

Development of Small Scale Industries: A Panacea for Economic Growth and Development in Nigeria (A Case Study of Small Scale Enterprises in Nasarawa State)

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ABSTRACT

By the mid 70s Nigeria was very rich due to oil revenue. It was acclaimed that Nigeria was so rich that the problem was how to spend the money accruing to her. The situation certainly changed by the 1980s. Nigeria became rated among the poor nations of the world. She started importing food and many other items. In an attempt to reduce poverty various individuals and groups established small scale industries. This study examines how these small scale business enterprises have been faring in Nigeria with particular reference to Nasarawa State. The participatory Rapid Appraisal (PRA) was used and the data collected was analyzed.

The findings revealed that many are self owned, some of the people are not aware of the Government programmes and the government on her part, has not done enough in assisting and supporting the small scale entrepreneurship in the state and the nation at large. The government schemes, agencies and programmes put on ground to assist the small scale entrepreneurs have not made the desired impact. It also revealed that access to bank loans and other facilities varied with the people's educational, political and socio-economic statues in the society.

1.0 Introduction

1.1 Background to the Study:

By the mid 70s Nigeria was very rich due to oil revenue. It was acclaimed that Nigeria was so rich that the problem was how to spend the money accruing to her. Oil contributed 10.8 percent to the Gross Domestic Product (GDP) and 26.3 percent to the revenue in 1970. By the mid-seventies, the oil sector had began to contribute over 80 per cent of the country's foreign exchange earnings, a role that had been hitherto performed by the agricultural export sub-sector (CBN 1988).

According to Alkali (1997:45):

...At independence in 1960, Nigeria was the world's second largest producer of cocoa after Ghana. This reached its peak in 1970, when it began to decline. Similarly, palm kernels in the period 1960 to 1966, Nigeria was the world's leading producer of the commodity, exporting nearly 50 percent of the world's consumption. In the case of palm oil, Nigeria at independence was the largest producer and exporter. In the early 1960s, Nigeria produced well over half a million tons per annum. In the Northern part of the country, agricultural produce such as cotton, groundnuts and hides and skins were major export commodities.

Between 1977 and 1980, after the major oil price increase, Nigeria emerged the second largest exporter of crude oil, after Saudi Arabia, to the United States of America.

Concerning this rise of petroleum in Nigeria, Alkali (1997:47) has this to say:

...The share of oil was only 2.6 percent in 1960, this rose to ...65 percent in 1970... to 95.9 percent in 1975 and to 98.6 percent in 1982... In fact, Nigeria recorded the highest receipt of oil export earnings in the period of 1979 and 1983. For instance, between 1979 and 1985, a period of seven years, Nigeria's export earnings from oil alone stood at \$104.06 billion. Out of this, about \$70.33 billion was received between 1979 and 1983. In 1980 alone, Nigeria's oil export earnings amounted to \$24.942 billion, the highest Nigeria ever earned in any single year...

However the situation soon changed and Nigeria became rated among the poor nations of the world. Agriculture was neglected and because of huge trade surplus and foreign exchange earned from oil, the Nigerian economy came to depend more on imported food, raw materials and intermediate inputs.

On the neglect of agriculture and the consequent decline in its production, Alkali (1997: 46-47) again has this to say:

...by the mid 1970's Nigeria's agriculture began to decline...and...as Nigeria approached the 1980s, the country became a net importer of most of the agricultural commodities... between 1973 and 1980, a total of 7.07 million tons of wheat; 1.62 million tons of rice; and 431,000 tones of maize were imports into Nigeria were 93 percent of wheat, 44 percent for rice, and 95 percent for maize... Other features of the agricultural crisis included the raw materials crunch that hit the country in the 1980s...

Owing to geo-political and strategic factors, the United States and her major allies decided to limit their imports to countries in the Western hemisphere, particularly the non-OPEC countries. This led to the world oil glut of the early 1980s with some structural problems as its consequences including foreign exchange scarcity, capacity under utilization, global recession, unemployment, inflation, rising public debts and import bills, balance of payment deficit, low productivity and general social problems (Aikoye M.A 1989).

In April 1982, the Federal Government enacted the Economic Stabilization Act designed to arrest the deterioration in the balance of payment position to revamp the economy. These measures however, proved grossly inadequate in dealing with the intractable problems of the economy. In October 1985, the government declared a fifteen-month economy emergency period during which specified proportions of worker's salaries and companies profits were compulsorily paid to government.

1.2.1 TRENDS IN POVERTY LEVEL IN NIGERIA:

As observed earlier, it was alleged that Nigeria at one time had more money than it could adequately handle. This trend soon changed and many more Nigerians became poor. Nigeria became rated among the poor nations of the world.

1.2.2 TABLE I: TRENDS IN POVERTY LEVEL: 1980-96

| Trends in Poverty Level: 1980-96 (in %) | | | |
|---|---------------|----------------------------|-----------------------|
| Year | Poverty level | Estimated Total population | Population in Poverty |
| 1980 | 28.1% | 65m | 17.7m |
| 1985 | 46.3% | 65m | 34.7m |
| 1992 | 42.7% | 91.5m | 39.2m |

| | | | |
|------|-------|--------|-------|
| 1996 | 65.5% | 102.3m | 67.1m |
|------|-------|--------|-------|

Source: National Consumer Survey (NCS) 80, 82, 92, 96.

The incidence of poverty increased sharply between 1980 and 1985 and between 1992 and 1996. Whereas the population in poverty in 1980 was only 17.7m; in 1985 this figure rose to 34.7m; and to 39.2m in 1992. Then in 1996 the figure increased sharply to 67.1 million. And with the present trend in the economy, many more millions are in the poverty level. In an attempt to reduce poverty therefore, various individuals and groups established small scale industries.

1.3 Definition of Small Scale Industries

Small Scale Industries like most terms are variously defined by different scholars. On a simple note, small scale industries are business concerns that are owned and run, either by one individual or small group of persons. According to the United States Small Business Administration (SBA), an agency which offers loans and provides other services to small firms, “a small firm is one that is independently owned and its operation is not dominant in its field of operation. Gana (1995) defines entrepreneurship as, “the willingness and ability of an individual to seek out investment opportunities in an environment and be able to establish and run an enterprise successfully based on the indentified opportunities. Though the above definitions are based on managerial perspective, an entrepreneur is certainly affected by economic, sociological and psychological factors also. Agbonifoh B.A. *et al* (1999) describe a small business enterprise as “a set of interrelated activities carried out or undertaken with a view to making a profit. They went on to be more specific on the definition by saying that a small business enterprise is an organizational context within, which men, ideas, money materials and machines are combined for the purpose of providing needed goods and services in order to make a profit. From the foregoing definitions, the central idea about a small scale business is that it refers to a set of interrelated activities undertaken by an individual or a small group of persons to meet anticipated demand but at a profit.

1.4 The Characteristics and Potentials of Small Scale Enterprises to Economic Growth and Development in Nigeria.

It is of paramount importance to understand that the underlying background characteristics of business enterprises is the capitalist economic orientation, where private ownership of property and wealth is allowed and investments made with the aim of profit making. To enhance further understanding of the features of small businesses, it is necessary to know a simple classification of these businesses based on their locations in the production process. According to Agbonifoh (1999) depending on their location within the entire production process both small and big business organizations can be divided into four categories:

1. The extractors,
2. The Processors.
3. The Assemblers and
4. The Facilitators.

The extractors tap resources from their natural sources e.g solar energy from the sun, the wind power a can be used to move machines and many kinds of resources such as minerals are tapped from the ground.

The processors process the raw materials into finished consumer goods. In Nigeria, there are companies involved, in processing wheat into flour for use by bakers. Wheat is also processed into semovita for use by families and Hotels. Refineries, book binders, printers and breweries fall into this category.

The assemblers are involved in the putting together of parts to make up complete household or industrial equipment. Automobile companies, electronic industries are good examples here.

Finally, facilitators are companies which make things easier or more convenient for the general public or individuals. Typical examples are distributors and transporters of finished goods and services. Others are the mechanics, fabricators, repairers of radio, watches, banks and insurance companies.

1.5 The State of Small Scale Enterprises in Nigeria

Government after government has claimed to recognize the importance of small scale industries in the effort towards economic growth and development. Similarly many past governments since independence have equally come up with policies and programs aimed at boosting the indigenous entrepreneurs.

Government provided soft loans to serious minded entrepreneurs to either establish or expand project that have direct bearing on the lives of its rural populace.

The Nasarawa State government also established some industrial projects to act as catalyst for industrialization such as the Nasara Packaging Company, Fertilizer Blending Plant, Beef Factory, Lapidary Project, Sesame Seeds Cleaning Plant, among others.

1.6 Government Initiative and Incentive:

Among the special government programmes designed to assist indigenous entrepreneurs are the 'Small Scale Industries Credit Scheme' (SSIC), Industrial Development Centers (IDA) industrial estates, provision of industrial extension services and training of entrepreneurs and their staff.

The objective of the SSIC is to give loans to entrepreneurs especially those that are educated and technically qualified, to purchase machinery and equipment or modernize current operations. Working capital loans can also be given to entrepreneurs under the scheme.

The SSIC is operated by the state Ministries for Commerce and Industries through a Loan Management Committee. Funds for the loans are provided by the Federal and State governments and loans may only be given to entrepreneurs who are considered to have technical and managerial ability, integrity and are credit worthy.

Loans under this scheme are given out under liberal conditions, with low interest rates repayment in periods of 5-7 years, etc. to ensure that the loans are used for the purposes they were obtained, payment out of the loans are made directly to suppliers of equipment and materials rather than to the entrepreneurs.

The Industrial Development centers are also designed to provide industrial and management extension services to entrepreneurs and the staff.

The Industrial estate are areas designed for industrial development where infrastructure facilities such as factory sheds, power, water, drainage, telecommunication etc are concentrated to provide facilities and services for rapid development of both small scale and other industries. In this way, industrial establishments are supposed to be relieve of heavy initial cost of providing these infrastructures facilities for themselves.

1.6.1 National Directorate of Employment (NDE)

This is an agency established by the Federal government to keep the unemployed youth engaged in various ways.

- i. Some are engaged in special public works for which they receive token pay.
- ii. Some are attached to the organized entrepreneurs to receive training in various vocations aimed at making them self-reliant after graduation.
- iii. Loans are given to some others to invest in any business of their choice, including agriculture. Universities, graduates and others are those to benefit from this scheme.

1.6.2 National Agency for Poverty Eradication (NAPEP)

The main focus here is to give loans to unemployed youth in kind to enable them embark on self reliant ventures.

Beautiful as these schemes and programmes look, there are problems associated with their implementation which have rendered them ineffective.

One, many small scale enterprises are not aware of these assistance programmes from government. And even if they are, such services are often far away and are made cumbersome to obtain due to bureaucratic processes involved. E.g unemployed graduates have to give the originals of their certificates as collaterals before securing loans.

Two, critical assessment of government lending programmes to indigenous entrepreneurs have shown that capital shortage is not the major limiting factor in the development of enterprises. Instead problems of organizational efficiency, poor management and an environment fraught with uncertainties (especially economic and social insecurity) have kept indigenous enterprises small.

Three, inefficiency in loan procession has often resulted in long delay and subsequently frustrations for the applicants. No proper supervision to ensure that the loans are used as contracted. In addition, the problem of collateral is there. Many do not have what to give as acceptable collateral to obtain such loans. Sometimes loans are not given strictly on economic terms but on political grounds. The result is difficult in obtaining and also recovery of the loan.

Lastly, the 'IDC' and Industrial Estate programmes have impacted little or not at all, on the development of entrepreneurship in Nigeria. The Industrial Estates in some states of the Federation took off well but with the legion of the other problems around them especially the decline the power supply, most of the industries folded up.

1.7 A Survey of Sampled Small Scale Business Enterprises within Nasarawa State.

The researchers sampled a few small scale industries in the State in carrying out the study.

1.7.1 Sampling:

Sampling was necessary in this research as Selltitz, *et al* (1977:71) opined:

It is rarely necessary to study all the people in a group in order to provide an accurate and reliable description of the attitudes and behavior of its members. More often than not, a sample of the population to be studied is sufficient.

The researchers sampled the small scale business enterprises on a purposive manner. The focus was not on government owned enterprises but those established by individuals or small groups to examine how they battle with the problem of poverty. The choice was also based on businesses people/individuals who could start with very little capital. Hence the choice of timber/carpentry, printing, soap-making, fabrication/welding, juice extraction, poultry, and so on located in deferent senatorial zones of the state were sampled for study.

Six business enterprises were studied and the result analyzed narratively. They are:

1. ACVS Soap Making Enterprise – At Lafia (partnership)
2. Kauna Juice Making Company – Lafia (solely owned)
3. Nabele Printing Company – Akwanga (Solely owned)
4. Ekemize Saw Mill Akwanga – (solely owned)
5. Jide Metal Construction and Fabrication Works – Keffi (solely owned)

1.7.2 Methodology:

The Participatory Rapid Appraisal (PRA) method was used. This was aimed at getting a better and quicker result. This is because according to Chambers (1994:956), people are

becoming disillusioned with the normal process of questionnaire surveys and their results. Over many years and in many places (see e.g. Moris, 1970, Campbell, Shrestha and Stone, 1979) the experience had been that large scale surveys with long questionnaires tended to be drawn-out tedious, a headache to administer, a nightmare to process and write-up, inaccurate and unreliable data obtained, leading to reports, if any, which were, long, late, boring and anyway ignored.

Concerning the validity and reliability of this method, Chambers (1994:1253) again said:

...The power and popularity of PRA are partly explained by the unexpected analytical abilities of local people when catalysed by relaxed report, and expressed through sequences of participatory and especially visual methods. Evidence to data shows high validity and reliability of information shared by local people through PRA compared with data from more traditional methods..

The PRA has a “tools kit” and a few of the “tools” used in carrying out the research included Focus Group Discussion (FGD), semi-structured interview, and in-depth interview.

1.7.3 Focus Group Discussion

This “tool” was used in relation to the group comprising workers in the soap making enterprise. The group was selected to make for smooth interaction (Khan and Manderson, 1992:3), according to their sexes and ages.

1.7.4 In-Depth Interview:

Through the in-depth interview method, certain key individuals with detailed knowledge of the subject matter were further interviewed in order to enrich the study. Those who fell into this category were the owners of the enterprises as most of them were the sole owners.

One other person who fell in this category was the one interviewed in the State Ministry of Commerce and Industries, Lafia.

1.7.5 Semi-Structured Interview:

The PRA method involved the researcher introducing the topics to be discussed as the interview proceeds.

According to this and Grade (1991:3)

The central technique on which any PRA is based is semi-structured interviewing (SSI), or conversational interviewing...(it) does not involve a formal questionnaire, but instead makes use of a flexible interview guide to help ensure that the interviews stay focused on the relevant issues, while remaining conversational enough to allow participants to introduce and discuss issues which they deem relevant...

1.7.6 Data Presentation and Analysis

Most of the business enterprises studied are diverse in operation ranging from poultry production where both layers and broilers are raised, for both meat and eggs production, to timber sales, printing works, metal fabrication in which agricultural equipment such as Egusi milling machines, groundnut breaking machines, welding of vehicles, metal doors, windows, etc are made.

The study revealed that most of the proprietor had only secondary education.

The main sources of funding are through personal saving, with occasional support from relations/friends.

While the soap making factory had twenty people in its work-force, others had less than ten people each.

On markets for their products, most of them said they have ready markets for their products; only they could not meet the demands.

On whether they are satisfied with their profit, many agreed they make profits some how but such profits are put back into running the business because of high cost of raw materials and transportation due to increase in prices of petroleum products. A few however said they are not satisfied with their profits, but wishing for funds to expand their business further.

On whether they get support from government, most of them said they do not get any support from government. Only the co-operative producing soap agreed they ever got a Government bank loan. Even then, there was always the problems of securing acceptable collaterals and guarantors.

1.7.9 RECOMMENDATIONS

If small-scale enterprises are to achieve the objective of eradicating poverty in the society and laying solid foundation for industrial development, then government must demonstrate the political will to provide the enabling environment for them to thrive.

Capital: Government should provide assistance for those who started business but ran short of working capital. The amount of money allocated for small scale industries should be increased and released at the appropriate time and collateral should be relaxed and made affordable by the small scale entrepreneurs.

Consistency in Policy: Government should be consistent in her policy as certain changes in policy especially by new governments drastically affect the small scale enterprises.

Employment: Government should reduce the gap between the rich and the poor by providing employment.

Market Network: Government should provide market networks for the small scale enterprises by subsidizing the cost of advertisement for their products.

Petroleum Product: The price of the petroleum product should be regulated because any change in this would affect every other sectors of the economy.

Rural Electrification: It should be strongly embarked upon because many business fail because of lack of adequate power supply.

Organized Private Sector: The organized private sector should be encouraged to form partnership in order to approach project development collectively.

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