
Challenges in Accessing Financing Opportunities for Small-Scale Businesses in Rumuepirikom Community, Port Harcourt.

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ABSTRACT

The study examined the extent to which small-scale business owners in Rumuepirikom community have accessed the financing opportunities available to them and the challenges they face. Rumuepirikom is a community in the city of Port Harcourt which is the hub of the oil-rich Niger Delta in Nigeria. The study was guided by two (2) research questions and two hypotheses. The survey research design was adopted for the study. The population of the study was made up of 200 registered small-scale business owners in Kala market in Rumuepirikom community. Data were collected with self-structure questionnaire from 100 small-scale business owners randomly selected from the population. The data were analyzed with mean and standard deviation statistical tools. The findings reveal that small-scale business owners in Rumuepirikom community have accessed available financial opportunities to a low extent (mean of 1.88) and they face challenges of high cost of capital and unusual collateral requirements. The results also show that the respondents differed significantly as to the extent they have accessed available financing opportunities based on their gender. It was recommended that the State and local government authorities should formalize the thrift collection system, financial institutions should reduce their interest on credit facilities and the documentary requirements so as to encourage small business owners to access the financing opportunities.

Keywords: *Small-scale business, financing opportunities, credit facilities, thrift collection,*

INTRODUCTION

Small-scale businesses have greatly imparted on the economic development of many developing and developed countries. In the United States of America, Edmiston (2007) pointed out that it is believed that small businesses create more jobs than the larger businesses. Hecht (2014) also pointed out that almost half of America's workforces (that is, 120 Million people) are employed by small businesses. This goes to show how important small businesses are to developed economies. The developing economies are not left out as small businesses have been proven to employ more people in various developing countries like Nigeria, Ghana, Cameroon etc.

Since the 1970's the Nigerian government has been making efforts to build up the small and medium enterprises sector of the economy by recognizing the roles they play in nation building, and initiating programs to assist small businesses in the areas of finance, extension and advisory services (Umeh, 2009). This led to the establishment of specialized banks and other credit agencies with the sole aim of providing customized funding for these businesses.

Oye in Bupo (2016) highlighted several financing opportunities that can be available to small businesses. They include Microfinance schemes, thrift collection (Akawo), loans, Central Bank's Small and Medium Industries Equity Investment Scheme (SMIEIS) and agricultural

financing through the Bank of Agriculture. Though Bupo (2016) had found out that small business owners in Rumuepirikom community are aware of these financing opportunities, the concern is whether they access them or not. Access to these funding opportunities can make small businesses to thrive and help in producing the needed economic vibrations that can move the nation out of the current recession.

Eriki and Inegbenebor (2009) noted that the commonly adduced reasons for the inability of small-scale businesses to meet the expectations of government in accelerating job creation, increasing the production of goods and services, facilitating technology transfer, creating more opportunities for entrepreneurs is due to lack of access to credit facilities. Since loan is to be repaid, financial institutions are very careful to part with the fund put in their trust by the shareholders. The prospective borrowers (small-scale business owners) are expected to come up with convincing business plans or feasibility plans. This is a comprehensive, detailed document that will show the viability of the project for which the loan is being sourced for. Most small-scale business owners do not have all these documents which makes it difficult for them to get access to financing opportunities.

Other challenges that small business owners may face in access financing opportunities include:

High cost of capital: The cost of capital is the rate which a company has to pay for its finance. If the credit facility has a high cost of capital, it could discourage small business owners from access the financing opportunity.

Inability to raise equity finance: Equity finance is the type of finance available to companies through the sale of part of the ownership of the company. This finance method is only available to publicly quoted companies who can sell their shares to raise money in the open market. The inability of small scale businesses to raise money through equity finance compounds their finance problems as they are left with one or two viable options.

Unusual collateral: The Nigerian small scale business owners have in the past found it difficult to raise finance or to borrow money from the banks and other financial institutions as the terms stipulated by these financiers cannot be met by the borrowers. In some cases, it had been found that some of the unusual collateral required do not apply to all prospective borrowers but only to those without strong financial background like the small business person. Okafor in Okafor and Onebunne (2012) posited that large firms are more likely to be given access to financing opportunities than small businesses because they provide better collateral.

Provision of business or feasibility plan: Most small-scale business owners do not have business or feasibility plan for their businesses and as such it is difficult for small-scale businesses to get access to financing opportunities. Banks tend to focus on large business owners than on small businesses this is because they often provide adequate and qualitative financial information about their past and current operations and can better articulate future plans of their business to support loan demands (Mumbula cited in Okafor and Onebunne, 2012).

The study was carried out in Rumuepirikom community, in Port Harcourt City which is the capital of the oil-rich Rivers State, Nigeria. Many small businesses operate in the area and hence the reason why the study was carried out in the area. The major concern of the study is whether small-scale business owners have accessed these financing opportunities that have been made available to them and whether there are challenges that are faced while trying to access them.

PURPOSE OF THE STUDY

The study sought to determine:

1. The extent to which small-scale business owners in Rumuepirikom community have accessed available financing opportunities for the growth of their businesses.
2. Determine the challenges small-scale businesses in Rumuepirikom community have in accessing the available financing opportunities.

RESEARCH QUESTIONS

The following research questions were raised to guide the study.

1. To what extent have small-scale business owners in Rumuepirikom community accessed available financing opportunities for the growth of their businesses?
2. What are the challenges small-scale business owners in Rumuepirikom community have in accessing the available financing opportunities?

Hypotheses

The following null hypotheses were tested at 0.05 level of significance

1. There is no significant difference in the extent to which small scale business owners in Rumuepirikom community have accessed the available financing opportunities based on their gender.
2. Male small-scale business owners do not significantly differ from their female counterparts in the challenges they face while accessing the available financing opportunities in Rumuepirikom Community.

METHOD

The survey research design was used for the study. According to Shuttleworth (2008), the survey research design is appropriate for this study because it is a very valuable tool for assessing opinions and trends. 100 business owners were sampled from a population of 200 business owners who registered with the Kala Market Union. The Kala Market is the main market in the Rumuepirikom community, Port Harcourt. The simple random sampling technique was used in selecting the sample. The instrument used for data collection was a questionnaire structured by the researchers. The instrument was administered by the researchers to the shop owners. The filled questionnaire was retrieved immediately. Mean and standard deviation were used to answer the research questions while Z-test was used to test the Hypotheses. The decision rule was to retain the hypothesis if the Z-Calculated is less than the Z-critical value and to reject the hypothesis if the Z-calculated is greater than or equal to the Z-critical value.

RESULTS

Research Question 1: To what extent have small-scale business owners in Rumuepirikom community accessed available financing opportunities for the growth of their businesses?

To answer the Research Question, the mean ratings of the responses were calculated and the result presented in table 1 below

Table 1: Mean ratings of extent of accessing financing opportunities available for small-scale businesses

S/N	To what extent have you accessed these financing	VHE	HE	LE	VLE	Mean (X)	Standard deviation	Remark
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opportunities									
1	Loans from Microfinance Banks	9	14	45	32	2.00	0.91	Low Extent	
2	Thrift Collection (Akawo)	27	44	20	9	2.89	0.90	High Extent	
3	Loans from Commercial banks	5	9	46	40	1.79	0.80	Low Extent	
4	Central Bank of Nigeria (CBN) small and medium industries equity investment scheme (SMIEIS)	-	1	22	77	1.24	0.45	Low Extent	
5	Agricultural financing through the Bank of Agriculture	1	4	37	58	1.48	0.62	Low Extent	
	Total mean					9.4			
	Grand mean					1.88		Low Extent	

Table 1 reveals that small-scale business owners in Rumuepirikom community have accessed loans from microfinance banks to a low extent (mean of 2.00), thrift collection (akawo) to a high extent (mean of 2.89) and loans from commercial banks to a low extent (mean of 1.79). The results show that small-scale business owners have accessed loans from the central bank of Nigeria (CBN) small and medium industries equity investment scheme (SMIEIS) and agricultural financing through the bank of agriculture to a low extent (mean of 1.24 and 1.48 respectively). With a grand mean score of 1.88 it shows that small-scale business owners in Rumepirikom community have accessed the available financing opportunities to a low extent.

Research Question 2: What are the challenges small-scale business owners in Rumuepirikom community face in accessing the available financing opportunities?

To answer the Research Question, the mean ratings of the responses were calculated and the result presented in table 2 below

Table 2: Mean analysis of challenges faced by small business owners in Rumuepirikom community in accessing financing opportunities

S/N	What challenges do you face in accessing financing opportunities	SA	A	D	SD	Mean (X)	Standard deviation	Remark
1	Small-scale business owners are unable to raise equity finance	27	38	21	14	2.78	1.00	Agreed
2	Financial institutions use high cost of capital to scare away small-scale business owners	29	46	19	6	2.98	0.85	Agreed

3	Financial institutions ask for unusual collateral	33	48	14	5	3.09	0.81	Strongly agreed
4	Financial institutions ask for business or feasibility plan	35	34	23	8	2.96	0.95	Agreed
	Total mean					11.81		
	Grand mean					2.95		Agreed

Table 4 indicates that small-scale business owners face challenges that deny them access to available financing opportunities. With a grand mean score of 2.95 it is agreed that small-scale business owners in Rumuepirikom community face these challenges when trying to access financing opportunities available to them. The challenges include high cost of capital, demand for valuable collateral, and other documentary procedures (production of business and feasibility plans). The results show that the small-scale business owners agree that they face these challenges as they attempt to access the financing opportunities available to them.

Hypothesis 1: There is no significant difference in the extent to which small scale business owners have accessed the available financing opportunities based on their gender. The hypothesis was tested with Z-test at 0.05 level of significance with degree of freedom of 98 and the results are presented in Table 3 below:

Table 3: Z-test result on the extent of access to financing opportunities available for small-scale entrepreneurs in Rumuepirikom community based on gender.

	<i>Female</i>	<i>Male</i>
Mean	1.941772	1.614286
Known Variance	0.297592	0.222286
Observations	79	21
Hypothesized	Mean	
Difference	0	
Z	2.73361	
P(Z<=z) one-tail	0.003132	
z Critical one-tail	1.644854	
P(Z<=z) two-tail	0.006264	
z Critical two-tail	1.959964	

The result in Table 3 above shows that the Z-Calculated is 2.73 which is higher than the Z-Critical value of 1.95 tested at 0.05 level of significance. The hypothesis is therefore rejected which means that there is significant difference in the extent to which small scale business owners have accessed the available financing opportunities based on their gender.

Hypothesis 2

Male small-scale business owners do not significantly differ from their female counterparts in the challenges they face while accessing the available financing opportunities in Rumuepirikom Community.

The hypothesis was tested using Z-test at 0.05 level of significance and degree of freedom of 98. The result is therefore presented in Table 4 below.

Table 4: Z-test result showing the challenges faced small scale business owners in accessing the available financing opportunities in Rumueprikom community based on gender.

	<i>Female</i>	<i>Male</i>
Mean	2.996835	2.761905
Known Variance	0.619445	0.652976
Observations	79	21
Hypothesized	Mean	
Difference	0	
Z	1.190608	
P(Z<=z) one-tail	0.116904	
z Critical one-tail	1.644854	
P(Z<=z) two-tail	0.233808	
z Critical two-tail	1.959964	

The result in Table 4 above shows that the Z-Calculated is 1.19 which is less than the Z-Critical value of 1.96 tested at 0.05 level of significance and a degree of freedom of 98. The hypothesis is therefore retained which means that male small-scale business owners do not significantly differ from their female counterparts in the challenges they face while accessing the available financing opportunities in Rumueprikom Community.

DISCUSSION OF FINDINGS

The implication of the result of Research Question One shows that small-scale business owners in Rumueprikom Community have accessed available financing opportunities to a low extent. This is in line with Eriki and Inegbenebor (2009) who noted that the commonly adduced reasons for the inability of small-scale businesses in Nigeria to meet the expectations of government in accelerating job creation, increasing the production of goods and services, facilitating technology transfer and creating more opportunities for entrepreneurs is due to lack of access to credit facilities. Terungwa (2011) pointed out that a 2001 World Bank survey on Nigeria showed that although 85% of the firms had relationship with banks, most of them had no access to their credit. Without proper funding, the growth of small-scale businesses becomes stagnant and this affects economic growth in general.

Based on the result of research question two, it can be seen that small scale business owners face challenges in accessing available financing opportunities. This finding agreed with the opinion of Adidu (2006), who listed the problems faced by small-scale business owners in accessing available financing opportunities to include: high cost of capital, inability to raise equity finance, unusual collateral demands, and provision of business plan or feasibility plan. Gbandi and Amisah 2014 stated that the lack of adequate financing for the Small-scale businesses is traceable to, among other reasons, the reluctance of banks to extend credits to them for the following reasons: inadequate collateral by SMEs operators, weak demand for the products of SMEs as a result of the dwindling purchasing power of Nigerians, lack of patronage of locally produced goods, poor management practices by SMEs operators, and undercapitalization.

The implication of these shows that small-scale business owners in Rumuepirikom community face all these challenges and more in accessing the available financing opportunities.

According to Basil (2005), lack of easy access to funding/credits can be traceable to the reluctance of banks to extend credit to them owing to poor and inadequate documentation of business proposals, lack of appropriate and adequate collateral, high cost of administration and management of small loans as well as high interest rates.

CONCLUSION

From the results of the study, the researchers hereby conclude that Small business owners in Rumuepirikom community of Port Harcourt, Rivers State have accessed available financing opportunities to a low extent and they face various challenges when they try to access the financing opportunities.

RECOMMENDATIONS

Based on the findings of the study, the following recommendations are put forward:

1. State and local government authorities should consider regulating and formalizing the thrift collection (AKAWO) system since it proves to be the most accessed financing opportunity for small businesses in Rumuepirikom community.
2. Financial institutions like the commercial banks and the Microfinance Banks in Port Harcourt should reduce the documentary requirements needed in releasing credit facilities to small business owners. This will help encourage those business owners who have viable business ideas but are not highly lettered to have access to these financing opportunities.
3. Financial institutions should reduce the interest placed on credit facilities to encourage small business owners to access such facilities.

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