by private providers as bank loans to young aspiring entrepreneurs.

There is also the recently launched Help to Buy scheme, designed to open up the housing market in order to get more houses built by developers. Big Society Capital and Funding for Lending are other initiatives in the UK designed to get much-needed finance into a fragile economy. But these solutions are still to be proved effective, and what works for the UK may not work for other Commonwealth nations.

For me, the answer to developing a strong enterprise culture must be an elevation of a new type of public-private partnership (PPP). Banks should join forces with international training providers, backed by the government, to create a new solution. The MP for Bedford, England, calls this 'Formalised from Day 1' (FFD1). This is an idea in which an aspiring entrepreneur receives an intensive training programme designed to walk them through the process of registering a business, opening a bank account, developing a basic idea of cash flow and gaining an understanding of their market. If they are selling a skills-based service, like being a plumber or an electrician, they are then trained up to an internationally recognised standard and given a certificate to recognise this. The person has now been made into a formal business owner, from day one, and if they grow consistently, there are now better possibilities for them to access financial support, because they have been 'formalised' from an early stage.

For the banks, they are then able to have a pool of businesses with a strong track record, which would allow them to lend more to growing enterprises, and they will also be able to grow their

customer base. For the government, they will now be on their way to dealing with the large non-taxpaying informal economy. Finally, for the business owner, they are able to reach an internationally recognised standard for their area of business and in the future they will have better access to loans from banks. The formalisation process is ultimately what will help to deal with the under-representation of citizens with regards to bank accounts, but for this to work the banks must be willing to engage with such a process. Banks must understand that within a more formalised and active economy they will have more room for growth within their home market and will not have to look at new markets just yet. It is an ambitious idea, but one that can help to benefit every stakeholder in a positive way.

## Conclusion

Having small business owners formalised is without a doubt the most important next step in the process of developing countries within the Commonwealth. This will take time, but will ultimately result in a more prosperous future for all. Integrating the enterprise education process into such an activity will also allow for a stronger solution to a current challenge. The hope now is that there are enough advocates for this process to create a standardised model that can be easily replicated. My work with Elevation Networks (EN) Campaigns' will be focusing on developing and piloting this model over the next year, and I hope for some key case studies within Sub-Saharan Africa.



# KADUNA STATE UNIVERSITY

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**The Kaduna State University was established under the Kaduna State law promulgated in May 2004.**

#### Vision

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The Mission of Kaduna State University is to provide an all-round university education of the highest standard for the development of the individual and the state, while inculcating the spirit of love, tolerance, understanding and unity in the state in particular and the country in general.

#### Academic Structure

The University has two campuses located at Kaduna and Kafanchan with a total of 7 faculties and 28 academic programmes as follows:

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- **Faculty of Medicine** – Medicine
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At present, there are a total of 6,650 students with 298 academic staff, 85 senior administrative staff and 122 junior staff at the University. Vice-Chancellor, Prof. William Barnabas Qurix (PhD Arc., mnia, ARCON, MAARCHES, Ifma (USA), fnia, frhd)



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## Endnote

1 EN Campaigns Ltd is a British company set up for the promotion of entrepreneurship within the UK and emerging markets. The organisation helps to deliver the UK's start-up loans initiative and is now focusing on developing scalable models for enterprise development within the Commonwealth.

**SAMUEL KASUMU** is the founder of a social enterprise called EN Campaigns, which promotes enterprise in the UK and emerging markets. He was recognised as one of the top three role models in the UK by Amway International and has also won the Barclays Business Enterprise Award at the Spirit of London Awards (SOLA). Samuel was the first person to be awarded the Young Star of Enterprise Award at the prestigious GBA Real Business Magazine Awards. He sits on the board of the influential Tory Reform Group and currently holds the title of Secretary of the Bow Group Council.