

MANAGEMENT OF SMALL BUSINESS IN NIGERIA,
PROBLEMS AND PROSPECTS.
(A STUDY OF SIX SELECTED SMALL BUSINESSES
IN ONITSHA).

BY

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DEPARTMENT OF MANAGEMENT
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ENUGU CAMPUS.

MAY, 2001

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PG/MBA/99/30424

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CAMPUS, UNEC.

MAY, 2001

C E R T I F I C A T I O N

I EMEFOH PHILOMENA IFEOMA, a Master of Business Administration students in the Department of Management, University of Nigeria Enugu Campus (UNEC), with Registration Number PG/MBA/99/30424, hereby certify that I have satisfactory completed the requirement for course and research work in Business Administration (MBA) in Management.

I also state that to the best of my knowledge this research work is the original and has not been submitted either in part or in full for any diploma or degree in this or any other university.

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DEDICATION

THIS PROJECT IS DEDICATED TO GOD ALMIGHTY,
BLESSED VIRGIN MARY (SEAT OF WISDOM).

AND MY BELOVED AND CARING BROTHER, REV. FR.
IGNATUS EMEFOH.

A C K N O W L E D G E M E N T

This work cannot be complete without mention of certain people whose inspiration brought this work to reality. My profound gratitude goes to God Almighty who made it possible for me to pursue my academic work.

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May my sweet Jesus continue to bless you all in Jesus Name Amen

EMEFOH PHILOMENA IFEOMA

MAY, 2001.

ABSTRACT

The topic of dissertation in management of small business in Nigeria. Problems and prospects; A study of six selected small businesses in Onitsha. The objective of the study is to identify the problems hindering the growth of small scale business and highlight the prospects of small scale business on the economy. This research was based on historical survey. The source of data for the research was primary which included questionnaires and secondary which included text books, journals and newspapers. The method of analysis was the use of tables, percentages and hypothesis. The main findings of the study were that finance is the major problem facing small Business. However, there is a bright prospect for small business, the problem facing it for now are not insurmountable. With its clear identification the solution is not farfetched. The major recommendation based on the findings was that the government should support small business both financially and morally to enable them achieve their bright prospect. The study concludes that development of small business is vital for the economic development of any country, therefore if government does not play lip service to the policies on small scale business this sector would gave way for the economic development of Nigeria.

EMEFOH PHILOMENA IFEOMA

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LIST OF TABLES

TABLE

2.4.1	SECTORAL ANALYSIS OF THE REGISTERED BUSINESS ò ò ò ò ò ò ò ò ò ò ò ò ò ò ò ò ò .29
2.4.2	SECTORAL DISTRIBUTION OF SELECTED ENTREPRENEURS ò ò ò ò ò ò ò ò ò ò ò ò ò ò 30
2.7.1	COMMERCIAL BANKSqLENDING TO SMALL SCALE ENTERPRISES FOR THE 1991 . 1993 FISCAL YEARSò ò ò ò ò ò ò ò ò ò ò 44
2.7.2	SOURCES OF FUND AND CAPITAL DEVELOPMENTò ò ò ò ò ò ò ò ò ò ò ò ò ò ò ò 47
3.4.1	DISTRIBUTION PER FIRM PER SUBSECTOR OF SMALL BUSINESSESò ò ò ò ò ò ò ò ò ò ò ò ò ò ò ..81
4.1.1	SEX OF RESPONDENTSò ò ò ò ò ò ò ò ò ò ò ò ò ò ò 84
4.1.2	EDUCATIONAL LEVELò ò ò ò ò ò ò ò ò ò ò ò ò ò ò 84
4.1.3	SUITABILITY OF EDUCATIONAL QUALIFICATION TO JOBò 85
4.1.4	SOME SKILLS ARE NEEDED TO ACQUIRE TO ENHANCE JOB PERFORMANCEò ò ò ò ò ò ò ò ò ..86

- 4.1.5 NON AVAILABILITY OF HIGHLY SKILLED
MANPOWER HINDERS THE GROWTH OF SMALL
SCALE BUSINESSõ õ õ õ õ õ õ õ õ õ õ õ õ õ õ 87
- 4.1.6 LOANS ARE READILY OBTAINED FROM FINANCIAL
INSTITUTIONSõ õ õ õ88
- 4.1.7 CAUSES OF THE FINANCIAL PROBLEMS FACED BY
SMALL BUSINESSõ õ õ õ õ õ õ õ õ õ õ õ õ õ õ 89
- 4.1.8 NON-EXPLIOTATION OF GOVERNMENTAL
PROGRAMMES ASSISTANCE BY SMALL BUSINESS
OWNERS EFFECT THE GROWTH OF THE SMALL
BUSINESSõ õ õ õ õ õ õ õ õ õ õ õ õ õ õ õ ..90
- 4.1.9 SMALL BUSINESS EXPLOIT THE GOVERNMENTAL
PROGRAMMES FOR ASSISTANCEõ õ õ õ õ õ õ õ 91
- 4.1.10 THERE IS RELATIONSHIP BETWEEN THE
AVAILABILITY OF FINANCE AND EFFICIENT
MANAGEMENTõ õ õ õ õ õ õ õ õ õ õ õ õ õ õ õ 92
- 4.1.11 THE ESTABLISHMENT OF SMALL SCALE BUSINESS
HAS CREATE EMPLOYMENT õ õ õ õ õ õ õ õ õ õ 93
- 4.1.12 THE AIMS OF SMALL SCALE BUSINESS IS TO
CREATE EMPLOYMENTõ õ õ õ õ õ õ õ õ õ õ 93

4.1.13	SMALL BUSINESS CAN GENERATE MORE JOBS IF GIVEN MORE FINANCE	94
4.1.14	PROFITABILITY RATE OF THE COMPANY	95
4.1.15	BASIC SOLUTION TO THE PROBLEMS FACED SMALL BUSINESS	96
4.1.16	SMALL BUSINESS INVOLVE ITSELF IN BEING SOCIALLY RESPONSIBLE TO THEIR OPERATING COMMUNITY	.97
4.1.17	NATURE OF THE SOCIAL RESPONSIBILITY	98
4.1.18	THINGS FUTURE HOLD FOR SMALL BUSINESS	99
4.3.1	CONTINGENCY TABLE	106
4.3.2	COMPUTATION OF X^2 VALUES	.107
4.3.3	CONTINGENCY TABLE II	109
4.3.4	COMPUTATION OF X^2 VALUES	..110
4.3.5	CONTINGENCY TABLE III	111
4.3.6	COMPUTATION OF X^2 VALUES	..112
4.3.7	CONTINGENCY TABLE IV	113
4.3.8	COMPUTATION OF X^2 VALUES	114

TABLE OF CONTENTS

TITLEPAGE:õ õ õ õ õ õ õ õ õ õ õ õ õ õ õ õ õ õ i

CERTIFICATION:õ õ õ õ õ õ õ õ õ õ õ õ õ õ õ õ õ õ .. ii

DEDICATION:õ õ õ õ õ õ õ õ õ õ õ õ õ õ õ õ õiii

ACKNOWLEDGEMENT:õ õ õ õ õ õ õ õ õ õ õ õ õ õ õ õ õ .. iv

ABSTRACTS:õ õ õ õ õ õ õ õ õ õ õ õ õ õ õ õ õ õ .. v

LIST OF TABLE:õ õ õ õ õ õ õ õ õ õ õ õ õ õ õ õvi - viii

TABLE OF CONTENTS:õ õ õ õ õ õ õ õ õ õ õ õ õix-xii

CHAPTER ONE:

1.0 INTRODUCTIONõ õ õ õ õ õ õ õ õ õ õ õ ... 1 - 2

1.1 AN OVERVIEW OF SMALL BUSINESS IN
NIGERIAõ õ õ õ õ õ õ õ õ õ õ õ õ õ õ ..2 - 3

1.2 BACKGROUND OF THE RESEARCH AREAõ .3 . 5

1.3 BACKGROUND OF THE STUDY AREAõ õ õ õ 5-6

1.4 STATEMENT OF PROBLEMõ õ õ õ õ 6 - 7

1.5 OBJECTIVES OF THE STUDYõ õ õ õ õ .. õ õ 7-8

1.6 RESEARCH QUESTIONSõ õ õ õ õ õ õ õ õ ...8

1.7 STATEMENT OF HYPOTHESISõ õ õ õ õ õ õ ... 8

1.8 THE SIGNIFANCE OF THE STUDYõ õ õ õ .. 10-11

1.9 THE SCOPE AND LIMITATIONS OF STUDY.11-12

1.10 REFERENCEõ õ õ õ õ õ õ õ õ õ õ õ õ õ ...13

CHAPTER TWO: LITERATURE REVIEW

- 2.1 WHAT IS SMALL BUSINESS MANAGEMENT 14-16
- 2.2 DEFINITION AND CONCEPT OF SMALL SCALE
BUSINESS OWNERSHIP 16-19
- 2.3 THE ECONOMIC IMPERATIVE OF SMALL BUSINESS
DEVELOPMENT IN NIGERIA 19-24
- 2.4 TYPES OF ACTIVITY OF SMALL BUSINESS 24-28
- 2.5 THE IMPORTANCE OF SMALL BUSINESS
ENTERPRISES 28-32
- 2.6 FINANCING OF SMALL BUSINESS .32-33
- 2.7 SOURCES OF FUNDS FOR SMALL SCALE
BUSINESS .33-45
- 2.8 RISKS AND HOW TO DEAL WITH THEM IN SMALL
BUSINESS 45-49
- 2.9 THE ROLE OF SMALL SCALE BUSINESS IN ECONOMIC
DEVELOPMENT 49-51
- 2.10 MARKETING IN SMALL BUSINESS 51-52
- 2.11 PERSONNEL AND ORGANIZATION FOR THE SMALL
BUSINESS .53-54
- 2.12 GOVERNMENT INVOLVEMENT IN SMALL SCALE
BUSINESS IN NIGERIA 54-58

2.13	PROBLEMS OF SMALL SCALE BUSINESS IN NIGERIA	58-64
2.14	PROSPECTS OF SMALL SCALE BUSINESS IN NIGERIA	65-71
	REFERENCES	..72-77

CHAPTER THREE: RESEARCH METHODOLOGY

3.1	RESEARCH DESIGN AND METHODOLOGY	78
3.2	SOURCES OF DATA: PRIMARY AND SECONDARY	78
3.3	DATA COLLECTION INSTRUMENT	..79
3.4	POPULATION AND SAMPLING SIZE	79-80
3.5	METHOD OF INVESTIGATION	..80-81
3.6	METHOD OF ANALYSIS	81

CHAPTER FOUR:

4.0	DATA PRESENTATION AND ANALYSIS	.82
4.1	PRESENTATION OF QUESTIONNAIRE FROM THE EMPLOYEES OF THE SELECT BUSINESS	82-98
4.2	ANALYSIS OF RESPONES OF INTERVIEW QUESTION	98-104
4.3	HYPOTHESIS TESTING	105-114

CHAPTER FIVE:

**SUMMARY OF FINDINGS, RECOMMENDATIONS AND
CONCLUSION**

5.1 RESEARCH FINDINGSõ õ õ õ õ õ õ õ õ õ õ .115

5.2 RECOMMENDATIONSõ õ õ õ õ õ õ õ õ õ ..116-118

5.3 CONCLUSIONõ õ õ õ õ õ õ õ õ õ õ õ õ õ õ .118

BIBLIOGRAPHYõ õ õ õ õ õ õ õ õ õ õ õ .119-123

APPENDIX Iõ õ õ õ õ õ õ õ õ õ õ õ .124-129

APPENDIX IIõ õ õ õ õ õ õ õ õ õ õ õ 129-132

CHAPTER ONE

INTRODUCTION

The Nigeria business environment offers many entrepreneurship opportunities. In responses to these opportunities, many Nigerians have rushed to register business.

It is currently estimated that there are approximately five million business firms of all sizes in Nigeria. Studies of these statistics show that at least ninety percent of these firms are small, regardless of which measure of smallness is applied.

There has been a lack of agreement in Nigeria and other part of the world as to what contributes a small business. According to the third National development Plan (vol. 1, 353), manufacturing establishments employing less than ten people or whose investment in machinery and equipment do not exceed N600,000.00 (when money had value) are referred to as ~~small~~ **small scale industries**. In the credit guidelines of the Central Bank of Nigeria (CBN) small scale enterprises are classified as those business with an annual turnover for less than half a million Naira. Presently, as stated by the government, small scale industry development programme, the definition of small scale industries in Nigeria is any manufacturing, processing or service industry with a capital investment not exceeding N150, 000.00 in machinery and equipment alone. Many authors have recognized the difficulty of defining precisely a small business, for the purpose of this research work. It may be regarded as one whose scale of operations is less than the average for the industry.

Despite their difference, all these definitions share the common idea that small scale industries are generally low in terms of persons employed and in the amount of investment and annual business turnover.

An excellent definition of small scale business is contained in the small Business act passed by the United States Congress in 1953. That definition states that a small business is one which is independently owned, operated and not dominant in its field of operations. The feature of dominance in most attempts to specifically define a small business.

1.1 AN OVERVIEW OF SMALL BUSINESS IN NIGERIA

One of the significant trends in business in Nigeria is the increasing number of small business firms. This is consequent upon the rise in the unemployment rate which has necessitated the urge in many people to own and manage their own business. As a result of this high unemployment rate among school leavers and the hardship in the entire society, both Federal and State Government in Nigeria formulate certain policies and embark on some schemes aimed at encouraging both school leavers and other unemployed persons to be self employed. This is done by providing them with essential but available infrastructures and loans to effectively carry out the small scale business of their choice. This trend of events stated Chima Onuoha, suggests that an increasing number of both educated and uneducated entrepreneurs in the near future, (Onuoha, 1991).

It is pertinent to note that small business is the dominant form of business enterprise in any economy, whether developed or developing. This implies that small business can and do play an active role in the economic development of most countries.

In recent times government policies in Nigeria emphasize small scale business expansion and setting up of new ones by private individuals through the establishment of people's banks, community banks, Nigeria bank for commerce credit and industry, export promotion through many incentives to discourage import and encourage local industries, small scale industries scheme, Industrial Development Centre (IDC) National Economic Reconstruction Fund (NERFUND) etc. All these are geared towards encouraging the growth of small business.

1.2 BACKGROUND OF THE RESEARCH AREA

The small scale business enterprise is nearly as old as man. Man graduated from the wandering life he had led to a more settled life and engaged in fruit gathering and agriculture for his subsistence from hence he progressively engaged in varying types of small businesses such as wood carving, black smiting and hunting.

At this early stages in Nigerian specialization, that is an individual concentrating on producing only the goods he knew how best to make and relying on exchange to obtain other things he needed was nonexistent.

Following the advent of the British Colonization of Nigeria, the use of money was introduced. Specialization began and thus caused a drift from the traditional occupations to the more modern forms of businesses, such as petty trading, wood carving and blacksmithing, poultry, cloth weaving and dying. All of these on small scale and geared towards self subsistence. In addition a good portion of the population who had had some level of education joined large government and multinational organizations.

The small scale business permeates several areas of human endeavor and share a number of features which mark them out from the larger enterprises; such features are many and varied. Olesegun Oni (1988) in the paper he presented at the second National workshop on small scale industries gave a list of features that mark the small scale industries out. Also Stephen Ekpenyong (1989) gave another list of distinguishing features of the small scale businesses.

From the foregoing, small scale business is understandably not a new concept. It has experienced some changes in its nature with the passage of time. Herbert G. Hicks et al (1987) opined that the principal changes that have occurred in them since their primitive beginnings are efficiency, sophistication and complexity in their roles and nature.

It is generally held in all countries that the small scale businesses is the heart beat of any economy. Its contributions stand out in the area of employment generation, serving as a link

between various sectors of the economy, contributing to the Gross National Product (GNP), utilizing locally available resources, serving as a training ground for the acquisition of entrepreneurial and technical skills. The relevance of small scale business cannot therefore go unnoticed by any government.

This is rightly observed by Edet A.P. (1983) who stated that any government that neglects the development of small scale business subsector is not talking seriously of industrialization of the economy whether at state or national level for the sector provides the crucial foundation for real and sustained industrial take off.

Unfortunately, a close look at the Nigerian economy reveals that the aforementioned potentialities of the small scale businesses are not being realized at a good volume and speed.

It is therefore against this background that this paper set out to investigate what could be responsible for the observable low performance of the small scale businesses in Nigeria with special emphasis on the some selected small scale businesses in Onitsha, Anambra State.

1.3 BACKGROUND OF THE STUDY AREA.

The study has been carried out at Onitsha, Anambra State of Nigeria on six selected small business.

Onitsha is a commercial city with different markets where different types of goods are sold; also it has the largest market in

West Africa. Some countries in West Africa always come to Onitsha to buy and to sell goods.

Among the markets in Onitsha are Onitsha main market which is the biggest market in Onitsha. In the early days of the market, textile products are the major goods one can found in it. Later tobacco and article products came, in those days British men do brought some goods through Atlantic Ocean, down to River Niger because the market is beside the river Niger.

Other markets in Onitsha are Bridge Road Market, Ochanja and Oseh Okwodu markets.

Manufacturing companies like Lever Brother, Patterson Zochonis (PZ) and John Holt have their depots in Onitsha. Some small scale industries in Onitsha are Markson Chemical Industry, Osy Group Industry, United Daily Bread, Ginpat Aluminum, Eziafakego Traditional wears and Remef Industry.

1.4 STATEMENT OF PROBLEM

On the attainment of political independence, the government of Nigeria desired to transform the economy quickly in order that economic independence may also be achieved. Nigeria has vast mineral, agricultural and human resources, most of which are yet to be tapped. Her market potential is larger than those of most developing countries in Africa and elsewhere. The direction of

public policy has been the creation of a suitable economic and social environment for the establishment and operations of business.

Under these favourable conditions, theories of economic development suggest that a rapid economic growth would occur given that the available exploited and utilized for the production of goods and services.

The achievements of the desired speedily economic development in the Nigeria society as in others depend to a large extent on the successful operation of the small business.

The small scale business in Nigeria is sub optimized. These problems have reduced remarkably the volume and variety of production and employment possible for the small scale business in the Nigerian economy. Consequently the effect of the small scale business on the Gross Domestic product is yet very low resulting in reduced rate of economic growth. What is more they die more quickly, have more frequent job turnovers and sometimes non-business considerations loan large in their operations.

1.5 OBJECTIVES OF THE STUDY

This study has the following objectives.

1. To investigate into the management of small business in Nigeria.
2. To examine the objectives, strategies and responsibilities of small scale business in Nigeria.

3. To identify the problems hindering the growth of small scale business.
4. To highlight the prospects of small sale business in Nigeria economy.
5. To make suggestions, recommendations based on the data generated from the study.

1.6 RESEARCH QUESTIONS

The critical appraisal hopes to give answers to the following:

1. To what extent does the management of small scale businesses in Nigeria contribute to their efficiency?
2. What are the objectives, strategies and responsibilities of small scale business in Nigeria?
3. What problems are hindering the growth of small scale business?
4. What are the prospects of small scale business in the Nigeria economy?

1.7 STATEMENT OF HYPOTHESIS

For the purpose of giving this study a proper perspective and direction, the following research hypotheses have been posited.

HYPOTHESIS 1

NULL HYPOTHESIS (H_0)

Inadequacy of capital does not hinder the growth of small scale business in Nigeria.

ALTERNATIVE HYPOTHESIS (H_A)

Inadequacy of capital hindered the growth of small scale businesses in Nigeria.

HYPOTHESIS 2

NULL HYPOTHESIS (H_0)

Non-availability of highly skilled man power does not hinder the growth of small scale businesses in Nigeria.

ALTERNATIVE HYPOTHESIS (H_A)

Non-availability of highly skilled man power hindered the growth of small scale businesses in Nigeria.

HYPOTHESIS 3

NULL HYPOTHESIS (H₀)

The establishment of small scale businesses in Nigeria does not create employment.

ALTERNATIVE HYPOTHESIS (H_A)

The establishment of small scale businesses in Nigeria has created employment.

HYPOTHESIS 4

NULL HYPOTHESIS (H₀)

Small scale business in Nigeria does not have good prospects given the size of the Nigerian market.

ALTERNATIVE HYPOTHESIS (H_A)

Small scale business in Nigeria has good prospects given the size of the Nigerian market.

1.8 THE SIGNIFICANCE OF THE STUDY

The small scale business is a major sector of the Nigerian economy. Its contribution to the economy is increasing with time. Small scale businesses play a vital role in the provision of employment when the bigger companies and government parastatals are embarking on the massive retrenchment of their workers.

The existence of small scale business sector is of immense importance to the three main areas in the national economy:-

The Government

The Society; and

The business organization

This vital roles play by small scale business emanates from the economic realities of those developing countries where low income per capital limits the savings capacity of the people (Nwocha; 1985 18).

Without savings the developing counties are faced with the problem of very low capitalization that cannot guarantee the development of large scale business enterprises.

Again, the small scale businesses established in the country side would prevent the rural urban migration which has become a feature of the rural areas. The viability of small scale businesses is achieved through a good knowledge of their problems and finding appropriate solution to them. This is the purpose of this study.

1.9 THE SCOPE AND LIMITATIONS OF THE STUDY.

SCOPE

The study extends its interest to the discovery of the problems militating against small scale businesses in the Nigeria economy as a whole with a particular emphasis on six selected small scale businesses in Onitsha, Anambra state.

LIMITATIONS

The study is not entirely exhaustive because, it is subject to the following limitations which are posed by the Nigeria environment

The researcher was faced with the problem of ensuring that the limited financial resources available to her meet the demands of the research. This is evident in the number of small businesses studied in this work.

In gathering the needed information for the analyses, the researcher faced resistance from entrepreneurs (some) who were afraid to give out information about their business, feeling that any information revealed will be used against them while some rather felt bored to entertain question or answer questionnaires contending that they were too busy. This does not however affect the validity of the findings of the research.

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CHAPTER TWO

LITERATURE REVIEW

2.1 WHAT IS SMALL BUSINESS MANAGEMENT

Before treating this small business management. The researcher must first of all throw light to the meaning of management. This nature of management is very familiar to us; most individuals use some management skills in their daily lives. Objectives are determined, plans are made, activities are performed and results are evaluated. Individuals could accomplish little without managing their activities. When individuals come together in an organization, either formal or informal, management becomes very important. Lack of management leads to lack of direction and co-ordination. Effective management on the other hand, leads to purposeful, co-ordinate and goal directed activity. Although human beings are the most important elements of the organization, management must also be concerned with the organization non-human elements. Land on which to locate the business, a building in which to make the goals, these are just two of many non-human resources that management must also coordinate.

Management, then is the effective utilization of both human and non-human resources to achieve organizational refers to one who organizes, manages and assumes the risks of a business or enterprise or it has been described as the person who sees business opportunities and takes advantages of the scare resources to utilize them. Entrepreneurship is the term used

broadly in connection with the innovative modern industrial business leaders.

Thus to qualify as an entrepreneur, it is not sufficient to be a business man just managing an enterprise. The entrepreneur has to be an originator of profitable business ideas. The single function which constitutes entrepreneurship is innovation. Whilst the business director is mostly engaged in managerial activities which are non-entrepreneurial, the emphasis must be placed on the ability to gain command of, and combine resources in a new way which will be profitable. (Nwanna, 1998: 52). The entrepreneur must be prepared to risk his personal energy and financial resources to achieve unpredictable results.

As far as production process are concerned in developing economics like Nigeria and in order to emphasize the critical entrepreneurial function, what is needed is the adaptation of production processes to suit the local environments, (Drucker; 1974:55).

The argument of Drucker is that developing countries benefit more by merely modifying the existing technology to suit local variations rather than developing that technology themselves from the start. Re-discovering the existing technology is not only unimpressive and laughable, but also represents an avoidable waste of limited resources, (Drucker; 1974:56).

2.2 DEFINITION AND CONCEPT OF SMALL SCALE BUSINESS OWNERSHIP.

The concept of small scale business has perhaps enjoyed more controversy in the literature than possibly any other concept could boast of Economist. Management consultant and government agencies are at variance at what parameters or criterion should be used in delineating which businesses are small and which ones are big (Ezeh, 1999: 23).

The growing want of uniform criteria for identifying small business led scholars to define it with one or more of the following:

Number of employee

Capital out lay

Asset base and

Market size

For instance, Stanley et al (1965) simply defines small businesses as comprising firms whose number of employees spans between ten to ninety-nine. Ekpenyon (1989: 71) widened the parameters by defining small scale enterprises as:

Those enterprises that have relatively little capital investment that produce in small quantities and as a result control a small share of the market, that employ not more than fifty workers and in which management, marketing and entrepreneurial functions are vested in the proprietor.

Institutional and agencies definition in Nigeria are also in the vanguard of those who define small businesses within the confines of the criteria earlier stipulated. For instance, Ola (1983) in stating the CBN credit guidelines defines as small any business whose annual turnover ranges between one naira (N1.00.00) to one hundred and fifty thousand naira (N150,000.00).

In the same vein, the Federal Ministry of Industries, small scale division in 1973 defines small scale business as those whose total capital outlay is below sixty thousand naira (N60,000.00) and whose total employment is not more than fifty (50) persons. Further, still, National Economic Reconstruction Fund (NERFUND) defines small and medium scale enterprises as those with total asset value (excluding land) of not more than 10 million.

The absence of concise uniform definition of the concept in small business is not peculiar to the developing countries alone. In United States, Hubbarb et al (1988) noted that the small business act of 1953 states that small scale business is one which is independently owned and operated and not dominant at its field of operation. In fact it is entrenched in the act that small business should be defined by any of the criteria mention earlier. In Japan, the fundamental law of medium and small enterprises defines as small and medium sized any business whose capital does not exceed 50 million. Yet and does not employ more than three hundred persons.

From the above array of definitions it would be noted that emphasis was placed on initial capital outlay, number of employees, sales volume and assets among other variables.

However, in a research published by the center for management development, Lagos in 1974, it was noted that small business cannot be adequately defined in terms of number of employees, sales volumes, assets employed or a combination of the above because of the inherent misconception that would be embedded in such definitions. These ascertain was supported and better illustrated by Ezeife (1988:1).

In his problems and prospects of small scale industries: a Design of Industrial Revolution, Ezeife held that definitions based on number of workers should be rejected unless the level of technology employed is also specified because it is possible for computers, robots and a few technicians to be employed in an industrial venture into which a billion naira has been invested. In our opinion, the above argument holds water because the engagement of a handful of employees in a billion naira establishments negates the essence of the use of number of employees as a determinant of which business is small except it such measure is further qualified accordingly.

Furthermore, Ezeife holds the view that the level of capital involved as a basis for definition will have to respect times and place. This is because according to him, what passes for a large scale today may be viewed as small scale in the future, and what constitutes a great enterprise in Nigeria may only be classified as small in the USA. This implies that what constitutes a small business enterprise may vary from one country to another.

2.3 THE ECONOMIC IMPERATIVE OF SMALL BUSINESS DEVELOPMENT IN NIGERIA.

We have on our hands an entrepreneurial boom, the like of which we have not seen in a century. The most important economic event of the last few years, in fact is the emergence of entrepreneurial development programme.

This was how Professor Peter Drucker, an internationally renowned management expert, reacted in 1983 to a reports question which sought to know whether it was still possible to start new companies and succeeds in America. He went further to explain that in the past decade, the United State has created 20 million new jobs the biggest number ever created anywhere in a short period (and) at the same time, large establishment has not grown either. Drucker (1983:60) maintained that most of these 20 million additional jobs are in small, new enterprises. They absorbed all the post world war II babies, and they absorbed the millions of women who entered the job market.

America is a typical example of an entrepreneurial economy, a free enterprise state where the environment boasts of almost limitless prospects and reward for private enterprise and self employment. It is an economy that rewards creativity, initiative and hard work and whoever can boast of these attributes stands to be financially wealthy within the shortest possible time, Ezeh (1999:32). People are therefore self-determining in their approach

to life. Everybody seems to be thinking of what he or she can do with his or her hands and brain. Little wonder the private sector is much stronger economically than the public sector. Even in politics, the economic class plays a very decisive role.

Nigeria appears to be currently finding the right path to a possible entrepreneurial venture into the 21st century. Since 1960, the year of independence, the country's development plans have laid a great deal of emphasis on public sector control of the economy. We have a situation where the public/private sector mix has increasingly tilted towards public sector domination. For instance, while in the first National Development Plan (1962 . 68), the private sector received 62% of the total capital expenditure, in the fourth plan (1981 . 85), only 12% of total capital investment was accorded the private sector with the public sector has generally distinguished the government as a major investor in a lot of business which otherwise should have been left to the private sector. But this apparently wrong development planning did not pass without adverse consequences for the Nigeria economy.

The February, 1972 Enterprise Promotion Decree, otherwise known as the indigenization decree, which saw many companies hither to owned by foreigners being bought over by Nigerians, did not help matters since government had controlling shares in many of the enterprises. The net effect of the unbridled government participation in and control of business activities has been the emergence and general perception of the government as the provider of almost all that make life worth living without knowing it, government turned itself to father Christmas that

everybody has to resort to for the economic, political, social, industrial and technological survival of the Nigeria nation, Ezeh (1999:33).

Provision of shelter, jobs, food, education and health care, are all believed to be the exclusive responsibility of the government hence, the reason for the famous ~~operation~~ ~~feed the nation~~ and the ~~Federal~~ Low Cost Housing across the country.

But today, the situation is changing. But economic management on the part of past leaders has boomeranged on everybody. The oil boom of the ~~70s~~ which dictated the entire frivolous and wasteful attitude of the government and the people including the relegation of the agricultural sector and private initiative to the background has now given way to hunger, squalor, spiral inflation, disease and mass unemployment. Further, we are now forced to start afresh to re-awaken ourselves to the real challenges and realities of true nation hood. We are now re-adjusting fundamentally with the Structural Adjustment Programme (SAP) launched in 1986, by the then President General Ibrahim Babangida and its pivotal Second Tier Foreign Exchange Market (SFEM), and Foreign Exchange Market (FEM), dictating the tone of action and pace of movement. The situation is now getting worse.

The new emphasis on self-employment is understood to be in line with the foregoing considerations. Government is basically de-institutionalizing with a lot of the public enterprises slated for either full or partial privatization or commercialization. The economy is being relieved of unnecessary government controls

and regulation. Import restrictions and control through mainly the import system and tight tariff regime have gradually given way to the dictates of market forces. Consequently, a change of policy that provides greater opportunities to similar business run by Nigerians is more likely to increase than to reduce the rate of growth of industrial output.

The unemployment situation in the country, coupled with the new government initiative towards easing social tensions among unemployed youths, through the programme of the National Directorate of Employment (NDE), were intended to lure a lot of unemployed Nigerians, including graduates into self determination through self-employment. Graduates and school leavers are now realizing that government and the established private companies are not ready to come to their aid directly, through paid employments due to the dwindling state of the economy. Short of alternatives, Nigerians including our graduates are therefore launching themselves into various small business ventures, such as cottage soap and cosmetic production, farming, restaurants, fast food, publishing, writing, block-making, garri production, food processing, refuse disposal, taxi driving, cleaning services, advertising and public relations and other small business ventures. The determination to succeed is also fast becoming the order of the day.

According to Professor Walter E.L. Kan, a writer in finance and development, entrepreneurship has three essential and linked attributes. First the ability to perceive profitable business opportunities; the willingness to act on what is perceived, and the necessary organizing skills associated with the projects. It is

pertinent to point out here that one of the factors militating against government parastatals is unnecessary bureaucratic culture. That is bureaucrats with a production mentality which emphasizes maximizing output as the principal objective, while ignoring considerations of costs and markets. Everything is done according to set bureaucratic procedures.

For example ~~Managers~~ are appointed for their bureaucratic and political skills and connections, rather than for their commercial acumen. There is also more overheads in parastatals than in private firms, since they do not face the same competitive forces and are under greater pressure to provide employment for kinsmen or constituents of political leaders.

The sky is our limit, if only people would rise up to the task and face the realities of our times in the present development of small business management in Nigeria.

The low literacy level and general ignorance, which prevails and cause a lot of bad attitude and malpractice within the Nigerian business environment, would be seriously challenged and obliterated with the new trend. Entrepreneurship practice will eventually assume a new perspective and real industrial and economic development. Gradually, institutional financial support is now available through the NDF and FEAP (Family Economic Advancement Programme) and a lot of funds are now being raised for self-employment through non-official sources. It appears many parents, guardians, private sponsors and voluntary organizations are gradually rising up to the challenge. The Nigerian Association of self-employed Graduates (NASEG) and Industries and other organizations such as, the Nigerian

Association of Small Scale Industries, support from the Nigerian Chambers of Commerce, the Nigerian Bank for Commerce and Industry, rise up to the task because that is what we need for both economic, political and social transformation of the Nigerian society. It has worked in Japan, American, South Korea, Singapore and others and it will also work in Nigeria. This constitutes part of our critical challenges.

2.4 TYPES OF ACTIVITY OF SMALL BUSINESS

There are thousands of enterprises in Nigeria which fall into the category of small business. They include weaving, carpentry, pottery and ceramics, farming, fishing, piggery and animal husbandry, poultry, wood and metal works, retail trade, tailoring and dress making, mechanic and repair workshops, brick and block making, transport etc. These small business activities can be grouped into five main categories Nwana, (1998).

MANUFACTURING

MINING, ENGINEERING AND CONSTRUCTION

WHOLESALE

RETAILING

SERVICE

MANUFACTURING:

Manufacturing firms engage in the gathering of raw materials necessary for the creation of consumer and industrial goods and giving them useful form through their manufacturing processes. Most small manufacturing firms then pass their finished products on to wholesalers or other distributors who handle their further distribution to the eventual users of these products. The use of

manufacturers in this process seems to be on the increase in the 1970s. This is particularly true in the machinery and heavy industrial goods industries. Very few small manufacturers of home-consumer products engage in the distribution process beyond normal wholesale channels.

MINING, ENGINEERING AND CONSTRUCTION:

Mining firms engage in gathering raw materials from the bowels of the earth. They either process the raw materials into consumer goods as part of their normal operation or sell them to other firms which convert them in usable form. For example is the small salt mine where the salt is gathered and packaged for the industrial use are not common in Nigeria because most mining industries are owned and operated by the government.

The engineering and construction sector follows the commercial sector with a total of 1095 companies registered during the year. (See the table 2.1 below). This shows how business men rightly anticipated an increase in construction contracts. Up to 1088 businesses were registered under the services sector. The three remaining very important sectors which should normally be emphasized attracted fewer investors. For instance, only 566 manufacturing companies were registered. In the agro-allied sector, only 364 companies were registered and 267 in the finance and investment sector.

WHOLESALING:

Wholesaling for the distribution of both consumer and industrial goods in a large part of small business scene in Nigeria for most consumer goods, marketing experience in business had demonstrated the economic benefits of using established wholesale channels of distribution.

Let us consider beer distribution attempting to distribute its product to all the individual sectors that would like to have it on their shelves. By using wholesale, the cost of distribution are greatly reduced once the wholesaler handles money other products in his particular area of activities, this also provided further benefits to the individuals, which can obtain other products at the same time from the same source.

RETAILING

Retailing represents the largest percentage of all small firms. Small retailers are to be found in every area of products and services we can imagine. Perhaps this is because more people feel competent to attempt independent firm ownership in this field. All retail firms buy their products from wholesalers and make available for the final consumers. The function of retailers is to give these products place utility.

SERVICE

Service firms are numerous and varied. They are engaged in rendering an essential service to their customers. The bulk of Nigerian small scale enterprises are in the commercial sector, the trend being towards service industries like hotel and restaurant and Medicare services. (Nwana 1998:57). This trend can be seen in the sectoral analysis of the business registered in 1980 as shown in table 2.4.1 below. The registered companies in the commercial sector totaled 2080, representing about 38 percent of the total figure of 5455.

TABLE 2.4.1.

SECTORAL ANALYSIS OF THE REGISTERED BUSINESS.

STATE	COMMERCIAL	SERVICE	ENGINEERING & CONSTRUCTION	MANUFACTURING	AGRO-ALLIED	FINANCE & INVESTMENT
Lagos	1173	730	538	315	128	168
Kano	121	47	59	38	19	8
Anambra	120	31	64	24	20	19
Bendel	114	49	48	23	26	10
Oyo	96	36	62	30	36	9
Imo	83	36	36	34	17	8
Kaduna	71	35	40	22	24	8
Plateau	48	24	50	13	8	3
Rivers	35	32	45	9	12	5
Cross River	45	17	22	13	11	2
Kwara	32	11	31	13	7	44
Ondo	45	9	18	10	12	4
Ogun	29	9	5	12	7	2
Borno	12	3	22	2	12	2
Benue	18	8	11	2	6	2
Sokoto	12	3	18	1	3	4
Niger	11	3	10	1	7	1
Gongola	9	3	8	2	6	7
Bauchi	5	2	8	2	3	1
Total	2080	1088	1095	566	364	267

Source: Small Business Management, Nwana (1998)

TABLE 2:4:2**SECTORAL DISTRIBUTION OF SELECTED ENTREPRENEURS**

SECTOR	NO OF PEOPLE	PERCENTAGE
Construction	11	17.46
Commercial	8	12.70
Manufacturing	2	03.17
Marketing	5	07.94
Contracting	15	23.81
Services	18	38.57
Others	4	06.35
Total	63	100.00

Source: Small Business management, Nwana (1998).

Today in virtually every industry there are successful industries there are successful entrepreneurs. The technology employed by small businesses is often advanced in order for the business to remain competitive in world markets.

A percentage sectoral distribution of entrepreneurs in a sample conducted by the researchers is given in table 2.4.2 above. This shows that lowest percentages of people are attracted to manufacturing sector. Interest is more in the service, contracting, construction and commercial sectors, in that order.

2.5 THE IMPORTANCE ENTERPRISES OF SMALL BUSINESS

Hardly any major industry can succeed without the services of small business enterprises. The relative strength of their importance may vary from one industry to another. Small firms show their greatest strength (compared to larger firms) in service

industries, wholesale, distributions, retailing and construction (jobbing) contracts, while they tend to be dominated by big firms in the areas of public utilities. Manufacturing, communications and transportation. In Nigeria, there are thousands of small business which include farming, piggery and animal husbandry, fishing, pottery and ceramics, brick and block molding, bakery, weaving and tailoring, printing press, wood and metal works, poultry and a host of others, which depend mostly on local raw materials inputs by Ezeh (1999: 36).

The importance of small business enterprises in any economy cannot be over estimated. Firstly, the continuing growth in the economy of any nation depends to a large extent on the start-ups and development of small business. Even on a recessionary economy small scale enterprises are a legitimate and viable component in any strategy for reconstructing the economy.

Further, it is emphasized that the small scale enterprises make the possibility of the equitable distribution of national income more realistic by providing employment on a large scale. By creating more employment opportunities small business enterprises help in mobilizing capital and human resources that would otherwise be left idle. While some small businesses may meet untapped demand, some fill a niche in the market, yet others provide some distinct services that cannot be matched by large organization. In this wise they contribute to the succession of large businesses. In other words, if small businesses were suddenly removed from the contemporary scene, big business

would find itself saddled with a myriad of activities that could only be inefficiently performed.

The importance of the above observation can be seen in the case of manufacturers and wholesalers. The effectiveness of manufacturers would be impeded if wholesalers are not handy to enhance the distribution process of the manufactured goods. It is evident too that such professional services such as accounting firms, medical clinic, legal chambers, catering, which are rendered to big firms fall under the scope of small business and most of them are owner managers.

Small scale business economizes resources. Resources such as capital, technical and management skills are scarce and constitute the central problems of under development. Small firms are more capital saving and more labour using and are thus better suited for developing economics. The capital that goes into the start up of small business is relatively easier to come by and this is an advantage to a developing economy in view of the limited amount of savings in such economy.

Small firms are also for less import dependent than large scale businesses and often depend on locally fabricated machinery and local raw material inputs.

One can buttress this point farther, by noting that the less dependence of small businesses on imported inputs reduces the demand pressure on foreign exchange earnings in the economy. Consequently, another importance of small business is in its considerable solution to balance of payments problems resulting from less dependence on imported inputs.

Small industries have a shorter gestation period and as a result, yield quicker returns on investment. They facilitate balanced industrial development in that only such industries can easily be established in many rural areas. In this regard, they also present a potent means of alleviating rural . urban migration and the associated urban congestion and unemployment.

Innovation is another importance of small business enterprises. One of the essential attributes of entrepreneurs (of small business) is the ability to perceive profitable business opportunities and a willingness to act on what is perceived. In most cases new services often are introduced by small business owners who perceive the need for such services.

Small scale enterprises promote competition and hinder monopoly. The relative ease with which small scale businesses are established and the responsiveness of entrepreneurs to innovations are major factors for the preponderance of small scale enterprises in any economy especially a developing economy. Observation has it that the existence of many healthy business firms in an industry constitutes a barrier against monopoly. The importance of a competitive market to the consumer in particular and the economy in general cannot be overflogged.

Small business also provides options for self employment. Small businesses constitute a vital source of self employment for retired officers, or retrenched workers or even older persons and others who are handicapped and find it difficult to obtain gainful employment elsewhere. This advantage is particularly obvious in Nigeria and other ailing economics which have witnessed unprecedented retrenchment and employment squeeze in the

public and private sectors of the economy. Small business also serves as a training school for the indigenous entrepreneurs and provides grounds for the acquisition of skill for a large number of workers. They are about the most outstanding guarantee for a speedy development of indigenous technology.

Nigeria has particularly witnessed concrete evidence of small business advantage. An available record shows that Nigerian's small scale sector made much bigger contribution to both Gross Domestic Product (GDP) and employment than the large scale sector in the 1960's. The contribution of the small firms in a developing country may be exemplified by the Indian experience where small industries output in 1987. They are also responsible for 10 percent of industrial fixed capital formation and over 18 percent of the total industrial employment in that country.

The review of the importance of small business enterprises in any economic cannot be exhausted; the main reason why any study aimed at contributing to the improved performance of this sector should be encouraged.

2.6 FINANCING OF SMALL BUSINESS

No firm should ever be started without a clear and positive understanding of where its total capital needs are coming from. As we have seen in previous section, a very important phase of the entire planning process is to determine what assets will be needed and how they are to be provided. When the amount of the net ownership capital needed has been determined, the proprietors turn to the problem of making sure that entire amount is available.

When several sources of capital are available, the planner must still bear in mind that all sources may not be equally desirable. Borrowed capital is shown on the balance sheet as a liability. It must be paid back at specific periods. These payments are not operating expenses which are deducted on the income statement before planned profits are produced. They are paid out of the profits shown on the income statement. Experience has shown that failure to recognize this basic fact is the commonest cause of financial strain among small firms. It is equally important to consider the repayments schedules in choosing among sources of financing.

The various types of financing available to business firms are usually grouped into three. Ola (1983).

1. Short Term Capital: This category is used to designate borrowed capital which is to be repaid within one year.
2. Intermediate Capital: This title is applied to borrowed capital which is to be repaid between one and five year.
3. Long Term Capital: This is capital whose re-payment is arranged for more than five years.

2.7 SOURCES OF FUNDS FOR SMALL SCALE BUSINESS:

The ability of small scale businesses to achieve their set aims depends to a very large extent on the availability of funds to them. Funds here imply money available to investment in their operations and it will be used interchangeably with the word capital.

Sources from which capital can be raised by the small scale business are multiple and varied in size and operation. Long as well as short term funds are procured for the acquisition of fixed assets including land, buildings, plant machinery and equipment, for maintenance of stock of raw materials and finished goods required for meeting future routine operational needs. In general, the size of a business determines the type of financing appropriate for it. Large industrial establishment, which are public limited firms operate different methods of obtaining capital for their operations than does the small scale ones. Small scale businesses which are mostly one man business have peculiar methods of raising the capital they need. Their method of sourcing funds can be broadly grouped into two: Internal Sources and External Sources.

2.7.1. INTERNAL SOURCES OF FUNDS:

These are funds occurring within the small scale business itself or which the owner-manager puts into the business personally without borrowing. Sources within this group include:

- (i) Personal Saving: Prior to starting a small scale business the owner manager take off time to accumulate some savings which forms the initial or start-up capital of the new business. This accumulated savings when invested gives an indication of the owner-managers seriousness with the business. At those early days of the business, any potential creditor called to lend money for the business could investment in the business. Where personal savings is low, the initial owner-invested fund will be low and this will discourage

potential creditors from lending to the business. This view point is supported by Steinhoff (1974:11) and proved by the action of Nigerian Bank for Commerce and Industry which insist that the financial input of a small scale business man must be at least 10% of the total estimated investment in the project, excluding the working capital before the individual qualifies for the bank's assistance.

- (ii) Retained Profit: This is the portion of Net profit left after dividend to shareholders or partners or the owner managers, cash withdrawals has been made. Most people who go into small scale business rely on the profits made by such business for their up keep. Thus it is impossible to plough back into the business all the profit made within a period.

Use of retained profit in one of the most convenient and cost-free means of obtaining funds for business expansion. This is particularly so since in using this mode of financing, no external body takes any part in the decision. The plausibility of this mode of financing is a function of the level of profit made in the first place and the amount withdraws from the profit.

Furthermore, there is apparent tendency to divert profit funds that would have gone into business development to areas that has nothing to do with business by the small scale businessman. They spend lots of money on ostentatious living and buying of expensive cars and chieftaincy titles. Little wonder then Ola (1983) warned that the Practice of relying solely on internal sources of capital for expansion and growth has become increasingly inadequate. Most Nigerian small scale business

owner managers still rely almost exclusively on their retained profit for growth and expansion of their business. Alternative sources of funds are:

2.7.2 External Sources:

These are sources of funds that come from outside the owner and business. They are generally in the form of grants-in-aid by government and loans and other forms of credit from different non-formal financial organizations.

Sources of external funds are many and differ in size of funds they make available to the small scale businessmen. Following from the inadequacies of the internally generated funds, externally raised funds has come to take a prominent role in the funding of small scale businesses. The external sources include:

Government: All governments world over appreciate the need for quick economic growth in their economy. The Nigerian government in an attempt to render assistance to the business community in their effort to relies quickened economic growth has set up avenues of lending money on easy terms to the under privileged small scale business sub-sector.

During the second National Development Plan period of 1970-74 the Federal government allocated N8m for the establishment of industrial centers that are to provide extension services to small firms. The third National Development plan witnessed an increase in the sectoral allocation to small scale business from N8m to N33m. Within this period also the Federal

government disbursed N20m to the states for onward lending to small scale business men under a credit scheme.

Again during the 1981-85 plan periods, government made available N200m for the execution of the small scale business credit scheme (Mohammed 1986:12).

Government assistance in the financing of the small scale business has been substantial going by the aforementioned sums of money. It is observed that disbursement and allocation do significantly differ. Many a time large portions of the sum allocated are not disbursed to the intended beneficiaries. This has in no small way contributed to the low success achieved from government efforts.

The Federal Government of Nigeria in addition to direct disbursements of funds to the small scale business has set up some parastatals who are regularly engaged in providing both financial and non-financial assistance to the sub-sectors. These parastatals are:

A. FUND TO SMALL SCALE INDUSTRY (FUSSI)

Unamka (1995:49) justified the establishment of fund for small scale industry (FUSSI) when he opined that %due to the difficulties encountered by small scale businessmen in the sourcing of funds for their activities, government through the various ministries of Industry of Federal and state levels has created a scheme to render financial assistance mainly to small and medium scale enterprises.

In 1981, the Federal Ministry of Industries set up this fund under the name of special fund for small scale industries. By the

end of 1983 about N41.3m had been spending under the scheme (Akamiokhor ,1983). The Anambra state government had earlier in 1971 set up its own FUSSI to collect its budgetary allocation and loan it to small scale business in a revolving manner. (Anambra state Edict No. 1 of 1975). Every other state of the Federation was mandated to establish their own FUSSI since that will be the avenue the federal government will be using to disburse their FUSSI allocation to them.

To qualify for FUSSI loans a small scale industrialist must;

- (a) Have an enterprise with capital investment of up to N150, 000 in machinery and equipment.
- (b) Present tax clearance certificate.
- (c) Be registered with Federal Government.
- (d) Fund a reasonable portion of the project at least 25% of the project.
- (e) Be competent (this will be ascertained by visiting the site).
- (f) For new project, the feasibility study report must be furnished. Akamiokhor, (1983).

The FUSSI scheme operates through a committee whose members are drawn from relevant ministries. The FUSSI committee is charged with responsibility of screening applicants for loan and deciding who qualifies for a loan and which industrial activities should receive priority in the consideration of applications. Funds for small scale industries (FUSSI covers 75%

of the project and is for a period of 5-7 years at 5% interest with a two year moratorium. (Unamka: 1995, 54).

B. Development Bank:

This category of banking institutions sprang up in to the clamor for the establishment of specialized financial institutions for the interest of investors in need for medium and long term finance for accelerated development of the Nigeria economy.

They are established by Decrees and Acts of the Federal government and thus are statutory corporations of the government. They are tailored to develop a specific sector of the economy, Industrial, commercial, agricultural and housing sector. Their services are extended to cover the small, medium and large scale operations in the mentioned sectors.

The development banks serve to provide technical and managerial expertise needed to sustain rapid economic growth. They also make available to the small scale industrialists short, medium and long term loans from the money the federal government has disbursed to them.

The Development banks in Nigeria include:

- (i) The Nigerian Industrial Development Bank (NIDB): This was established in January 1964 to take over the functions of the investment company of Nigeria (ICON) whose area of specialty had been in the area of provision of industrial finance since its inception in 1959.

The purpose of setting up the NIDB is for the provision of medium and long term finance to industrial establishment of

small, medium and large sizes in both public and private sectors of the economy.

Although the NIDB is principally involved in financing large-scale industries, evidence shows that between 1978 and 1982, it granted N17.914m out of a total of N278.6m or 6.55% of its entire loan package to the small scale enterprise. (Akamiokhor: 1983). Businesses are assessed for their profitability and the unviable ones are rejected.

- (i) The Nigeria Agriculture and Co-operation Bank (NACB). The Nigerian Agricultural Bank was incorporated in 1973; later it was renamed Nigerian Agricultural and Co-operative Bank. It was in an effort to redress neglect of agricultural industry following huge revenue from the oil sector.

Its main duty was the disbursement of credit to agricultural development projects and agro-allied industries. The small scale holders' loans scheme proved helpful to many small scale farmers (Unamka: 1995: 54).

- (ii) The Nigerian Bank for Commerce and Industry (NBCI): This bank was established by Decree 22 of 1973. The Nigerian Bank for Commerce and Industry came as reaction to the criticism against Nigerian Industrial Development Bank that it favoured foreign dominated business in their loan policy against indigenous businesses.

Records show that by the end of 1981 NBCI had approved loans totaling N267.5m though there are no details of what

proportion was set aside for the small scale enterprise (Akamiokhor: 1983).

In addition, in 1986, the bank secured a \$40m US credit line to the small scale industries (Mohammed: 1986)

All these represent the federal government's interest and efforts at providing appropriate finance to small scale industries.

- (iii) Commercial Bank Loans: Commercial bank loans are another useful source of finance to the small scale business. Baumbach (1973:17) describes the commercial banks as primary source of debt capital

The small scale business in the times past received valuable financial assistance from the commercial banks threatened by illiquidity and having preference for large businesses in their lending policies neglect the small scale businesses. The commercial banks have therefore no longer been advancing enough loans to the small businesses.

The Federal Government through the Central Bank of Nigeria had made futile efforts to change the attitude. The central bank of Nigeria directed the commercial banks to set aside no less than 16% of their total loans and advances for small scale firms. Records show that instead of the banks complying with the order, they prefer to pay the fine for default (Akwaeze: 1986, 13). Consequently, actual percentage of their loans advances to the small scale subsector consistently fell below the central banks marks. Table 2.7.1 shows the actual loans advanced to small business by the commercial banks for the 1991-1993 fiscal years.

TABLE 2.7.1**COMMERCIAL BANKS LENDING TO SMALL SCALE ENTERPRISES FOR THE 1991-1993 FISCAL YEARS.**

		1991	1992	1993
i.	Total commercial bank ₦ loans/advanced	8.6%	10.3%	11.1%
ii.	Loans/Advances to small scale enterprises	184.9%	208.7%	351.3%
iii.	Percentage of loans/advances to small scale enterprises to total bank loans/advances	2.15%	2.0%	3.16%
iv.	Central Bank of Nigeria prescribed minimum	16%	16%	16%

Source: CBN Annual Report and statement of Accounts for the year ended December 31st, 1994, 61.

- (iv) Fund from Co-operative Societies:** Co-operative can play a major role in the process of economic development and general social transformation. The co-operatives achieve this by mobilizing savings of members this making a pool of funds from which they extend loans to deserving members who are engaged in the small scale business or who have other financial difficulties.

Added to this, the society does borrow from a bank for on-lending to individual members. They find it easier to borrow from the bank because they are a group and have better collateral backing. By sub-lending to members they guarantee the loans and thus ensure it is rapid. (Osuji: 1989. 11).

The report on the survey of sources of funds of small-scale businesses in Anambra state shows that the co-operative total capital for development of the small-scale industries.

- (v) **Co-operative Thrift and Credit Society:** This group functions by encouraging members to save regularly part of their earnings. Needy members are provided with credit facilities at a reasonable interest rate. The participants agree to make regular contributions of an agreed amount, which is given wholly or in part to each contributor in rotation (Osuji: 1989,11). The funds so obtained are used as initial investment or for expansion of existing business.

This institution has survived the competition of modern financing options because it offers some unique services like encouragement of thrift and provision of liberal credit facilities to members (Okafor 1983, 42). Owing to the relatively small amount of credit it can generate, it can only support small scale economic activity.

The Thrift and credit society originated in Germany in the 19th century and was first formed by the major of flamerç field in the Southern part of Germany. In Nigeria today it goes under various names. The Igbo call it %susu+.

- (vi) **Trade Credits:** The small scale industrialist make much use of trade credits as a source of financing business activities. Trade credit is created when a small scale industrialist makes purchase of material, merchandise or installations (equipment) with the implied obligation to pay the invoice at a later date. This mode of funding

is employed because small firms are not financially capable to pay cash immediately on expensive machinery or it may be that they find it difficult securing bank loans for their activities. Again, major suppliers and companies offer liberal trade credit to their customers as a part of their marketing policies aimed at stimulating sales.

- (vii) **Funds from relatives and friends:** loans from relatives and friends comes in handy in the raising of initial capital for small scale businessmen, it still remains one of the major devices used by small scale industrialists. This source of funds is convenient and very cheap. Many parents, relations and friends have encouraged their ones in their enterprises by offering to supply loan to get it started. This funding procedure is attended by a number of limitations. The first of these is that the demand for liquidity by the businessman has been on the increasing, thus it is not quite possible for this source to yield as much fund as the individual needs. Secondly, it is said that he who pays the piper dictates the tune, the parent, friends and relatives may want to interfere in the business since they provided the money such interference will breed conflict of interests which might endanger the profit motive of the business. Despite the above limitations, it is shown that this source is performing well in Nigeria. In the study of small scale businesses in Anambra state, it was shown that this source provided about 80.0% of the finance of the enterprises studied. Okafor, (1983, 43).

TABLE 2.7.2**SOURCES OF FUNDS AND CAPITAL DEVELOPMENT**

Industry	Relatives/ Friends	Bank Loans	Money lenders	Govt. local Govt Gifts & subsidies	Co- operative society	Business savings	Total
Grain mill product	3150	-	-	-	-	6600	9750
Weaving Apparatus	512519	700	16791	-	7235	117784	655029
Bag making	2250	-	-	-	600	-	2850
Learner footwear	254355	590	3552	6275	-	20041	284813
Saw milling	157914	-	-	-	-	42800	20074
Wooden furniture/fixtures	472786	5830	22875	460	498	98076	600525
Printing & publishing	137900	55000	-	-	-	14900	207800
Black Smiting	2410	-	-	-	-	890	3300
Fabricated metal work	231331	-	7715	-	17957	24147	281150
Jewelry	13640	-	-	-	-	210	13850
Arts	112065	20	-	-	-	5237	1177103
TOTAL	1900320	62140	50933	6735	26290	330685	2377103

2.8 RISKS AND HOW TO DEAL WITH THEM IN SMALL BUSINESS.

All those risks the experts talk about could scare a person out of starting a new business. And then you realize that most of these risks apply to all of us every day in our personal lives. Then you get smart and think out ways of protecting yourself in the best manner.

Every business firm operates daily with risks. The small firm is no exception. A risk can be defined as the chance of damage, injury or loss. The total naira costs incurred from risks may be much greater for large firms, but they are relatively more important for small firm. The reason is that the small firm is characteristically less able to absorb losses from risks (Nwana, 1998, 29). These facts make it very important that every small firm understands the risks to which it is subjected. Once these are known, a policy can be established on how best to handle the risks so as to keep losses to minimum.

2.8.1 RISKS FACED BY THE SMALL FIRM:

- (i) Damage to property:** The property of most small firms is represented by its inventory and its building if it is owned by the firm. The building and the inventory are constantly subjected to the risk of damage and loss from fire, theft and flood, wind storms and riots. Cars and trucks owned by the firm are open to loss through theft or damage.
- (ii) Liability to Employees:** All employers are responsible for the health and safety of the employees while they are performing their duties for the firm.
- (iii) Liability to the Public:** This type of risk is often illustrated by the proverbial slip on a banana peel by a customer in the store. Store owners are liable for injuries received by persons on their premises. This liability applies to mostly factories and wholesale establishments, as well as retail supermarkets. The risk includes not only physical injuries,

but also damage to the property of others. It further covers liability for defects in merchandise which the firm has sold. Students may recall cases in which cosmetic firms have been sued for alleged harmful results from using cosmetic products of a particular firm, or canned food companies being sued for, because people were made sick for consuming their products Nwana, (1998,30).

- (iv) **Excessive Loss from Bad Debts:** We have noted in the past section the importance of extending credit carefully and on the basis of well established procedure losses due to inability to collect accounts receivable can be severe.
- (v) **Shoplifting:** This serious management problem seems to be growing in our society. It cannot be dismissed, because no firm seems free from the attendant losses. Many goods have been lost through these means.
- (vi) **Loss through Dishonest Employees:** No business person likes to admit that he has dishonest employees. Countless cases of employees' theft are reported every year. This is another real risk that must be recognized and coped with.
- (vii) **Financial Hardship:** Financial hardship probably caused more small firms to go out of business than any other single risk. It is especially sad to see a firm with otherwise excellent prospects suffer because illiquidity has been allowed to dominate its financial condition.
- (viii) **Marketing Risks:** These cover things as having an inventory of merchandise suddenly fall in value because the market price has dropped. This risk of having a location lose its value is a marketing risk.

2.8.2. **Devices Available to cope with Risks.**

Every business enterprise must face the reality of risk. You cannot own property without taking the chance that it may be damaged or lost or that some will be injured on or in it. It is not possible to eliminate every risk but to handle it so as to keep losses to minimum.

Below are some available ways to cope with risks Nwana, (1998, 30).

- (i) **Remove the Causes:** If losses are being incurred from injuries to workman handling dangerous equipment, install safety guards on the machinery. Replace equipment that has proved it is defective, faulty wiring should not be tolerated.
- (ii) **Create Self-insurance:** Under a self-insurance plan, a specified amount is set aside in a reserve fund each year, to be available to cover any losses incurred. Rather than the owner paying premiums to an insurance company, the cash is held in reserve fund.
- (iii) **Purchase outside Insurance:** An insurance policy shifts the risks to the insurance company. Many business firms purchase insurance to protect themselves from certain risks associated with business such as fire, theft, floods or wind storm etc.
- (vi) **Good Management:** Good planning and good management are probably the best protection against most of the other risks we have considered. Price fluctuations of any normal retail inventory may be upwards or downward. Good

management will keep itself in form of price trends. Knowledge of population trends and business activity will warn the businessman early if their locations are losing their value. Good accounting records and study of operations against a budget will warn of any developing adverse trends.

2.9 THE ROLE OF SMALL SCALE BUSINESS IN ECONOMIC DEVELOPMENT:

Nigeria is currently experiencing problems of unemployment and rural-urban migration. This has been compounded by frightening turn-out of school leavers including polytechnic and university graduates every year. In this regards, small business can create jobs for this group of people and reduce the rate of urban rural drift. With minimum encouragement and financial support, many of the current educated unemployed labour can start their own business using the already acquired educational and technical skills. As more people start and operate their individual businesses, there is further possibility of employing more of the unemployed school leavers and this will help reduce the level of unemployment in this country. Nwana, (1998, 31).

It is pertinent to note that small business can sustain the economy during an economic recession, when state owned industries, multinational corporations and other large business concerns are retrenching some of their workers while others are closing down. In some cases, some enterprises send their workers on forced leave or they reduce their production capacity in order to lower operation costs and to stay in business. Small scale enterprises have local raw-materials; they are not capital intensive and therefore do not rely on foreigners to man their

machines. They promote transformation of the rural areas through the utilization of locally available raw materials and surplus labour force.

Because fewer people and low amount of capital are required for the operation of small scale enterprises in Nigeria, encouragement of small scale businesses could facilitate decentralization of industrial processes. In this way, the promotion of small scale business in the country could assist in providing a lasting solution to the current problem of capital imbalance in the distribution of industries between rural and urban areas and also check the perennial rural-urban drift which has heightened social tension in Nigeria cities.

One of the already identified factors hampering rapid industrialization and economic development is the dearth of entrepreneurs who can conceive, initiate and execute investment and economic programmes. Entrepreneurs are needed in all sectors of the economy. Because small businesses are less complex and simply managed, they provide opportunities for developing these entrepreneurs who are rare and indispensable. The training and development of indigenous manpower reduces the nation's absolute dependence on foreign personnel in some of its strategic sectors, thus saving the country's scarce foreign exchange. From a relatively small size, a small business can grow into a large size, employing a greater number of people and the entrepreneur can apply the skills he used in managing the small business in the big one since much big business in Nigeria started as small ones. Okafor, (1983, 45).

Small businesses avoid diseconomies of small, for example, as the scale of output increase, so does the risk. It is true that

growth in size may reduce uncertainty to some extent through operational and market research, diversification of output, greater flexibility of management etc. As the size of the firm increases, there is both a strain on management and loss in efficiency since more decisions to co-ordinate. There are also problems of communication of ideas, and information and decision making become quite formidable. It is therefore important to note that because small businesses are closely managed and their activities personally supervised and co-ordinated, the above mentioned problems inherent in large scale organizations do not exist in them.

Many inventions are likely to come from either individuals or small businesses than from big businesses. For example, small business or individuals invented the personal computer, the transistor radio, the photocopying machine, the jet engine, power starrng to mention but a few. Obviously, Nigeria is better off, if it is permeated by entrepreneurship. Entrepreneurship resourcefulness and ingenuity have spawned new industries and contributed a great many innovation ideas and technical break through.

In addition to providing the public with consumer goods and services, small business have helped in export promotion especially in the area of agriculture. This has enabled the country earn the much needed foreign exchange used in financing other projects and schemes that are crucial to economic development.

2.10 MARKETING IN SMALL BUSINESS:

The major thing the researcher is going to discuss here is the surveying. The person who starts a new business without a fairly accurate idea of the total sales volume is not a good planner. Such neglect places the fate of the business in jeopardy from the beginning. If the proprietor is lucky, the business may still succeed. It is much better judgments to first survey the market to be served and then to build the business to fit that market (Nwana, 1998, 32).

If the planners cannot undertake the survey, any expenditure to have it done by an outside firm may be the best investment they can make. If the survey shows that the desired or required, sales volume does not exist in the market, their expenditure for the survey will protect them from losing their investment in a firm which cannot produce profitable results. If the survey shows that they can exceed desired sales result, they can re-arrange their planning to support the larger sales volume and larger profit.

The objective of a market survey is to determine a reasonably attainable sale volume in a specific market area for a specific type of business. This means finding out how many potential consumers of the planned merchandise or service that are in the market and how many of them can reasonably be expected to become customers of the firm under consideration.

The thoroughness of a market survey will vary under different conditions. The survey is essential to stores which plan to develop much of their own customer traffic. Firms which plan to rely on the established customer flow already generated by other business in the area may follow loss through procedures.

2.11 PERSONNEL AND ORGANIZATION FOR THE SMALL BUSINESS:

In the depression years we had no problem keeping good employees because they were grateful to have jobs. It isn't that way today. When our labour turnover increased, we decided we had better find out why the things you talk helped us keep our good employees today.

College students today usually have positive ideas about the personnel policies of business organization (Kelley: 1984 15). Their opinions and attitudes have been largely influenced by decades of seventies when employers sought employees in what was a seller's market. The demand for workers usually exceeded the supply of able people. In the late 1970s, when employment in many areas became high, employers became unwilling to employ people without proper training and ability. Jobs are not easily obtained in such periods and applications are scrutinized more closely.

At the same time, the past decade has been seen an increasing percentage of trained people going into business for themselves in preference to working for large corporations. It is a refreshing experience for students to consider these peoples from the employers view point. They now sit on the other side of the desk. They must devise a personnel programme for their contemplated firms, and it must be a good one if the business is to be really successful.

Everyone recognized that good employees are a firm's most valuable asset. Many customers are turned off and do not come back to a business whose employees have been discourteous or incompetent or have given other bad impressions. Against this background, small firm owners can start their personal programme with a view of taking good care of their employees.

2.12 GOVERNMENT INVOLVEMENT IN SMALL SCALE BUSINESS IN NIGERIA

In 1971 Nigerian Government established Nigerian Standard Organization (NSO) whose function is to specify and regulate the quality and standard of products in Nigeria in which the standard of products of small business entrepreneur was included. The Act establishing it provides for the establishment of Nigerian Standard Council whose functions include: Okafor, (1983, 50)

To advise the federal government generally on the national policy on standards, standards specifications, quality control and metrology;

To designate establish and approve standards in respect of metrology, materials commodities, products in commerce and industry throughout Nigeria.

To provide the necessary measures for quality control of raw materials and products in conformity with the standard specifications

To determine the overall policy of the organization in particular with regard to the financial, operational and

administration programmes of the organization and to ensure the implementation of the said policy.

Again, manpower development is another government involvement in small scale enterprises in Nigeria. After indigenization policy, most firms which now managed by Nigerians lacked the necessary skill for effective operations. Nigerian government therefore decided to assist in manpower training geared towards producing skilled manpower at all levels of managements.

The following establishments were created to assist in manpower training:-

- (a) **The Industrial Training Fund (ITF):** The Industrial training fund was established in the year 1971 under the Industrial Training Fund Act. The objectives of which is to promote and encourage the acquisition of necessary skills needed for establishing small and other businesses in Nigeria.

According to the ITF policy statement No 1 issued by the Governing Council of 1973, the duties and function of ITF include:

- (i) Encouraging greater involvement of employers particularly small employer, in the organization and direction of group training scheme and centres on certain critical areas of economic activity.
- (ii) Working out a co-operative machinery with industry and commerce whereby students in institutions of higher learning undertake mid-career work

experience attachments in industry on project which are compatible with their areas of study;

- (iii) Bearing a proportion of the direct costs of on-the-job and of-the-job training of Nigerian employees undergoing training of courses approved by the fund;
- (iv) Seeking to harmonize all its training efforts and support with the activities of formal training institutions as well as utilize their facilities for clearly defined job oriented programmes.

(b) The Centre for management development (CMD)

The Centre was established in 1973, has the following aims. Ekpenyong (1989, 70).

- (i) To support the use and develop the quality of existing and new management consulting and advisory capabilities.
- (ii) To support the Industrial Training Fund in the effective utilization of its resources for developing managerial skills.
- (iii) To plan, co-ordinate and promote management development and supervisory training with economic, social and cultural environment of the nation response to its overall needs.
- (iv) To contribute to the development of a body of knowledge in the field of managerial skills.

- (v) To support and develop in plant management and supervisory training activities in enterprises.

c. Industrial Development Centres (IDCS)

The principal objective of these centres is to develop viable small scale industries and modernize the existing ones through the adoption of more efficient techniques of production and better management methods. In order to achieve these laudable objectives, the centres perform the following functions: Ekpenyong (1989, 71).

- (i) Technical appraisal of loan application;
- (ii) Provision of industrial extension services;
- (iii) Training of entrepreneurs and staff, including management training;
- (iv) Applied research into industrial products involving design of products for small scale industries.

(d) The administrative Staff College of Nigeria (ASCON):

It was established under the Administrative staff College of Nigeria Act 1973. The Act establishing the College defines its objectives as:

- (i) To provide higher management training for the development of senior executive for the public and private sectors of the Nigeria economy.

- (ii) To establish and maintain a library which will provide needed information for business establishment.
- (iii) To provide and arrange for a comparative study and investigation of the principles and techniques of management and administration and for exchange of a better understanding between persons connected with management and administration in the various sphere of national life.
- (iv) To undertake, organize and facilitate study courses, conferences, lectures, seminars and the like and to promote the aforementioned objectives.
- (v) To undertake and provide for the publication of Journals and research papers and books in furtherance of the aforesaid objectives.

2.13 PROBLEM OF SMALL SCALE BUSINESS IN NIGERIA:

Nigerian small scale business is confronted by a number of problems which limit its development, survival and growth. These problems fairly apply to all small scale businesses in the country. Little variations according to location however do exist. The more widely applicable ones are:

(i) Lack of Adequate Finance:

The available literature on the problems of small business in Nigeria emphasizes the lack of capital as the principal constraint of small scale business. The chronic shortage of funds needed for

establishing, renewing and expanding equipment and for meeting the running costs of the business.

The crippling effect of inadequate finance on the operations of the small scale business caused Saha (1983,11) to state that ~~as~~ industrialization is a necessity to a nations economy, so is finance a life blood of all forms of business enterprises+ Owner manager regret the inadequacy of working capital and their lack of access to bank loans and other forms of credit facilities. The truth is that gaining access to credit facilities is the greatest hurdle of small scale business operators as there are seldom institutional credit agencies to take care of their financial needs. (Ekpenyong: 1989, 75). Where such institutions exist, the small businessmen are unlikely to be in a position to satisfy the strict criteria for eligibility generally used. They may lack the collateral security or a guarantor acceptable to the institution.

Though the small scale business are small in size, raising initial. Small capital for their establishment is still not easy for many of the entrepreneurs. The financial needs of all businesses are not the same. Generally it is the scope of the small scale business that determines with the firms appropriate financial needs with which such a business concern can search for financial aid.

(ii) **Problems of Bureaucracy and Corruption:**

Friction and misunderstanding between government officials and small scale business operators diminish the benefits that the sector was meant to receive from government. Delays and arguments ensue between government officials and the business proprietors over issues about tax clearance and incentives, land

acquisition etc. Frequently, less developed countries find the attitude of government officials more inhibitive to development than helpful. It is a common complaint against the Nigerian government officials that they are officious, unhelpful and even obstructionist, despite the orientation of the government towards assisting them (small scale business). The following comment written by an expatriate firm appears to reflect a view widely held by Nigeria small scale business.

Both internal and external business would be much facilitated if departmental staff (particularly those junior grades with whom the public has most contact). Were to be made to understand the importance of business (small scale business) to the life of the country. The question seems to be not how can I help this person? but what can I do (exceeding the limits of my authority if necessary) to hold up this transaction?

As a result, the simplest piece of business takes more time and trouble than should and frequently requires the attention of a senior instead of junior employee before it can be done at all. This adds considerably to the actual cost of operating a business and involved uneconomic use of manpower (Schatz: 1977; 25).

Nigerian businessmen and women often complain that corruption and favouritism obstruct their operations. In a survey of Nigeria businessmen (Industrialists) 69 percent of the respondents expressed the view that favouritism (political, tribal discrimination against the small man or frequently a kind of favouritism not clearly specified) was one of the short comings of government programmes to aid businessmen (small scale businessmen) 23 percent complained of offer bribe (Wells: 1962, 66).

- (iii) **Inadequate Socio-economic infrastructure:** Industrialists (in the small scale sector) in Nigeria are faced with the problem of inadequate infrastructural facilities (Sullivan1980,8). Socio-economic infrastructures include power and water supply transportation and telecommunication facilities, equipped hospitals and police force. The main argument in favour of the provision of these facilities is that they generate external economics which help to make the operation of business and non-business organizations feasible. The inadequacy of these infrastructures certainly retards the rate of industrialization. Owing to the fluctuatory supply of electricity production is curtailed.

Mail order business and the business of buying agencies have not developed in Nigeria because of the inadequacies of the postal system (communication). Relaying information pertinent to business is hindered by the inadequate telecommunication facilities. Most sending of information demands that the informant must travel to the place where the person he wants to communicate stays. This involves a lot of risk and costs and time valuable production time is lost in the process.

Inadequate socio-economic infrastructure breeds the problems of rural-urban drift. This being as a result of the concentration of the little available infrastructure in the urban areas. This is the reason for concentration of small scale industry in the urban areas.

(iv) Lack of Entrepreneurship, Management and Technology:

Successful small scale business relies not only on the supply of adequate financial capital but also on the degree of effectiveness and efficiency with which the capital is applied. In fact the problem arising from lack of entrepreneurship, management and technology may be much more serious than those connected with the mere shortage of capital. Supporting this view (Ikpeze, 1979:3). Stated that economists, especially development economist, have tended in their treatment of Nigeria's economic problems to concentrate on the difficulties arising from shortage of financial capital. The assumption implicit in this line of thinking is that if financial resources were available in adequate quantities they would be well managed. It is thus glaringly clear that small scale business to succeed; it takes more than just adequate financial capital.

It may be right for us to make a little distinction between entrepreneurship and management. The entrepreneur is an innovator. He introduces new ideas, new products, and new technology; opens up new markets. Thus Schumpeter (1942, 12) sees entrepreneurship as the engine of economic development. Management on the other hand refers to the mundane tasks of planning, organizing, staffing, directing and controlling within and among organizations (koontz: 1974, 30).

The situation in Nigeria is that we lack both entrepreneurship and management especially in the small scale business subsector. This is the inability of our indigenous businessmen to

perceive and cash in on lucrative business opportunities and also to manage complicated industrial operations.

The problem of technology affects the operations of the small scale businesses. The indigenous technological base is extremely low thus slowing the development of the small scale businesses. To achieve progress in technology involves a constant reviewing of machinery and equipment in use. This review and update of obsolete equipment and machines are expensive and would be very difficult for the small scale business in view of their low capital. The result of this inability is the continued use of very old machinery in their operation. Some of these old machines date back to the 18th and 19th century technology thus making it more difficult to procure the necessary accessories for their proper maintenance.

One may conclude that access to appropriate technology is a key factor in the development, survival and growth of small scale business.

(v) Absence of Industrial Research:

Research aimed at discovering new methods of producing a product or inventing item of equipment is a capital intensive exercise. Small scale businesses are, owing to their inadequate funding specially disadvantaged in this respect. Thus they hardly improve on the method of their operations.

(vi) Manpower:

Highly skilled and trained manpower are required to run the small scale business effectively and efficiently. This class of manpower is not cheap though they are available. The larger

firms also desire to engage such category of manpower. Since the small scale industrialist has little capital at their disposal, they are in a disadvantaged position since the larger firms will hire the available manpower because they can pay them adequately.

The small scale businesses are thus abandoned to operate on the little knowledge of their owner managers who are not in most cases highly educated.

(vii) Inadequate Raw Materials and Accessories:

Another major problem encountered by the small scale industry is the absence of high quality raw materials. When they fail to procure the actual material needed, they substitute with locally available materials. This results in unstandardized quality characterizing the outputs. The most painful aspect of the problem is that even the low quality local raw materials needed by these industrialists are often not available.

Accessories are spare parts used for maintenance of machinery and other equipment. Most of the machinery being used in the small scale business is all imported and their models outdated with the result that their accessories are only procured on special order from the manufacturer. This takes both time and money.

Edet summarized this situation by stating that the inability to procure raw materials and machinery has forced many manufacturing industries enterprises to close down its operations.

2.14 PROSPECTS OF SMALL SCALE BUSINESS IN NIGERIA:

Small scale business in Nigeria possesses great development potentials in spite of all odds. Siropolis (1977, 25) declared that the future of small business looks bright. The attainment of this bright future calls for more, concentrated efforts on the part of individual small industrialist and government. The hope for a brighter future for the small scale business relies on the existence of the following enabling conditions.

(i) Size of Market:

Nigeria is a very populous country. Demand for goods and services produced by the small scale industries emanate from the individuals in the country. It then follows that all things being equal, high population translates to high demand. There is currently apparent scarcity of goods (consumer and producer) in the economy. The available ones are highly exorbitant. Also a lot of potential demand exists in the economy.

The small scale business had the prospect of growth and expansion by applying themselves to filling the existing gap between demand and supply of consumer and producer goods and services. Secondly, it is possible for them to exploit the existing potential demands by developing appropriate products to serve such needs.

Since the population and hence demand is so voluminous in the economy and taking into account that the small scale business are necessarily small in size, they certainly would be unable to serve the entire population therefore, they can adopt market segmentation to select a segment of the population

(demand) they can serve satisfactorily and at a good profit. Udeabor (1994, 13) states that we have the manpower and the actual resources that would be harnessed for this purpose. There is no doubt as to the level of demand of the goods and services produced by the small scale business more so now that the Federal government has most sensibly banned the importation of most competed with the locally made products of the small scale business.

(ii) Technology:

There is the fundamental notion that for a country to be truly industrialized, it must be able to make machines that make machines. According to (Onyemelukwe: 1974) development cannot gather momentum in any underdeveloped areas unless there is an indigenous, technology that really takes root and once rooted begins to grow its own branches, gathering nutrition from the fertility of the soil in which it grows.

Some recent technological changes appear to be favouring the small scale business. An instance is the increase in importance of plastics manufactured by injection moulding and vacuum forming over those made by use of steel moulds which require heavy and costly equipment for both the forming and subsequent finishing processes. Again electric power is now preferred in most small scale business over the hydraulic and mechanical device and frequent design changes have dictated batch rather than mass production.

Increasing sophistication, has brought many customers to prefer custom made products produced by artisans to the mass produced good labour-saving machines are now occurring in

small scale sizes, for example, desk accounting equipment, bread kneading machines, and also some simple tools can now be leased by the small scale business. These technological advances make for the desired increased output of the small scale business.

(iii) Transport:

There are now better road connections between rural areas and urban markets. Manufacturing by small scale can now be comfortably done in any part and the produce conveyed to the market (urban or rural) cheaply. This has been so owing to the work of the Directorate for Foods, Roads and Rural Infrastructure and more recently the Petroleum Trust Fund which has been charged to maintain major roads in the states.

(iv) Communication:

Shorter and more efficient communication channels make for faster communication between the companies in the country. It facilitates their activities of getting in touch with suppliers and marketers, at relatively time and money saving rates.

Effective use of these means will increase efficiency and rate of growth of small scale business.

(v) Better funding:

The Central Bank of Nigeria in 1992 announced the relaxation of the conditions attached to the World Bank Funded small scale enterprises which has been under its management

since 1989. The decision was informed by the low participation of local small scale business in the scheme.

Only \$30 million dollars have been disbursed from the entire stock of \$270 million dollars, since the inception of the scheme. The central bank of Nigeria is particularly worried that although a little over 10% of the World Bank loan has been disbursed it has been paying interest on the 90% of the facility which remained unused. The criteria for receiving this loan assistance have also been reduced all in a bid to encourage moral small scale businessmen to advantage of it. Under the new requirements, a company with a maximum of 49% foreign ownership is eligible for the small business enterprise loan unlike before when it was for only companies with 100% Nigerian ownership.

Secondly, all export oriented small scale business can now source for their raw material from abroad as against the previous situation under which they had to source their raw materials locally if they are to qualify for the loans.

Thirdly, the component of project cost to be provided by project promoters has been reduced from 30% to 25%.

Certainly, the Central Bank of Nigeria decision is commendable. It has made a wider opportunity for more small scale industrialists. Many of whom had earlier been discouraged by the stringent conditions (Oloyede: 1992, 7).

(vi) Entrepreneurship Training Programmes:

The knowledge people have in a particular area encourages the setting up of more small scale business. A small business is usually the cradle of a new product or service. A successful

experiment by an individual can be developed into a new business which then grows bigger.

The survival and future growth of a small business enterprise lies largely on the management exposure to current trends. Similarly, the injection into the business of new blood to bring to the notice of the current hands the latest development that may be necessary for the better growth of the business. It is important to note that small scale enterprises are most attractive to the conscientious small investor because of its size and the inner satisfaction derived from the use of the investor's initiative. This is because they are very current and experienced in the business (Udeabor, 1994, 15).

Operating a small scale business offers the individual the opportunity of gaining knowledge which may be useful later on in a larger scale business. An important element in successful self employment is the experiences are gains by being an employee. This experience also prepares one to be successful entrepreneur in the small scale business. Where this experience is lacking or it is insufficient measures in the individual, a systematic training to cater for this short coming may be arranged.

Institution such as the Industrial Development Centres, the National Directorate of Employment and the Volunteer Service Agency Schemes came in handy. An individual must have the background needed to make company formation possible and start at least a business in a small scale nature.

Knowledge acquired from formal education and previous job/business experience makes a potential small scale business man feel capable of forming and managing a new enterprise.

While education systems are important in providing the needed knowledge of business, individuals still tend to start successful business in the field in which they had worked. In fact, in most cases, the idea of a new company occurs while the individual is working in a particular job/business position.

(vii) Drive for Self Employment:

Unlike the years gone by when working for a salary either with the government ministries or other business organizations is in vogue, present day youths now prefer to be their own boss early in their life.

The reason for this increased self-ego arises from the better form of education to which they are exposed. Present day education especially at the tertiary level offers more business courses/trainings which then gives the youth the enablement to go into business and self-employed earlier than before.

Another reason is the inability of the government to generate enough salaried jobs for the teeming number of graduates turned out yearly. Consequently, they go into establishing small scale business as a means of earning their living. The increased number of young small scale businessmen gives the business a bright future since with their youthful energy and wisdom and drive to be successful, they are bound to reinvigorate the small scale business in Nigeria.

(viii) Increasing Dependence of Bigger Business:

Small scale business organizations are known to form a linkage between the bigger business and their consumers. It is also acclaimed that big businesses are only massive assemblers

of components made by small scale industries. For instance the big car manufacturing companies are known to procure, the car accessories such as wind, screens, padded car seats, mirrors, plugs and others from the small scale makers of these components with the coming of bigger firms into the Nigerian economy hope for god business exist for the small scale business proprietors.

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CHAPTER THREE

METHODOLOGY RESEARCH

3.1 RESEARCH DESIGN AND METHODOLOGY

The survey method of research was used for this project like every other scientific research is the systematic gathering of information from respondents for the purpose of understanding and predicting some aspects of the behavior of the population of interest. Survey research generally involves deciding what respondents or group of respondents, to solicit information from, drawing up a list of questions of guideline that will be used to elicit the information.

3.2 SOURCES OF DATE:

The source of data for this study comprises both primary and secondary sources.

3.2.1. PRIMARY SOURCES:

In obtaining information through primary source, the researcher employed two basic methods. These methods were the use of personal interviews (oral) and questionnaire. Personal interview was used to get factual data from the owner managers of the selected small business. The self scoring questionnaires were used to ascertain the employeesq perception of the business.

3.2.2 SECONDARY SOURCE:

The data from this source come from documents or records made available to the researcher in the various branches published articles and other related work. Most of the secondary data were obtained from text books, journals and newspapers.

3.3 DATA COLLECTION INSTRUMENTS

Interview and questionnaires were the survey instruments used to obtain information regarding the objectives of this study.

3.4 POPULATION AND SAMPLING SIZE:

The population of this study is all small scale business in Nigeria. However, it was impossible to reach this large population owing to time and financial constraints.

To overcome this impediment, selection of six small scale businesses in Onitsha was used as the population sample.

Employees in these selected small business was used as the sample for all the employees nationwide. A total of 120 workers were used.

The breakdown of the distribution per firm per subsector of small scale businesses is given in table below.

Table 3.4.1**DISTRIBUTION PER FIRM PER SUBSECTOR OF SMALL BUSINESSES:**

FIRM	SUBSECTOR REPRESENTED	NO. OF EMPLOYEES	PERCENTAGE TOTAL EMPLOYERS	NO. OF QUESTIONNAIRES ALLOTTED
A.	MARKSON CHEMICAL IND. (W.A.) LTD.	24	20%	24
B.	REMEY INTERNATIONAL CO. (W.A.) LTD.	24	20%	24
C.	OSY GROUP (W.A.) LTD	24	20%	24
D.	UNITED DAILY BREAD	18	15%	18
E	EZIAFAKEGO TRADITIONAL WEARS	18	15%	18
F	GINPAT ALUMINUM	12	10%	12
	TOTAL	120	100%	120

Source: Field survey by researcher.

3.5 METHOD OF INVESTIGATION:

The selected firms were visited by the researcher for the purpose of collecting data. On arrival to the firms, the researcher had to introduce herself to the owner-managers who initially were very apprehensive and uncertain as to the researcher's actual motive to the visit. The researcher did succeed in calming their fears by explaining that the researcher was purely for academic

purpose. On the permission of the owner . managers the researcher issued the questionnaire to the employees who were selected. They were filled with questionnaires.

The oral interview with the owner manager served to elicit more information on the problems they encountered in the establishment and running of the firms and the prospects they believe their firms has.

3.6 METHOD OF ANALYSIS:

The data collected were analyzed by the use of percentages and assume the general description of data and answering the questions contained in the questionnaire and the interview guide.

The contingency table was designed to help in the calculation of statistical test to be used in this researcher. This is chi-square distribution (χ^2) given the formular:

$$X^2 = n \frac{(f_o - f_e)^2}{f_e}$$

Where:

X^2 = chi-square

n = Summation

F_o = Observed frequency

F_e = Expected frequency

CHAPTER FOUR

DATA COLLECTION AND PRESENTATION

4.0 DATA PRESENTATION AND ANALYSIS

In chapter three, the researcher indicated how data is to be collected for the study. In this chapter, data was analyzed using tables, percentage and test of hypothesis.

4.1 PRESENTATION OF QUESTIONNAIRE FROM THE EMPLOYEES OF THE SMALL SCALE BUSINESSES

All the one hundred and twenty copies of the questionnaires administered on the employees in the study were returned. This followed the one the spot administration and collection of the questionnaires.

ITEMS IN THE QUESTIONNAIRE AND RESPONSE;

4.1.1 RESPONSE TO THE QUESTION I

The sex of the respondents?

Question 1: Sought to determine from respondents the sex of each respondent . answering the questions in the questionnaire. Responses are indicated in the table below.

TABLE 4.1.1 SEX OF RESPONDENTS

OPTIONS	COMPANY						TOTAL	PERCENTAGE
	A	B	C	D	E	F		
A.Male	16	20	10	8	12	10	76	63%
B.Female	8	4	14	10	6	2	44	37%
Total	24	24	24	18	18	12	120	100%

Source: Field Survey by researcher.

From the table 4.1.1. above, it was observed that majority of the respondents were male, this was indicated by 63% of the respondents. On the other hand only 37% of the respondents were female.

4.1.2. RESPONSE TO THE QUESTION 2:

The Education level of the respondents?

Question 2: Sought to determine the educational qualification of the respondents. Responses are indicated in the table below.

TABLE 4.1.2. EDUCATIONAL LEVEL

Options	Company						Total	Percentage
	A	B	C	D	E	F		
A. Graduate or Equivalent	10		6	2	-	-	20	17%
B.OND	4	5	-	-	-	-	9	8%
C.SSCE	7	10	10	12	15	10	64	53%
D.JSCE	-	5	-	-	-	-	5	4%
E.FSLC	3	2	8	4	3	2	22	18%
Total	24	24	24	18	18	12	120	100%

Source: Field Survey by researcher.

From the table 4.1.2. Above, it was observed that 17% of the respondents are graduate or its equivalent, 8% of the respondents is OND (Ordinary National Diploma) holders, 53% of the respondents hold senior school certificate Examination, 4% of the respondents hold junior school certificate examination, While 18% are first schools leaving certificate holders.

4.1.3 RESPONSE TO THE QUESTION 3:

Is the level of educational training you attained been of help to you in your jobs?

Question 3: sought to determine from respondents the suitability of their educational qualification to the job they are performing. Responses are indicated in the table below.

TABLE 4.1.3: SUITABILITY OF EDUCATIONAL QUALIFICATIONS TO JOB.

Options	Company	Company	company	company	company	company	Total	Percentage
	A	B	C	D	E	F		
A.Yes	22	23	20	16	15	10	106	88%
B.No	2	1	4	2	3	2	14	12%
TOTAL	24	24	24	18	18	12	120	100%

Source: Field Survey by researcher

From the table 4.1.3. above, it was observed that majority of the respondents were attained by the required educational qualification that helped them in the job, this was indicated by 88% of the respondents. On the other hand, only 12% of the respondents did not attain the required educational qualification.

4.1.4 RESPONSE TO THE QUESTION 4:

Are there some skills you need to acquire to enhance your job performance?

Question 4 sought to determine from the respondents whether they still need some skills to enhance their job performance.

Respondents are indicated in the table below:

TABLE 4.1.4: SOME SKILLS ARE NEEDED TO ACQUIRE TO ENHANCE JOB PERFORMANCE.

Options	Company	Company	company	company	company	company	Total	Percentage
	A	B	C	D	E	F		
A.Yes	21	22	18	13	14	3	96	80%
B.No	3	2	6	5	4	4	24	20%
TOTAL	24	24	24	18	18	12	120	100%

Source: Field Survey by researcher.

From the table 4.1.4 above, it was observed that majority of the respondents are already acquire skills they needed to enhance their job performance. This was indicated by 80% of the respondents. On the other hand 20% of the respondents were

disagreed that some skills are needed to enhance job performance.

RESPONSE TO THE QUESTION 5:

Does the non-availability of highly skilled manpower hinder the growth of small scale business?

Question 5: sought to determine from respondents if the non-availability of highly skilled manpower hinders the growth of small scale business. Responses are indicated in the table below.

TABLE 4.1.5: THE NON-AVAILABILTYT OF HIGHLY SKILLED MANPOWER HINDERS THE GROWTH OF SMALL SCALE BUSINESS.

Options	Company	Company	company	company	company	company	Total	Percentage
	A	B	C	D	E	F		
A. Yes	20	19	18	13	10	10	90	75%
B.No	4	5	5	2	6	2	24	20%
C.Don't know	-	-	1	3	2	-	6	5
TOTAL	24	24	24	18	18	12	120	100%

Source: Field Survey by researcher.

From table 4.1.5 above it was observed that majority of the respondents are of the opinion that the non-availability of highly skilled manpower hinders the growth of small scale business, this was indicated by 75% of the respondents, 20% of the respondents hold a contrary opinion, while the remaining 5% said they did not know.

RESPONSE TO THE QUESTION 6:

Does your company readily obtain loans from financial institutions?

Question 6: sought to determine from the respondents whether the loans are readily available to small scale enterprises. Responses are tabulated below:

TABLE 4.1.6 LOANS ARE READILY OBTAIN FROM FINANCIAL INSTITUTIONS

Options	Company	Company	company	company	company	Company	Total	Percentage
	A	B	C	D	E	F		
A.Yes	-	-	-	-	-	-	-	-
B.No	20	14	16	12	14	8	84	70%
C.Some times	4	10	8	6	4	4	36	30%
TOTAL	24	24	24	18	18	12	120	100%

Source: Field survey by researcher.

From table 4.1.6. Above, it was observed that majority of the respondents deny that they secure loans from the financial institutions readily; this was indicated by 70% of the respondents. On the other hand 30% accept that ~~60~~ sometimes they do. No one however accepts that loans are readily available to small scale enterprises.

4.1.7 RESPONSE TO THE QUESTION 7:

What is the cause of the financial problems faced by your business?

Question 7 sought to determine from the respondents the cause of the financial problems faced by small business. The responses are tabulate below;

TABLE 4.1.7. CAUSE OF THE FINANCIAL PROBLEMS FACED BY SMALL BUSINESS.

Options	Company	Company	company	company	company	company	Total	Percentage
	A	B	C	D	E	F		
A.Inability to secure loan	18	17	15	9	13	12	84	70%
B.Poor Accounting system	-	-	-	-	-	-	-	-
C. Non exploitation of government programmes	6	7	9	9	5	-	36	30%
TOTAL	24	24	24	18	18	12	120	100%

Source: Field survey by researcher.

From the table 4.1.7. above, 70% of the respondents accept that the inability of small scale enterprises to secure loans from banks is the major cause of their financial problems while 30% of the respondents indicated that non-exploitation of the government programmes for assistance by small business entrepreneurs is responsible.

However, the oral interview revealed that the inability to secure the loans is caused by the low collateral base of these small scale enterprises. The banks are not willing to give loans to businesses that do not have solid collateral.

4.1.8 RESPONSE TO THE QUESTION 8:

Does the non-exploitation of governmental programmes assistance by small business owners effect the growth of small business?

Question 8 sought to determine from the respondents whether the non-exploitation of government programmes assistance by small business owners effect the growth of small business. The responses are tabulated below;

TABLE 4.1.8: THE NON-EXPLIOTATION OF GOVERNMENTAL PROGRAMMES ASSISTANCE BY SMALL BUSINESS OWNERS EFFECT THE GROWTH OF THE SMALL BUSINESS

Options	Company	Company	company	company	company	company	Total	Percentage
	A	B	C	D	E	F		
A.Yes	22	20	18	14	12	10	96	80%
B.No	2	2	2	2	3	1	12	10%
C.Donđ know	-	2	4	2	3	1	12	10%
TOTAL	24	24	24	18	18	12	120	100%

Source: Field survey by researcher.

From table 4.1.8 above it was observed that majority of the respondents agree that the non-exploitation of governmental programmes assistance by small business owners effect the growth of the small business. This was indicated by 80% of the respondents, 10% disagree with the notion while the remaining 10% said that they donđ know.

4.1.9 RESPONSE TO THE QUESTION 9:

Does your business exploit the Government programmes for Assistance to small Business?

Question 9 sought to determine from the respondents whether their business exploit the government programmes for assistance. Responses are tabulated below:

TABLE 4.1.9: SMALL BUSINESS EXPLOIT THE GOVERNMENTAL PROGRAMMES FOR ASSISTANCE.

Options	Company	Company	company	company	company	company	Total	Percentage
	A	B	C	D	E	F		
Yes	-	-	-	-	-	-	-	-
No	20	22	18	12	14	10	96	80%
Sometimes	4	2	6	6	4	2	24	20%
TOTAL	24	24	24	18	18	12	120	100%

Source: Field Survey by researcher.

From table 4.1.9. Above, 80% of the respondents do not exploit the government programmes designed to foster small scale enterprises in Nigeria while 20% of the respondents participate in these programmes occasionally.

4.1.10 RESPONSE TO THE QUESTION 10:

Is there any relationship between the availability of finance and efficient management of small business?

Question 10 sought to determine from the respondents if there is any relationship between the availability of finance and efficient management of small business. Responses are tabulated below.

TABLE 4.1.10: THERE IS RELATIONSHIP BETWEEN THE AVAILABILITY OF FINANCE AND EFFICIENT MANAGEMENT.

Options	Company	Company	company	company	company	company	Total	Percentage
	A	B	C	D	E	F		
Yes	19	17	17	15	14	8	90	75%
No	4	7	7	1	2	3	24	20%
Don't know	1	-	-	2	2	1	6	5%
TOTAL	24	24	24	18	18	12	120	100%

Source: Field survey by researcher.

From the table 4.1.10 above, it was observed that majority of the respondents are of the opinion that there is relationship between the availability of finance and efficient management. This was indicated by 75% of the respondents. On the other hand 20% of the respondents disagree while the remaining 5% knows nothing about the relationship.

4.1.11 RESPONSE TO THE QUESTION 11:

Do you think that the establishment of small scale business has created employment?

Question 11 sought to determine from the respondents if the establishment of small scale business has create employment. Responses are tabulated below.

TABLE 4.1.11: THE ESTABLISHMENT OF SMALL SCALE BUSINESS HAS CREATED EMPLOYMENT.

Options	Company	Company	company	company	company	company	Total	Percentage
	A	B	C	D	E	F		
A.Yes	24	22	24	14	16	8	108	90%
B.No	-	-	-	-	--	-	-	-
C.Sometimes	-	2	-	4	2	4	12	10%
TOTAL	24	24	24	28	18	12	120	100%

Source: Field Survey by researcher

Table 4.1.11 shows that 90% of the respondents are of the opinion that the establishment of small scale business has create employment, none of the them disagree with the notion but 10% said that the establishment of small scale business create employment sometimes.

4.1.12 RESPONSE TO THE QUESTION 12:

Is one of your company's aims to create employment?

Question 12 sought to determine from the respondents if their aims is to create employment. Responses are tabulated below.

TABLE 4.1.12: THE AIMS OF SMALL SCALE BUSINESS IS TO CREATE EMPLOYMENT

Options	Company	Company	company	company	company	company	Total	Percentage
	A	B	C	D	E	F		
A.Yes	24	24	24	18	18	12	120	100%
B.No	-	-	-	-	--	-	-	-
TOTAL	24	24	24	18	18	12	120	100%

Source: Field Survey by researcher.

Table 4.1.12 shows that all respondents replied that creating jobs is one of their aims. This was indicated by 100% of the respondents.

4.1.13 RESPONSE TO THE QUESTION 13:

Do you think your company can generate more jobs, if it is given more finance?

Question 13 sought to determine for respondents whether their company can generate more jobs if it is given more finance. Responses are tabulated below.

TABLE 4.1.13: SMALL BUSINESS CAN GENERATE MORE JOBS IF GIVEN MORE FINANCE.

Options	Company	Company	company	company	company	company	Total	Percentage
	A	B	C	D	E	F		
A.Yes	24	24	24	18	18	12	120	100%
B.No	-	-	--	-	-	-	-	-
TOTAL	24	24	24	18	18	12	120	100%

Source: Field Survey by researcher.

From table 4.1.13 above, it was observed that all the respondents accept that their company will generate more jobs if given more finance.

4.1.14 RESPONSE TO THE QUESTION 14:

How would you rate the profitability of your business?

Question 14 sought to determine from respondents the level in which their profitability belongs. Responses are tabulated below.

Options	Company	Company	company	company	company	company	Total	Percentage
	A	B	C	D	E	F		
A.Very high	-	-	-	-	-	-	-	-
B.High	12	10	15	8	4	5	54	54%
C.Low	12	14	9	10	14	7	66	55%
TOTAL	24	24	24	18	18	12	120	100%

Source: Field Survey by researcher.

From the table 4.1.14 above, 45% of the respondents indicated that they witness high profits in their business, while 55% of the respondents witness low profit. However, during the oral interview, all the entrepreneurs generally accepted that with improved financial and management conditions, profit will increase.

4.1.15 RESPONSE TO THE QUESTION 15:

Which would you consider basic to finding solutions to the problems faced by your business?

Question 15 sought to determine from the respondents the basic solutions to the problems faced their business. Responses are tabulated below.

TABLE 4.1.15: BASIC SOLUTIONS TO THE PROBLEMS FACED SMALL BUSINESS.

Options	Company	Company	company	company	company	company	Total	Percentage
	A	B	C	D	E	F		
A.Ability to secure loans	24	24	24	18	18	12	120	100%
B.Recruitment of Well trained staff	-	-	-	-	-	-	-	-
C.Exploiting govt.programmes	-	-	-	-	-	-	-	-
TOTAL	24	24	24	18	18	12	120	100%

Source: Field Survey by researcher.

In table 4.1.15, the researcher observes that all who responded to the questionnaire distributed categorically states that the ability to secure loans from financial institutions is basic to finding solutions to the problems of small businesses in Nigeria, as a whole. Although the other responses were not recognized per say the interview discussion on them revealed that they were also considered important but not basic. The entire 100% came under loans.

4.1.16 RESPONSE TO QUESTION 16:

Does your company involve itself in being socially responsible to the community in which it operates?

Question 16 sought to determine from the respondents whether their company involve in being socially responsible to the community in which they operate. Responses are tabulated below:

TABLE 4.1.16: SMALL BUSINESS INVOLVES ITSELF IN BEING SOCIALLY RESPONSIBLE TO THEIR OPERATING COMMUNITY.

Options	Company	Company	company	company	company	company	Total	Percentage
	A	B	C	D	E	F		
A.Yes	4	-	8	-	6	6	24	20%
B.No	-	-	-	-	--	-	-	-
C.Sometimes	20	24	16	18	12	6	96	80%
TOTAL	24	24	24	18	18	12	120	100%

Source: Field Survey by researcher

Table 4.1.16 shows that 80% of the respondents to the questionnaire sometimes socially responsible while just 20% of them feel fully socially responsible to the surrounding community.

4.1.17 RESPONSE TO THE QUESTION 17:

What is the Nature of the social responsibility undertaken by your business?

Question 17 sought to determine from respondents the nature of the social responsibility undertaken by them. Responses are tabulated below.

TABLE 4.1.17: NATURE OF THE SOCIAL RESPONSIBILITY:

Options	Company	Company	company	company	company	company	Total	Percentage
	A	B	C	D	E	F		
A.Sanitation	23	20	24	16	17	8	108	100%
B.Donations to the Community in order to Foster community development	1	4	-	2	1	4	12	10%
TOTAL	24	24	24	18	18	12	120	100%

Source: Field Survey by researcher

From table 4.1.17, it can be observed that 90% of the respondents keep their surroundings clean in order to maintain good sanitation as a measure of social responsibility while 10% of them donate to the community as another measure of social responsibility.

4.1.18 RESPONSE TO QUESTION 18:

What does the future hold for your business?

Question 18 sought to determine the things future hold for small business. Responses are tabulated below.

TABLE 4.1.18: THINGS FUTURE HOLDS FOR SMALL BUSINESS.

Options	Company	Company	company	company	company	company	Total	Percentage
	A	B	C	D	E	F		
A.Good prospects	14	7	15	10	16	10	72	60%
B.Poor prospects	-	13	9	-	2	-	24	20%
C.The future is bleak	10	4	-	8	-	2	24	20%
TOTAL	24	24	24	18	18	12	120	100%

Source: Field Survey by researcher.

From the table 4.1.18, 60% of the respondents accept that the future holds good prospects for their business, 20% of the remaining respondents accept that future holds poor prospects for them while the remaining 20% maintains that the future it bleak.

4.2 ANALYSIS OF RESPONSES OF INTERVIEW

QUESTIONS FROM THE OWNER MANAGERS

The purpose of the questions in this interview guide was to elicit more information concerning the research topic from the owner managers of the study companies. These questions were expected to bring out more details which the questionnaire for employees could not do.

All the six owners-managers of the select companies were interviewed and the results of the interview are presented below.

Question 1: What problems did you encounter at the early stages of the company?

Response: Five (85%) mentioned financial problems in the form of inadequate accommodation and equipment while one (15%) returned that he had no initial problems.

Question 2: What is the staff strength of this company? Specify designation?

Response: The response is as in table 4.1.1.

Question 3: From what sources did you raise the funds for the establishment of this company?

Response: All six used a combination of sources: thus

Personal savings	6	(100%)
Contribution from Relatives	2	(33.33%)
Loan from Age Grades	1	(17%)

Question 4: Did you encounter many problems using the sources mentioned?

Response: All got their finance with relative ease from the sources used.

Question 5: I noticed you did not source for funds from commercial banks why?

Response: In summary the five (83%) complained of the length of time it takes to get the loan and apparent favouritism and fraud encountered. One (17%) was afraid he may not be able to pay back and of the high interest rate.

Question 6: There are government agencies that give financial support to small scale businesses. How much help did you get from them?

Response: All six (100%) responded that they have not received any financial help from such agencies. Two heard of them but did not apply though they would love their assistance.

Question 7: Do you require more funds to run this company or acquire more machines.

Response: All six (100%) agreed they need more money for more machine and bigger business premises.

Question 8: How do you view government policies toward small scale business?

Response: One (17%) responded that government policy of import restriction on imported finished goods is good since it reduces their competition against locally made ones. But embargo on machine equipment, and raw materials hinder their production. Another returned that they have no effect on their operations while the other four (67%) hold the import restriction on their raw materials has negative effect on them.

Question 9: Have those policies been useful to your organization in particular?

Response: Five (83%) accepted that the policies are useful to their organization. One (17%) insists they have no effect on his business enterprise.

Question 10: Government offers free management training assistance to small scale businesses. Has your company benefited from such services?

Response: Five (83%) said they have never benefited from any such programme, one (17%) replied he had undergone a training programme organized by Industrial Training Fund (ITF).

Question 11: How do you assess government policy of import restriction? Has it been helpful to your business enterprise?

Response: All six (100%) agreed that government import restriction is a very good aid to small scale businesses. Nevertheless they complained that it is poorly executed since the purportedly banned goods still flood the market. Again all 6 (100%) agreed that restriction on import of machinery and spare parts and their raw materials hinder their operations.

Question 12: Do you have the caliber of manpower you would wish to have?

Response: In summary all six (100%) wants more better qualified workers but pointed out that their wages are higher

Question 13: Do you have highly trained staff here? If no why?

Response: All six (100%) responded no, because their wages are very high.

Question 14: How do you rate the productivity of your employees? Does it have any bearing with their training?

Response: All six (100%) are of the opinion that their workers productivity is very high compared to their level of training.

Question 15: Do you think their productivity would be better if they are given higher training?

Response: All six (100%) responded that higher training would bring about higher productivity.

Question 16: Do you use machines in your company?

Response: Two (33%) uses unautomatic tools while the other four (67%) use machines imported from abroad.

Question 17: How do you acquire sophisticated repairs and maintenance services for your machinery?

Response: Two (33%) replied they had no need for such services since they use only unautomated tools which hardly repairs any such repairs. The other four (67%) replied that such repairs are done at new spare part market Nkpor.

Question 18: If the maintenance service is easily available would you think it will aid the growth of your company?

Response: Four (67%), that is those that use machine replied that the easy availability of repairs services help them a lot since they do not lose much production time owing to faulty machine.

Question 19: Is one of your aims to create employment?

Response: In summary all six (100%) replied that creating jobs is one of their aims since one working all alone do not earn much.

Question 20: Do you think that your company can generate more jobs.

Response: All six (100%) replied that given more finance they would expand and this create more jobs.

Question 21: What is the rate of labour turnover in your company?

Response: Two (33%) replied two years, one (17%) replied one year, while the remaining two replied (33%) one and half years.

Question 22: Do your company lack any necessary skills?

Response: All six (100%) answered yes.

Question 23: Has this company any training programme for her employees?

Response: All six (100%) explained that they train their workers everyday in their normal course of working and also stated that they do not have any external training for them.

Question 24: What can you do to enhance achieving the bright prospect for your company?

Response: All six (100%) outlined the following:

- (i) Procure more money and use it to;
- (ii) Buy more machines;
- (iii) Expand their premises
- (iv) Go for external training, and
- (v) Get more money, recruit more workers and pay them higher wages to motivate them very well.

Question 25: What do you need for government to help realize this future?

Response: Two (33%) answered the need favourable policies and more money. Three (50%) replied they want more money and better socio-economic infrastructure while the remaining one (17%) replied he just needs more money.

Question 26: Do you attribute any role to the society in realizing these prospects?

Response: One (17%) states the role of the society as maintaining stability and patronage. The other five (83%) gives the role of the society as simply patronage.

Question 27: Are there problems hampering the future of your business enterprise which are caused by the society?

Response: All six (100%) stated less than optimal patronage as one of the problems from society. Others include irregular power and water supply and poor communication systems.

Question 28: What is the level of customer patronage which your business enterprise enjoys?

Response: All six (100%) replied that patronage level is high but that can be higher.

4.3 TESTING OF RESEARCH HYPOTHESIS

HYPOTHESIS TESTING 1

NULL HYPOTHESIS (H₀)

Inadequacy of capital does not hinder the growth of small scale businesses in Nigeria.

ALTERNATIVE HYPOTHESIS (H_A)

Inadequacy of capital hindered the growth of small scale businesses in Nigeria.

4.3.1 CONTINGENCY TABLE 1

RESPONDENTS	OPTIONS		TOTAL
	YES	NO	
SENIOR STAFF	30 (36.67)	50 (43.33)	80
JUNIOR STAFF	25 (18.33)	15(21.67)	40
TOTAL	55	65	120

To calculate the Theoretical frequency using the formular:

$$F_t = \frac{R_t \times C_t}{N}$$

Where:

F_t = Theoretical frequency

Rt = Row total

Ct = Column total

N = Sample size

$$\text{Cell}_{11}; \quad Ft = \frac{55 \times 80}{120} = 36.67$$

$$\text{Cell}_{12}; \quad Ft = \frac{65 \times 80}{120} = 43.33$$

$$\text{Cell}_{21}; \quad Ft = \frac{55 \times 40}{120} = 18.33$$

$$\text{Cell}_{22}; \quad Ft = \frac{65 \times 40}{120} = 21.69$$

4.3.2 COMPUTATION OF X^2 VALUES

Fo	fe	Fo - fe	(fo . fe) ²	(Fo . fe) ²
				fe
30	36.67	-6.67	44.4889	1.2132
25	18.33	6.67	44.4889	2.4271
50	43.33	6.67	44.4889	1.0267
15	21.67	-6.67	44.4889	2.0530

X^2 Cal . 6.7200

Formular used:

$$X^2 = \frac{n \sum (f_o - f_e)^2}{f_e}$$

Where:

X^2 = chi square

n = Summation

f_o = Observed frequency

f_e = Expected frequency

This is tested at 5% (0.05) level of significance (α)

Degree of freedom

$$(R - 1)(C - 1)$$

Where:

R = No of Rows

C = No of columns

$$(R-1)(C-1)$$

$$= (2-1)(2-1)$$

$$= 1$$

DECISION RULE

Reject H_0 if X^2 calculated $>$ X^2 table

Otherwise do not reject

$$X^2; df = x = 0.05$$

$$X^2 \text{ table} = 3.841$$

$$X^2 \text{ calculated} = 6.720$$

$$6.720 > 3.841$$

Reject Null hypothesis and accept the Alternative

Hypothesis and conclude that inadequacy of capital hindered the growth of small scale businesses in Nigeria.

HYPOTHESIS TESTING 2

NULL HYPOTHESIS (H₀)

Non-availability of highly skilled manpower does not hinder the growth of small scale businesses in Nigeria.

ALTERNATIVE HYPOTHESIS (H_A)

Non-availability of highly skilled manpower hindered the growth of small scale businesses in Nigeria

4.3.3 CONTEINGENCY TABLE II

RESPONDENTS	OPTIONS		TOTAL
	YES	NO	
SENIOR STAFF	31(37.33)	49(42.67)	80
JUNIOR STAFF	25(18.67)	15(21.33)	40
TOTAL	56	64	120

To calculate Theoretical frequency using the formular used in testing hypothesis number 1 above.

$$\begin{aligned} \text{Cell}_{11}; \quad ft &= \frac{56 \times 80}{120} = 37.33 \\ \text{Cell}_{12}; \quad ft &= \frac{64 \times 80}{120} = 42.67 \\ \text{Cell}_{21}; \quad ft &= \frac{56 \times 40}{120} = 18.67 \\ \text{Cell}_{22}; \quad ft &= \frac{64 \times 40}{120} = 21.33 \end{aligned}$$

1.3.4 COMPUTATION OF CHI-SQUARE VALUES

Fo	fe	Fo - fe	(fo . fe) ²	(Fo . fe) ²
				fe
31	37.33	-6.33	40	1.0745
25	18.67	6.33	40	0.9400
49	42.67	6.33	40	0.3392
15	21.33	-6.33	40	1.8805

$$X^2 \text{ Cal} = 4.2342$$

DECISION RULE

Reject Null hypothesis if X^2 calculated $> X^2$ table

Otherwise do not reject

Degree of freedom	=	1
Level of significance	=	0.05
X ² table	=	3.841
X ² calculated	=	4.2342

$$4.2342 > 3.841$$

Therefore, reject Null hypothesis and accept the Alternative hypothesis and conclude that Non-availability of highly skilled manpower hindered the growth of small scale business in Nigeria.

HYPOTHESIS TESTING 3

NULL HYPOTHESIS (H₀)

The establishment of small scale businesses in Nigeria does not create employment.

ALTERNATIVE HYPOTHESIS (H_A)

The establishment of small scale businesses in Nigeria has created employment.

4.3.5 CONTINGENCY TABLE III

RESPONDENTS	OPTIONS		TOTAL
	YES	NO	
SENIOR STAFF	50 (44)	30 (36)	80
JUNIOR STAFF	16 (22)	24 (18)	40
TOTAL	66	54	120

To calculate Theoretical frequency using the formula used in testing hypothesis number 1 above.

$$\text{Cell}_{11}; \quad ft = \frac{66 \times 80}{120} = 44$$

$$\text{Cell}_{12}; \quad ft = \frac{54 \times 80}{120} = 36$$

$$\text{Cell}_{21}; \quad ft = \frac{66 \times 40}{120} = 22$$

$$\text{Cell}_{22}; \quad ft = \frac{54 \times 40}{120} = 18$$

COMPUTATION OF χ^2 VALUES

Fo	fe	Fo - fe	(fo . fe) ²	(Fo . fe) ²
				fe
50	44	6	40	0.8182
16	22	-6	40	1.6364
30	36	-6	40	1.0000
24	18	6	40	2.0000

$$\chi^2 \text{ Cal} = 5.4546$$

DECISION RULE

Reject Null Hypothesis if X^2 calculated is greater than X^2 table.

Otherwise do not reject.

Degree of freedom	=	1
Level of significance	=	0.05
X^2 table	=	3.841
X^2 calculated	=	5.4546

Therefore reject Null hypothesis and accept the Alternative hypothesis and conclude that businesses in Nigeria has created employment.

HYPOTHESIS TESTING 4

NULL HYPOTHESIS (H_0)

Small scale business in Nigeria does not have good prospects given the size of the Nigerian market.

ALTERNATIVE HYPOTHESIS (H_A)

Small scale business in Nigeria has good prospects given the size of the Nigerian market.

CONTINGENCY TABLE IV

RESPONDENTS	OPTIONS		TOTAL
	YES	NO	
SENIOR STAFF	50(44.67)	28 (35.33)	80
JUNIOR STAFF	15(22.33)	25(17.67)	40
TOTAL	67	53	120

To calculate the Theoretical frequency using the formula used in testing the hypothesis above.

$$\text{Cell}_{11}; \quad ft = \frac{67 \times 80}{120} = 44.67$$

$$\text{Cell}_{12}; \quad ft = \frac{53 \times 80}{120} = 35.33$$

$$\text{Cell}_{21}; \quad ft = \frac{67 \times 40}{120} = 22.33$$

$$\text{Cell}_{22}; \quad ft = \frac{53 \times 40}{120} = 17.67$$

4.3.8 COMPUTATION OF CHI-SQUARE VALUES.

Fo	Fe	Fo-Fe	(Fo-Fe) ²	(Fo-Fe) ² /Fe
52	44.67	7.33	53.7289	1.2028
15	22.33	-7.33	53.7289	2.4061
28	35.33	-7.33	53.7289	1.5208
25	17.67	7.33	53.7289	3.0407

$$X^2 \text{ Cal.} = 8.1704$$

DECISION RULE.

Reject Null hypothesis if χ^2 calculated is greater than χ^2 table

Otherwise do not reject.

Degree of freedom = 1

Level of significance = 0.05

χ^2 table = 3.841

χ^2 calculated = 8.1704

$$8.1704 > 3.841$$

Therefore, reject Null hypothesis and accept the Alternative hypothesis and conclude that the small scale business in Nigeria has good prospects given the size of the Nigerian market.

CHAPTER FIVE

SUMMARY OF FINDINGS, RECOMMENDATIONS AND CONCLUSION.

The major objective of this study is to identify the impact of management on the small scale business, the problems and prospects. It is also the intention of the researcher to identify the hindrances towards the growth of small business in Nigeria and their prospects as well (A case study of six selected small business at Onitsha). Empirical research questionnaires were administered among the staff of the establishment. Oral interviews were also conducted. On the basis of the analysis of the data, the researcher presents the following summary of findings.

5.1 RESEARCH MAIN FINDINGS.

The research main findings as directed by the research hypothesis are presented in this section.

Inadequacy of capital hindered the growth of small scale businesses in Nigeria .This is supported by the hypothesis testing number one. Also the researcher discovered that the greatest problem facing small scale business in Nigeria is the lack of capital.

Additionally, in response to question nine of the interview guide, all the owner managers agreed they needed more finance to procure new and better machines and expand their business premises.

Non availability of highly skilled manpower hinders the growth of small scale businesses. This was accepted after the testing of hypothesis number two. This finding is supported by section 2.11 of the Literature Review. Also response to question five as set out in section 4.1 further supports this fact. Likewise response to question 14, 16 and 17 (analyzed in section 4.2) gives another evidence to back up this finding.

This study also found out that the small scale business has created employment. Employment for the owner managers and their employees. Employment creation is one of the roles the small scale business plays in our economy, as detailed in section 2.9 of the Literature Review and further proved by responses to question twelve of the employee questionnaire and question twenty-one of the interview guide to owner managers.

The small scale business in Nigeria has good prospects given the size of the Nigerian market. The size of the market translates to the size of demand available to the small scale business. Currently there is apparent scarcity of consumer and producer goods in the economy thus the available ones become very exorbitant.

5.2 RECOMMENDATIONS:

Based on the aforementioned findings of the research work, the researcher is moved to recommend as follows:

1. In the area of finance, the situation whereby the money made available to aid the small scale business are disbursed to every other type of organization other than the small scale businesses should be corrected. Government should provide an effective monitoring system to follow up all loan recipients to ensure that such loans are judiciously applied to the small scale business.
2. Resources employed in production of goods and services are scarce. Therefore judicious use of what is available is highly necessary. The efficiency of managers and employees of the small scale business in the use of resources can be reasonably increased through managerial training programmed. Small scale businesses are therefore advised to procure such training programmed which are easily available from management consultancy firms.
3. The preference of foreign made goods to locally made ones is a known attributed of Nigerians. This attitude does not in any way support the growth of our small scale business. These businesses would have better prospects if they had the patronage of all Nigerians. To redress this unpatriotic stance of the Nigerian populace requires an extensive campaign in the mass media and aimed at generally promoting home made goods. This type of campaign will no doubt be expensive such that those small scale businesses

would not be in a position to sponsor it given their financial in capabilities therefore the government is expected to take up financing these programmed.

4. The researcher recommends a continuous monitoring of the Nigerian socio-economic cum technological environment to detect changes occurring in them with reference to the small scale businesses. Any change that brings some negative effect on the growth of the small scale business should quickly be stopped or additional efforts made to cushion its effect on this all important sector of the national economy.
5. In order to ensure the free flow of information from government to the small scale business forum. This will be a gathering of small scale businessmen and women and government representatives will use that opportunity to pass information as to government policies and programmed to them. This will ensure that the effect it is meant to have on their business.

5.3 CONCLUSION:

Government should set up policies in favor of small business to enable them give way for economic development of Nigeria.

The owner managers of small business must take adequate care in the issue of finance and human resources. The aspiring entrepreneurs must consider the unique nature of his business, the required assets and capital needs both in the meantime and in

the future and the caliber of personnel needed. This will help in the growth of the small business in Nigeria

The research was conducted in six selected small scale businesses in Onitsha, Anambra state of Nigeria. Nevertheless, the researcher strongly believes that the findings are representative enough of the sector under review. Thus we assert that the findings are generally applicable to all small scale firms in the wider macro economy.

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APPENDIX 1

Department of Management
University of Nigeria
Enugu Campus.

Dear Respondent,

PROJECT QUESTIONNAIRE

The researcher is a postgraduate student of the above named Institution, carrying out a research on the management of small scale business in Nigeria. Problems and Prospects. (A study of selected small business in Onitsha). In partial fulfillment for the award of masters in Business Administration in management.

Your co-operation is highly solicited in completing the attached questionnaire as honestly as possible. You are assured that the responses will be treated in confidence and used solely for this academic exercise.

Yours Faithfully,

Emefoh Philomena I.

INSTRUCTIONS:

Tick against the box for whichever option you select. You are expected to select one option for each question.

You may add your personal feelings where there are provisions for such.

1. Sex
 - A. Male
 - B. Female

2. Educational level.
 - A. Graduate or Equivalent
 - B. OND
 - C. SSCE
 - D. JSCE
 - E. FSLC

3. Is the level of educational training you attained been of help to you in your jobs?
 - A. Yes
 - B. No

4. Are there some skills you need to acquire to enhance your job performance?
 - A. Yes
 - B. No

5. Does the non-availability of highly skilled manpower hinder the growth of small scale business?

A. Yes

B. No

C. Don't know

6. Does your company readily obtain loans from financial institutions?

A. Yes

B. No

C. Sometimes

7. What is the cause of the financial problems faced by your business?

A. Inability to secure loan

B. Poor accounting system

C. Non exploitation of government programs.

8. Does the non exploitation of governmental programme assistance by small business owners effect the growth of small business?

A. Yes

B. No

C. Don't know

9. Does your business exploit the governmental program me for assistance to small business?

A. Yes

B. No

C. Sometimes

10. Is there any relationship between the availability of finance and efficient management of small business?

A. Yes

B. No

C. Don' t know

11. Do you think that the establishment of small scale business has created employment?

A. Yes

B. No

C. Sometimes

12. Is one of your company's aims to create employment?

A. Yes

B. No

13. Do you think your company can generate more jobs if it given more finance?

A. Yes

B. No

14. How would you rate the profitability of your business?

A. Very high

B. High

C. Low

15. Which would you consider basic to finding solutions to the problems faced by your business?

A. Ability to secure loans

B. Recruitment of well trained staff

C. Exploiting government programs

16. Does your company involve itself in being socially responsible to the community in which it operates?

A. Yes

B. No

C. Sometimes

17. What is the nature of the social responsibility undertaken by your business?

A. Sanitation

B. Donations to the community in order to foster

Community development

18. What does the future hold for your business?

A. Good prospects

B. Poor prospects

C. The future is bleak

APPENDIX 11

INTERVIEW QUESTIONS

- 1. Please can you give me a brief history of this your company?
- 2. When was this business established?
- 3. What problems did you encounter at the early stages of this company?
- 4. What is the staff strength of this company?
- 5. From what sources did you raise the fund for the establishment of this company?
- 6. Did you encounter many problems using the sources mention?

7. I noticed you did not source for fund from commercial banks. Why?
8. There are government's agencies that give financial support to small scale businesses. How much help did you get from them?
9. Do you require more funds to run this company or acquire more machines?
10. How do you view government policies toward small scale businesses?
11. Have those policies been useful to your organization in particular?
12. Government offers free managerial training assistance to small scale businesses. Has your company benefited from such services?
13. How do you assess government policy of import restriction? Has it been helpful to your business enterprise?
14. Do you have the caliber of manpower you would wish to have?
15. Do you have highly trained staff here? If no why?
16. How do you rate the productivity of your employees? Does it have any bearing with their training?
17. Do you think their productivity would be better if they are given higher training?
18. Do you use machines in your company?

19. How do you acquire sophisticated repairs and maintenance service is for your machinery.
20. If the maintenance service is easily available, would you think it will aid the growth of your company?
21. Is one of your aims to create employment?
22. Do you think that your company can generate more jobs?
23. What is the rate of labor turnover in your company?
24. Do your company lack any necessary skill?
25. Has this company any training program for her employees?
26. What can you do to enhance achieving the bright prospects for your company?
27. What do you need from government to help realize this future?
28. Do you attribute any role to the society in realizing these prospects?
29. Are there problems hampering the future of your business enterprise which are caused by the society?
30. What is the level of customer patronage which your business enterprise enjoys?

