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REVIEW ARTICLE

SMALL AND MEDIUM SCALE ENTERPRISES: PIVOTAL TO SUSTAINABLE ECONOMIC DEVELOPMENT: THE NIGERIAN EXPERIENCE

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ABSTRACT

The development of small and medium scale enterprise has been canvassed as the foundation of any solid development of any nation world over. The objectives of this paper include: (i) To find out the relationship between effective management of small scale enterprise and the nation’s economic development, (ii) To examine whether financial challenges faced by sole proprietorship business can affect employment generation in Nigeria amongst others. The study used survey research method with three hypotheses, which were later analyzed with correlation and regression test statistics on the nature of each of the hypotheses. Based on findings of the study, useful policy recommendations were made which businesses owners and policy makers at the various tiers of government will find beneficial when faithfully implemented.

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INTRODUCTION

World over, the contribution of small scale enterprises (SSEs) has been recognized as the main sustenance of any economy because of their capacity in enhancing the economic output and enhancing human welfare. For Nigeria as a nation, the contribution of Small Scale Enterprises should not be underrated at this critical time of socio-economic and political development of the nation, especially if government must deliver dividend to the citizenry. Small scale enterprise consists of the driving force of such industrial growth and development of the economy and this is mainly due to their great driving force in ensuring diversification and growth of industrial production as well as the achievement of the basic objectives of developments. Small businesses account for a greater percentage of all businesses in virtually every economy and generate the majority of private sector employment and output. The selected small scale business enterprises used in this study comprises of mobile supermarkets, teaching services, cyber café business, recharge card business, popcorn business, food supply business, real estate business, building materials business, fresh fruit business, palm oil business, roasted snacks

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business, table water business, soft drinks sales, computer instructor, mobile phones repairs, cosmetic sales, event planners, hair stylist, greeting cards designers, day care centers, yoghurt making, car wash service, cassava processing poultry farming and waste management. The term small scale enterprise is designed to differentiate small industries from both medium and big industries. In comparison to medium and large scale enterprise, small enterprise is small in operation, employment, products, capital, and technology.

Small scale business enterprises utilize local raw materials and technology thereby aiding the realization of the goal of self reliance. In Nigeria, governments formulate policies aimed at facilitating and empowering the growth and development of the Small scale enterprises due to their contribution to the Nigeria economy like alleviating poverty, employment generation, enhance human development, and improve social welfare of the people. The only way to reduce poverty in a sustainable way is to promote economic growth, via the creation of employment and wealth. In some developing countries, small scale business enterprises are the center source of income, a breeding ground for entrepreneurs and a provider of employment (UNIDO Report, 2003). Small scale business enterprise constitutes a crucial component for national

development for both developed nations and developing nations. Small scale industries constitute a greater percentage of all the registered companies in Nigeria, and they have been in existence for a long time. Many among the small scale industries developed from cottage industries to small enterprises and from small scale to medium and large scale enterprises. Small scale enterprise has been identified as a vehicle for generation of employment opportunities, providing opportunities for entrepreneurial sourcing, training, development and empowerment for the economy.

Statement of research problems : Small Scale Enterprises do not only represent the country's major opportunities for industrialization, but also contributes majorly to sustainable growth in the area of tax generation, generation of raw material requirements, generation of employment opportunities and also poverty alleviation. In Nigeria, a poor economic condition, which also implies poor finance and inadequate infrastructure, poor managerial competence have been identified as the most crucial factors affecting small scale business enterprises (Ihua, 2009). Despite their critical role in the country, small scale enterprises in Nigeria experience a high failure rate due to the existence of large scale business enterprises which might serve as a competitive force to them, further escalating an already bad situation in the country. While the contributions of small businesses to development are generally acknowledged, entrepreneurs in this sector face many obstacles that limit their long term survival and development. About 50% of Small scale business enterprise fails at the early stages due to weaknesses and challenges of administrative, financial, technological and marketing factors which usually hinder them while carrying out their activities. Small scale enterprise has been observed to experience a high failure rate in Nigeria due to scarcity of resources that faces Small scale businesses as it is the main problem which curbs competitiveness along with structural imbalances facing this sector. It is possible that deficiency in strategy approaches and strategic leadership could be a significant explanation of the failures of small scale business enterprises therefore, one cannot expect an economy to have and develop sustained economic growth and development if the environment is not conducive enough. This study then forms the basis to investigate the contributions of small scale business enterprise to economic development with a view of coming out with conclusions and appropriate recommendations.

Objectives of study: The general objective of this study is to assess the contribution of small scale business enterprises to economic development. The specific objectives are: (i) To find out the relationship that exists between effective management of small scale enterprise and economic development. (ii) To establish whether Small and medium scale business enterprises can contribute to economic development. (iii) To examine whether the financial challenges faced by sole proprietorship business can affect employment generation in Nigeria. (iv) To proffer useful policy recommendations which the various tiers of government will find beneficial when implemented.

Hypotheses of study: The hypotheses of the study are stated in the form of tentative null hypotheses/propositions. These include (i) There is no relationship between effective management of small scale enterprise and the nation's economic development. (ii) Small and medium scale enterprise cannot contribute to the nation's economic development (iii)

Financial challenges faced by sole proprietorship can affect employment generation

LITERATURE REVIEW

Conceptual framework: Definition of words, concepts and ideas are always subject to controversies in social sciences as authors and scholars define such words, or concepts based on their assumptions or understanding of such concepts. Therefore, the concept of small and medium scale enterprise has not escaped such controversy. The definition of a small scale enterprise may vary in different economies of the world, but the underlying concept is the same. Small scale business enterprise can be defined in terms of annual sales, asset valuation, net profit, balance sheet totals and the size of the business including the numbers of employees available in the business. Different authors, scholars, and schools have different ideas as to the variation in capital outlay, number of employees, sales turnover, fixed capital investment, available plant and machinery, market share and the level of development, these features equally vary from one country to the other. In Nigeria, the Third National Development plan defined a small scale business as a manufacturing establishment which employs not more than ten people, or whose investment in machinery and equipment does not exceed six hundred thousand naira. The Central Bank of Nigeria (1983) in its credit guidelines, classified small scale business as the business with an annual income or asset of less half a million naira (N500, 000). The Federal Government Small Scale Industry Development Plan of 1980 defined a small scale business enterprise in Nigeria as any manufacturing process or service industry, with a capital not exceeding N150, 000 in manufacturing and equipment alone. The small scale industries association of Nigeria (1973) defined small scale business as those having investment of capital, land building and equipment of up to N60, 000 pre-SAP Value and employing not more than fifty persons. The Federal Ministry of Industries (1973) defined it as those enterprises that cost no more than N500, 000 (pre-SAP Value) including working capital to set up. In 1990 budget, the Federal Government of Nigeria defined small scale enterprises for the purpose of commercial loan as those enterprises with annual turnover not exceeding N500, 000 for merchant loan and those for the purpose of commercial loan as enterprises with capital investment not exceeding N2 million (excluding cost of land or a maximum of N5 million).

According to Umar (1997) the concept of the small size firm is a relative one and it depends mainly on both the geographical location and the nature of economy activity being performed. A small scale enterprise is a privately owned and operated business, characterized by a small number of employees and low turnover. A small enterprise usually only shares a tiny segment of the market it operates in. Small scale enterprises (also, small scale businesses) are essential to the economy for industrial growth and diversification. According to the size various countries have different specification of the numbers of employees a small business enterprise should have. The U.S. Small Business Administration states that small-scale enterprises generally have fewer than 500 employees within a 12-month period in non-manufacturing industries. A company must consider any individual on its payroll as an employee. In Australia, however, a small-scale enterprise is one that has fewer than 15 employees on payroll, as defined by the Fair

Work Act. The Small Business Act for Europe states that small enterprises are those that have 250 employees or less. Small scale enterprises in Asian countries generally have 100 or fewer employees, while small scale in African enterprises hire 50 or fewer workers. Using financial measures such as net profits, balance sheet totals, the value of assets and annual sales as a means of defining small scale business enterprise In the United States for example, a non-manufacturing small scale enterprise is one that does not earn more than \$7 million in a year. Financial measures can vary by industry, as annual receipts may be higher for industries that have higher overhead costs to operate. In general, small scale enterprises are businesses that do not dominate their respective industry (MOPFED Report, 2010).

TYPES OF SMALL SCALE BUSINESS ENTERPRISES

According to Asaolu (2005) and Oyelara (2012), some types of small scale business enterprises are identified. These include:

(i) Sole proprietorship: A number of small scale enterprise identified by different scholars, amongst them are: The sole proprietorship is the simplest business form under which one can operate a business. The sole proprietorship is not a legal entity. It simply refers to a person who owns the business and is personally responsible for its debts. A sole proprietorship can operate under the name of its owner or it can do business under a fictitious name, such as Ayoade's beauty Salon. The fictitious name is simply a trade name and it does not create a legal entity separate from the sole proprietor owner. A sole proprietorship is a business owned, established, and managed by one person. The advantage of a sole proprietorship is that setting up and administering the business is comparatively easy and inexpensive. One disadvantage of operating a sole proprietorship form of business is that the liability of the business is always unlimited. In this case the personal properties of the owner and the properties of the business is usually the same so when the liability of the business is to be settled the personal properties of the owner will be used up. A sole proprietorship business at times lacks continuity when the owner dies.

(ii) Partnership: A partnership is defined by section 3(1) of the partnership act as the relation which subsists between persons carrying on a business in common with a view of profit. The legal definition of a partnership is generally stated as "an association of two or more persons to carry on as co-owners of a business for profit" (Revised Uniform Partnership Act 101 [1994]). Partnership can be in two forms which are general partnership and limited partnership. In a general partnership, the partners manage the company and assume responsibility for the partnership's debts and other obligations. The limited partners serve as investors only they have no control over the company and are not subject to the same liabilities as the general partners. Persons can form a partnership by written or oral agreement, and a partnership agreement often governs the partners' relations to each other and to the partnership. A type of business organization in which two or more individual pool money, skills, other resources, and share profit and loss in accordance with terms of the partnership agreement is called a partnership business. The disadvantage of a partnership business is that profits must be shared with others; you have to decide on how you value each other's time and skills and what happens if one partner can put

in less time due to personal circumstances. Also since decisions are shared, disagreements can occur. A partnership is for the long term, and expectations and situations can change, which can lead to dramatic and traumatic split ups. Another major disadvantage of a partnership is unlimited liability. General partners are liable without limit for all debts contracted and errors made by the partnership (Oluba, 2009).

(iii) Cooperative enterprise: A cooperative enterprise is an association or corporation established for the purpose of providing services on a nonprofit basis to its shareholders or members who own and control it. It is established for their mutual benefit and for the sale of their products at the maximum possible price. It is an autonomous association of persons who voluntarily cooperate for their mutual, social, economic, and cultural benefit. Cooperatives include non-profit community organizations and businesses that are owned and managed by the people who use its services. A co-operative enterprise is an autonomous association of persons who are united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically controlled enterprise. The formation of a cooperative society is very simple as compared to the formation of any other form of business organizations. Any ten adults can join together and form a cooperative society.

Problems of small scale business enterprise: Small scale businesses have certain advantages over large scale businesses such as the ability in many cases to form close relationships with customers and clients, but small scale business also face several notable problems. Small businesses often focus on a niche or specialty that differentiates their goods or services from larger competitors. Some of the problems facing small scale business enterprise are:

Inability to produce under economy of scale: Economies of scale is a concept in economics that describes a situation where the marginal cost of making a certain product falls as a company makes more of the product. In other words, when economies of scale exist, the cost of producing a certain product is lower per unit if the product is produced in large quantities. A small scale business production is usually limited because they produce for a limited market. For example, the cost per unit of making cars might be lower for a manufacturer that produces 100 cars a day than a manufacturer that produces one or two cars a day. Large scale businesses allow manufacturers to employ systems such as assembly lines that can increase productivity and reduce costs. Small businesses may have difficulty competing with large scale businesses that are able to mass produce products inexpensively (Harris and Sauzor, 2006).

Difficulty in attracting customers: Small scale business enterprise typically has a more difficult time attracting customers than larger business enterprise. They have smaller marketing and advertising budgets. Also, some potential customers are reluctant to do business with small businesses especially new businesses without loyal followers, since they believe that these businesses may not be around for a long time or that they will not be able to provide the appropriate level of service. A challenge for small scale businesses is to make sure that they provide excellent customer service and instill confidence in their customers (Oyelara, 2012).

Competition from large scale business enterprise: Possibly one of the biggest problems facing small scale businesses is that they have to compete with much larger companies. Larger companies have bigger budgets and can usually provide products and services at much lower costs. A small business must be able to either match the prices charged by larger businesses or provide extra benefits to the customer such as better customer service. It is unarguable that some small scale businesses are good innovators. Most of the products available in the market today were developed by small businesses. However, these new product idea or processes are always high jacked by large scale companies which subsequently make it difficult for small businesses to profit from their innovations. In cases where the small scale innovators takes up patent, the larger business skirt such patent thus destroying the continued existence of the small scale niches (MOPFED Report, 2010).

Changing government policies and regulations: Government policies seem to have constituted a serious problem area for small scale business enterprise. The beginning of harsh government policies toward small scale business can be traced back to 1982 with the introduction of "stabilization measures" which resulted in import controls and drastic budget cuts. These, in turn, adversely affected the subvention to the financial institutions established to provide financial assistance to the small scale business. For example, in 1983, out of a total of 8,380 applications for loans received from the small scale business for a total of 559.13 million naira, only 18 per cent (1,470 projects) for a total of 46.66 million naira was disbursed.

Financial challenges: Small scale businesses face challenges obtaining money for expansions. Larger corporation have many more resources available to them to obtain capital to expand even banks and lenders are much more willing to lend money to a large company with tangible assets that can be used for collateral. Adelaja (2003) argued that the access to institutional finance has always constituted a pandemic problem for small scale business development in Nigeria (Oyelaran, 2012).

Inadequate infrastructural facilities: Small scale businesses in Nigeria are affected due to the poor infrastructures that exist in the country. Many small scale business operates on a small scale mostly in rural areas and these rural areas have poor infrastructures like bad transportation network, Good roads will not only encourage people to patronize a business but will equally reduce cost of transportation and carriages of raw materials and finished goods to retailers or sales outlets. In the same way regular supply of electricity can enhance maximum satisfaction of customers and reduction of operating costs such as diesel or any other fueling cost. When there in definition of words, concepts and ideas are always subject to controversies in social sciences as authors and scholars define such words, or concepts based on their assumptions or understanding of such concepts. Therefore, the concept of small and medium scale enterprise has not escaped such controversy. The definition of a small scale enterprise may vary in different economies of the world, but the underlying concept is the same. Small scale business enterprise can be defined in terms of annual sales, asset valuation, net profit, balance sheet totals and the size of the business including the numbers of employees available in the business. Different authors, scholars, and schools have different ideas as to the variation in capital outlay, number of

employees, sales turnover, fixed capital investment, available plant and machinery, market share and the level of development, these features equally vary from one country to the other. In Nigeria, the Third National Development plan defined a small scale business as a manufacturing establishment which employs not more than ten people, or whose investment in machinery and equipment does not exceed six hundred thousand naira. s no water even to the extent that people residing in these communities need to go to their neighboring communities to fetch water, inadequate educational service which causes the people in that community to be aware of the modern technologies or how the product or service the company has to offer will affect them positively. When these facilities are very poor small scale businesses might not be able to survive or even if they do it might be for a short period of time.

Inadequate information: Small scale business managers at times usually have limited knowledge and ability of running the business. Most of these small scale business managers might just be primary or a secondary school dropout who doesn't care of anything that is going on in the economy, they are only concerned in making sales and making their profits. Every business undertaking requires it own peculiar information, skills, abilities and basic experience. Entering into a strange line of business without information that will keep the business current and efficient is like testing a river depth with both legs. Most small business owners that have excelled had the required information in their lines of businesses (Asaolu, 2005).

Likely cessation of business after death of the owner: A number of small scale businesses cannot outlive their founders. Most of such businesses stop to exist immediately after the owner dies. Such problems exists in most small scale businesses such as Welding, Tailoring, Bread Baking, Furniture Making, etc. This is more so when the children of such owners refused to take up the businesses of their parents

Definition of economic development a definition clarification: Economic development is the word majorly used interchangeably with economic growth, but they mean different things. Economic growth is rise in a country's production or per capita income, it is also said to be the economy's total output of goods and services. Economic development on the other side is a step further greater and better than economic growth. It is economic growth accompanied by changes in output distribution and economic structure. By economic structure refers to an increase education, skills of labour, adequate infrastructure and promoting gender quality. Economic development is a policy intervention endeavor with aims of economic and social well-being of people. Economic development usually refers to the adoption of new technologies, transition from agriculture-based to industry-based economy, and general improvement in living standards. Economic development has been defined as the process by which a community creates, retains, and reinvests wealth and improves the quality of life. The ultimate goal of economic development is to improve the quality of life for the people who live in the country. It is a means to an end, not an end in itself.

Contributions of small scale business enterprises to economic development in Nigeria: Even with this kind of

failure rate that occurs in small scale business enterprises, the contribution of small scale business enterprises to the economy cannot be overstated. Besides contributing significantly to reducing unemployment, it forms a core of the economy generating significant percentage of domestic taxes and producing goods and services using large numbers of labor from the low to middle income categories of people; and supplying the goods and services to the general population. In a nutshell, small scale business enterprises represent the largest proportion of the productive population and by extension provide the fuel that keeps the economy running towards technological, economic, political and social development (MOPFED Report, 2010).

Employment generation: Before independence government establishment were the major employment of labour but these days with many private enterprises set up by entrepreneurs many people have gained employment with these enterprises and this has reduced the dependence on government establishment and large firms for employment. Small businesses employ a greater percentage of the working population in any country. These people employed receive their salaries and wages from these small organizations.

Technological innovation: Small scale business enterprise brings about technological innovation in Nigeria. In most cases small scale business brings about the emergence of new things in our environment. Most of the managers of small scale business are highly intellectual and with the rate of advancement in technology the managers do not relent instead they carry on continuous research on how to improve on existing technologies. In the studies carried out by Aluko, S.A. (1972) and Sonaike, (1975) it shows that small scale businesses in Nigeria acquires or improve domestic technology in the production of several goods such as bakery products, soft drinks, textiles, foot wears and soap production e.t.c and what seems to have been acquired was just further improvement in the technology of production so as to improve the quality of these goods. This suggests that one of the main contributions of small scale business enterprise to the economy is truly improving indigenous technology (MOPFED Report, 2010).

Improved standard of living: Standard of living is the level of quality people in a particular society or country enjoying their living, which is not only affected by their level of income but the quality and quantity of goods and services made available to them. Small scale businesses, whether in manufacturing industry or services industry such as retailing, entertainment etc contribute a great deal to the uplift in the standard of living of the people residing in the society where they are found.

Government policies for promoting small scale business enterprise: Regulation is part of contemporary business life as it helps to shield the businesses, the employees, and the general public from unwarranted risks just as it protects the environment from pollution. Besides, Regulation is the medium through which government targets her policy aims and objectives. The regulatory environment includes all the stipulated conditions, rules and regulations, as well as the government policies and guidelines that dictate the setting up of small scale business enterprise and that which influence their mode of operations. Policies and regulations targeted at the promotion of small scale business enterprise in Nigeria can be

traced to include the Nigeria Enterprises Promotion Act No. 3 of 1997; Patent Right and Design Act No. 60 of 1979; and Industrial Development Tax Act No. 2 of 1971, among others. Some micro lending institutions established to enhance capacity and development of SMEs were identified in Ogechukwu (2006) as including the defunct Nigerian Bank for Commerce and Industry (NBCI), National Economic Reconstruction Fund (NERF), and the National Export and Import Bank (NEIB). Others are the Bank of Industry (BOI), Small and Medium Scale Enterprises Development Agency of Nigeria (SMEDAN), National Poverty Eradication Programme (NAPEP), National Economic Empowerment and Development Strategies (NEEDS), Small and Medium Industries Equity Investment Scheme (SMIEIS), Small and Medium Enterprises Credit Guarantee Scheme (SMECGS), and the Microfinance Development Fund (MDF).

SMEDAN was established in 2003 to promote the development of the micro, small, and medium scale enterprises (MSME) sector of the Nigerian economy through facilitation of access to all resources required for their development. The need arose from realization that poverty is a social malaise that threatens global prosperity in general and national economic growth and development in particular. In attempt to solve the problems facing small scale business enterprise the Small and Medium Industries Equity Investment Scheme (SMIEIS) was established (Oyelaran&Oyeyinka, 2012). The SMIEIS is about the latest of the schemes designed to tackle the problem of financing SMEs in Nigeria, requiring that all banks reserve 10 per cent of their pre-tax profit for equity investment in the industry.

In 2012, the Federal Government approved the sum of N200 billion for operation of the Small and Medium Enterprises Credit Guarantee Scheme (SMECGS) fund. The government has recently been involved in the provision of fiscal incentive for the promotion of enterprises within the small scale business sector. An example of this incentive is the tax relief incentive for SMEs, usually valid during the first six years of operation and is made up of company income tax Act of 1990 and the industrial development (Income Tax Relief) act of 1990 amended as decree of 1993. Technical assistance has also been established by the government to promote small scale business enterprises in Nigeria. Examples of these are the industrial research and development (CIRD) and project development agency(PDA).

Contributions of small scale business enterprise: The contributions of small scale business enterprises to an economy especially developing ones include: Greater utilization of raw materials, employment generation, encourage of rural development, development of entrepreneurship, mobilization of local savings, linkages with bigger industries, provision of regional balance by spreading investments more evenly, provision of avenue for self employment and provision of opportunity for training managers and semi-skilled workers Oluba, (2009). Shokan, O. O. (1997) writes that small scale business enterprises contribute to economic development through the following: The provision of employment, innovation and areas marketing for goods and services which are offered for sales. A lot of youths, retired workers and out of school graduates are now gainfully employed, thereby reducing the unemployment rate and its attendant's social complication

of armed robbery and white collar crimes. It helps to bring about new goods and services and supply the needs of large industries, which have to rely on the small scale operators for business success. A fact confirmed by Olabisi, A. (1977), Ayozie, Daniel O., et al (1997) and Akinseye, C. A. (1997) where it was postulated that presently small scale business in Nigeria constitute over 80 percent of all registered companies, occupying positions in agro based and allied industries, rubber based, leather shoes industries, chemical, electronics, general merchandising, restaurants, dress making, hair dress making, cane-chairs, leather products, pomade and toiletries, animal feeds and husbandry, printing, etc. They have accounted for a large percentage of all businesses and a favorable percentage of the nation's gross national product. Mention is being made of the Dantatas, Fajemirokuns, Igbinedions, Ekene DiliChukwus, Lodibes, Dankabos and the Amazus whose businesses have contributed to economic development. Small scale business enterprises have been the means through accelerated economic growth and rapid industrialization have been achieved (Harris & Sauzer, 2006). The small scale business mobilizes funds, which would otherwise had been lying idle or wastefully spent and direct such to productive use. It shows superiority in the use of local raw materials when compared with modern manufacturing establishment. Small scale businesses also facilitate conservation of foreign exchange and the development of scarce recourses in both developed and developing economy. They create more employment opportunity at a relative low capital cost; for instances while it will take N26, 000 to create one employment in a large enterprise; it takes about N8, 500 in a small scale industry, Oguntoye (1990). Small scale business enterprises efficiently make use of local raw materials and technology thereby helping in the realization of the goal of self-reliance.

Moreover, governments at various levels (local, state and federal levels) have in one way or the other focused on the performance of small scale business enterprise for economic gains. While some governments have brought up policies aimed at facilitating and empowering the growth, development and performance of small scale business enterprise, others are focusing on assisting small scale businesses enterprise to grow through soft loans and other fiscal incentives in order to enhance the socio-economic development of the economy like alleviating poverty, employment generation, enhance human development, and improve social welfare of the people.

Research has shown that developing nations such as Nigeria characterized as low income earners by the World Bank, value small scale business enterprise for several reasons. Viewed in static terms, the main argument is that small scale businesses, on average achieve decent levels of productivity especially of capital and factors taken together (that is, total productivity factor) while also generating relatively large amount of socio-economic development. A research confirmed by Olabisi, A., Ayozie, D. O., Akinseye, C.A., et al, (1997) where it was stated that presently small scale business in Nigeria constitute over 80% of all registered companies occupying positions in Agro based and Allied industries, rubber based, chemicals, electronic, restaurants, hair making, dress making, printing e.t.c. However, what is available at the Nigerian Bureau of Statistics are data on the contribution of small scale manufacturing firms to employment generation is shown as follows:

Table 1: Distribution of employment generated in Nigeria according to activities

S/N	Activity Group	SMEs 0 – 300	Large Scale 301 – 1000+	Total	%
1	Agric& Forestry	1475	38	1,513	2.58
2	Mining & Quarrying	176	7	183	0.31
3	Manufacturing	16,261	281	16,542	28.18
4	Elect., Gas & Water	180	14	194	0.33
5	Building & Const.	710	51	761	1.29
6	Wholesale & Retail	10,352	22	10,374	17.67
7	Hotel and Restaurant	4,618	15	4,633	7.89
8	Land Transport	733	9	742	1.26
9	Other Transport	404	7	411	0.70
10	Prof. Services	7,793	30	7,823	13.33
11	Other Services	15,462	57	15,519	26.44
	Total	58,164	531	58,695	100.00

Source: Nigerian Bureau of Statistics: Statistical Bulletin 2009

Table 2. Model summary

		Effective management promotes the activities of employees in small scale business enterprise	Quality managerial skill helps in promoting small scale business activities
Effective management promotes the activities of employees in small scale business enterprise	Pearson Correlation	1	.464(**)
	Sig. (2-tailed)		.000
	N	100	100
Quality managerial skill helps in promoting small scale business activities	Pearson Correlation	.464(**)	1
	Sig. (2-tailed)	.000	
	N	100	100

** Correlation is significant at the 0.01 level (2-tailed).
Source: Researcher's Field Result, (2015)

TEST OF HYPOTHESES AND DISCUSSION OF RESULTS

HYPOTESIS 1

H₀₁ There is no relationship between effective management small scale enterprise and the nation's economic development

H_{a1} There is relationship between effective management small scale enterprise and the nation's economic development

Interpretation

The significance level below 0.01 implies a statistical confidence of above 99%. The relationship between the variables (effective and efficient management of partnership business and economic development) was investigated using Pearson correlation coefficient. The result from the table above shows that there is a positive correlation of (0.464) between both variables at 0.0001 level of significance. As obtained from

the table ($r = 0.464$, $p < 0.01$, $n = 100$) and this shows that there is a positive significance relationship

Decision Rule

This implies that effective and efficient management small scale enterprises has a significant relationship on economic development of a nation. Therefore, we would reject the null hypothesis (H_{01}) and then accept the alternative hypothesis (H_{a1})

HYPOTHESIS TWO

H_{02} Small scale business enterprise does not contribute to economic development.

H_{a2} Small scale business enterprise contributes to economic development.

Table 3. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.407(a)	.166	.157	.739

a. Predictors: (Constant), Small Scale Business helps in increasing entrepreneurship development in an Economy.

Table shows the model summary of the multiple regression equation that predicted the significance of the regression model. In this case small scale business can explain a significant variance in entrepreneurship development. The independent variable of small scale business accounts for 40.7% of the variance in entrepreneurship development, this table provides useful information about the regression analysis. It shows the variation in the dependent variable (entrepreneurship development) that can be attributed to the independent variable (small scale business). The R Square value is 16.6, expressed by a percentage. The standard error of estimate (SE) indicates that on average there is a predicted regression line by score of 0.739. Based on this, the adjusted R Square shows 0.157

Table 4. ANOVA(b)

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	10.631	1	10.631	19.481	.000(a)
	Residual	53.479	98	.546		
	Total	64.110	99			

a Predictors: (Constant), Small Scale Business helps in increasing entrepreneurship development in an Economy.

b Dependent Variable: Small scale business has helped in providing job opportunities in the economy.

The unstandardized coefficient B column gives us the value of the intercepts and the slope of the regression line. The standardized Beta Coefficient column us of the contribution an individual variable makes to the model. For instance, the unstandardized regression weights (B) is .536 while the standardized regression weight (B) is .407. It is evident from the table that the variable enters the regression equation at .001 level of significance. The t-observed value of the predictor showed .536. From the table above it can seen that small scale businesses provides 0.407 job opportunities, which is the person's value. The t value for production ($=3.494$, $p < 0.00$)

shows that the regression contributes to economic development. Hence, the alternative hypothesis which says 'small scale business contributes to economic development' is thus accepted.

Table 5. Coefficients(a)

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	1.923	.550		3.494	.001
	Small Scale Business helps in increasing entrepreneurship development in an Economy.	.536	.121	.407	4.414	.000

a Dependent Variable: Small scale business has helped in providing job opportunities in the economy.

Interpretation of results

From the above findings we can deduce that small scale business enterprises contribute to economic development.

Decision Rule

Reject the null hypothesis (H_{02}) and accept the alternative hypothesis (H_{a2}). Therefore, small scale business enterprise contributes to economic development.

HYPOTHESIS THREE

H_{03} Financial challenge faced bysole proprietorship business does not affect employment generation in Nigeria.

H_{a3} Financial challenge faced bysole proprietorship business affects employment generation in Nigeria.

Table 6. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.410(a)	.168	.160	.49481

a Predictors: (Constant), sme

Table shows the model summary of the multiple regression equation that predicted the significance of the regression model. In this case financial challenge faced by sole proprietors can explain a significant variance in employment generation. The independent variable of sole proprietorship business accounts for 41.0% of the variance in the employment generation, this table provides useful information about the regression analysis. It shows the variation in the dependent variable (employment generation) that can be attributed to the independent variable (sole proprietorship business). The R Square value is 16.8, expressed by a percentage. The standard error of estimate (SE) indicates that on the average there is a

predicted regression line by score of 0.49481. Based on this, the adjusted R Square shows 0.160.

Table 7 ANOVA(b)

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	4.854	1	4.854	19.826	.000(a)
	Residual	23.994	98	.245		
	Total	28.848	99			

a Predictors: (Constant), sme

b Dependent Variable: challenges

Table 8. Coefficients(a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	3.015	.303		9.959	.000
	sme	.322	.072	.410	4.453	.000

a Dependent Variable: challenges

The unstandardized coefficient B column gives us the value of the intercepts and the slope of the regression line. The standardized Beta Coefficient column us of the contribution an individual variable makes to the model. For instance, the unstandardized regression weights (B) is .322 while the standardized regression weight (B) is .410. It is evident from the table that the variable enters the regression equation at .001 level of significance. The t-observed value of the predictor showed .322. From the table above it can seen that sole proprietorship business provides 0.410 employment generation, which is the person's value. The t value for production (=9.959. $p < 0.00$) shows that the regression provides employment. Hence, the alternative hypothesis which says 'financial challenge faced by sole proprietorship business affects employment generation should be accepted.

Interpretation of results

From the above findings we can deduce that financial challenge faced by sole proprietorship business affects employment generation in Nigeria.

Decision Rule

Reject the null hypothesis (H_{03}) and accept the alternative hypothesis (H_{a3}) and. Therefore, financial challenge faced by sole proprietorship business affects employment generation in Nigeria.

HIGHLIGHTS OF MAJOR FINDINGS

- i. There is a balance between male small scale business owners and female small scale business owners.
- ii. A major proportion of small scale businesses are service outlets.
- iii. Majority of small scale business enterprises fall within the category of having less than 10 employees. According to The Third National Development plan (1970) defined a small scale business as a

manufacturing establishment which employs not more than ten people.

- iv. It has been observed that most small scale business owner's fall within the age bracket of 21-30 and 31-40yrs.
- v. It was observed that most small scale business owners are married.
- vi. Majority of small scale business owners are educated.
- vii. Majority of small scale businesses operate sole proprietorship form of business.
- viii. It was observed that managerial deficiency is a major challenge affecting the survival of small scale business enterprise. In Nigeria, a poor economic condition, which also implies poor finance and inadequate infrastructure, poor managerial competence have been identified as the most crucial factors affecting small scale business enterprises (Ihua, 2009).
- ix. Most respondents agreed that small scale business enterprises are usually faced with the problem of funding. Adelaja (2003) argued that the access to institutional finance has always constituted a pandemic problem for small scale business development in Nigeria
- x. Most respondents agreed that small scale business helps in increasing entrepreneurship development in an economy.
- xi. Most respondents agreed that small scale business enterprise helps in creating job opportunities in the economy. In developing countries, small scale business enterprises are the major source of income, a breeding ground for entrepreneurs and a provider of employment (UNIDO Report, 2003).
- xii. It is discovered that provision of training programmes for business owners will improve the effectiveness and efficiency of management of small scale business enterprise.
- xiii. Many respondents agreed that banks are reluctant and sometimes do not grant loans to small scale business enterprises to finance their operations.

CONCLUSION

Most small scale business enterprises are established by their owners, others are family business while some are inherited. Evidence from this study suggests that small scale business sector creates the majority of the country's net new employments and since small scale business enterprises are fairly labour intensive, they are better coping with problem of unemployment and poverty alleviation. It is evident that small scale businesses suffer a lot of set back as a result of managerial deficiency from the part if its management and as a result of this, small scale businesses which have the potential for growth might fail within a short period of time. It was revealed that there exists a strong relationship between approaches to business strategies and the performance of businesses. Managers or owners of small scale business are required to adopt different business strategies that suit their operations in other to be able to survive within the internal environment and the external environment.

POLICY RECOMMENDATIONS

The study revealed that small scale business owners and operators were dominated by both men and women. Therefore,

there is need to encourage more men and women to be more involved in business entrepreneurship especially in the manufacturing sector through a series of affirmative actions. Support towards small scale enterprises is critical. In this regard, the Federal Government should put in place a framework of policies and actions designed at supporting the establishment and growth of small scale businesses through subsidies and tax waivers. Since small scale businesses are usually faced with the challenge of financial constraint it will be better for the Government to subsidize some of the resources, materials and equipment used by these small scale businesses. The end result of this will significantly improve the performance of small scale businesses, it will improve the chances of small scale businesses to breakeven, as well as increase the profitability margin thereby enabling re-investment, resulting into business expansion and broadening employment opportunities in the country. Government should also make favourable policies that will encourage people to engage and invest in small scale business enterprise.

Furthermore the Government should also provide adequate infrastructural facilities that will be needed by small scale business in carrying out their operations such as good transportation network, good communication network, power and energy, housing facilities and water. These facilities help small scale businesses to a large extent for surviving. For instance in a case whereby the transportation network is not good enough it will cost these businesses more than the normal transportation cost they have budgeted for thereby resulting in high production cost and high product price. Large scale businesses might be able to cope with these high transportation cost because they produce in larger quantity, while small scale businesses might not be able to cope with the cost and they might eventually fail. Government should try as much as possible to make provision for adequate infrastructural facilities to aid the operations of small scale businesses.

Quality training programmes should be made available in order to improve the skills and abilities of small business owners and managers. Government needs to establish community education programs that will target the promotion and development of entrepreneurship and business. Government, chamber of commerce, industries and other non-governmental organizations should regularly organize seminars for potential and actual small scale business enterprise operators where they should be educated on how to plan, organize, direct and control their businesses to foster the development of the Nigerian economy. There should be availability of efficient and effective financial system in such a way that banks should make loans available to small scale business owners at a low interest rate. Government should re-introduce small business credit scheme so as for the beneficiaries to use them to run the small scale enterprises.

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