
Six Critical Business Challenges and the Performance of Small Scale Business Enterprises in Bida Metropolis

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ABSTRACT

Before now, there has been a continuous change of emphasis from the large scale industrial project to small scale industrial project. Thus, the result had always been a phenomenal growth in the number of small scale enterprise activities. This growth is mainly on account of people's desire to be self-employed and be their own boss. But the challenges of managing small scale enterprises have today assumed a hydra headed dimensions. Thus, six critical business challenges affecting the performance of small scale business enterprises were studied in relation to Bida Metropolis. We found that Capital shortage and marketing comes first and last respectively. It was recommended among other things that stakeholders in the small scale business sector should be involved in policy formulation and implementation for them to be efficient and effective and also yield expected performance.

Keywords: Small Scale, Business, Enterprises, Challenges, Prospects, National Directorate of Employment

INTRODUCTION

In Nigeria today, there has been a continuous change of emphasis from the large scale industrial project to small scale industrial project with potentials for developing domestic linkages for rapid, sustainable industrial development in the country. Muhammad, Char, Yasoa & Hassan (2010) argued that apart from their potential for ensuring a self-reliant industrialization, in terms of ability to rely largely on local raw materials, small scale enterprises, are also in a better position to boost employment and guarantee a more even distribution of industrial development in the urban settlements. But, small scale enterprises in Nigeria, particularly in Niger State are experiencing operational challenges arising mainly from the current economic situation. One of such critical challenges is in the area of raising equity capital from the finance houses or individuals and even when the finance house agreed to provide equity capital, the conditions are appears to be difficult to meet. Many of the small scale businesses in Bida are not growing because of the problem of poor financing. Others critical challenges are Lack of entrepreneurial skills, Basic Infrastructural, Weak Raw Material Base, Capital shortage, Marketing, Technical Know How.

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All these are the consequence of the inability of owners to employ the services of experts and use of obsolete equipment and methods of production. However, on the policy aspect of small scale business enterprise, several literature revealed that most policies meant for small scale business enterprises were not effective due to the fact that the operators, managers or proprietors of the Small Scale Business Enterprises were neither consulted nor involved in the formulations of such policies, which were expected to solve their problems; hence, there were apparent misplacements of priorities and emphases even at the local government level.

However, some of the small scale enterprises that are adequately managed and properly funded in some states and local government areas have been helping the federal government to achieve some macro-economic objectives which include employment creation, mobilization of local resources, mitigating rural urban migration and poverty reduction. Thus, one could also attest that these enterprises also help in encouraging capacity utilization in agriculture and industries, income distribution, and encourage development of local technology which has been the emphasis of the present administration of President Muhammadu Buhari. Thus, this paper unraveled six major challenges currently affecting the performance of small business enterprises in Bida Metropolis.

METHODOLOGY

The population of the study consists of all small business operators in Bida, Niger State. A total of one hundred and fifty (150) questionnaires were distributed via research assistants. However, only one hundred and thirty one (131) of the administered questionnaire was returned. This implies that 131 small business operators were included for the study. The operators studied, were randomly drawn from Umaru Majigi A and B, Dokondza, Masaga, Wadata and Kyari Wards of Bida Local Government Area of Niger State. These wards were chosen because they constitute the main commercial areas and hence have greater number of small business operators in Bida.

THEORETICAL FRAMEWORK

Small Scale Business Enterprises

It is easy to see that small scale business enterprises all over Bida Metropolis are involved in a wide range of social and economic activities making it partially difficult to have a static and single definition of the concept. Thus, different countries have their different meaning of the concept of small scale business which is usually linked to the stage of their social and economic development. But in most cases of developing economy, all enterprises having small equity and loan capital that are too small to

attract investors are seen as small scale business enterprises. On this note, one could agree with Osuagwu (2001) submission that the Enterprise Promotion Decree of 1989 as amended in 1994 defines small scale business as any enterprise set up to make the owner self-employed and self-reliant. He went further to add that such businesses include business centers, organized mechanics and allied artisan such as electricians; panel beaters supermarkets, gift shops, firewood supply, packaging of food items, meat retailing, plantain chip production, restaurant service, small scale poultry raising, event managers, soap production, aqua culture/fish farming, chalk making, nylon production, cement block production, hair/body cream productions, commercial poultry, etc. He also argued that the Decree does not laid emphasis on the amount of capital or on the number of employees engaged by the business but on creating employment for the owner. Away from the foregoing, explanations and definition, Fasua (2006) still believe that small scale business enterprises are those enterprises having a maximum asset base of N20 million excluding land and working capital with the number of employees not less than 10 and not more than 300. Umebali (2009) believed that small-scale industry is an industry with total capital employed not less than N1 million but not more than N50 million and labour size of between 11-100 workers.

From these definitions, we could draw some simple meaning of small scale business enterprises as follows:

- i. An enterprise with a small initial capital outlay and in most cases the initial capital outlay is made up of contributions by a small group of people;
- ii. An enterprise managed by its owner in a personalized way. In other words, the manager is also the owner and in some cases ownership structure is family centered;
- iii. An enterprise with relatively small share of market in economic terms. In other words, the area of market coverage tends to be localized; and,
- iv. An independent enterprise in the sense that it does not form part of a larger enterprise and it is relatively free from outside control in its principal decisions.

Nevertheless, the definitions above have been treated in Haruna (2015) as features of small scale business.

CHALLENGES OF SMALL SCALE BUSINESS ENTERPRISES

The fact that Small Scale Business Enterprises compared to other western countries have not made the desired impact on the Nigerian economy particularly in the aspect of manufacturing, mining and agriculture as it affects merchandizing of goods and services in spite of all the efforts and

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support of successive administrations and governments gives a cause for concern. It underscores the belief that there exists fundamental issues or problems, which confront Small Scale Business Enterprises at local state and National levels but which up to this time have either not been addressed at all or have not been wholesomely tackled. A review of some of the critical areas of business activities reveals the following plethora of challenges, which are enormous, fundamental and far-reaching:

Basic Infrastructural

Olise (2006) for some years back now believed that Small Scale Business Enterprises in Nigeria operates in an environment with very poor infrastructure which constitutes a barrier to entry and hinders competitiveness. One could argue that some infrastructural facilities like power, communication, road network, light railways, irrigation machinery and equipment are the infrastructures that seriously hampered the development of small scale business enterprises in Metropolitan areas in Nigeria. Thus, lack of these identified infrastructures has resulted to closing of some of the existing small businesses while new ones are not coming and also inconsistent/epileptic power supply and high billing has contributed to low production capacity of small businesses in rural areas. Although some of the small business owners have resorted to the use of diesel engines to run their businesses which has always resulted to high cost of production and consequently high cost of goods and services. Also these problems have led to the closure of branches of bigger businesses like Michelin Tires, Bida sales office. The foregoing was corroborated in Ukpabio (2004) where he argued that inadequate, inefficient, and at times, non-functional infrastructural facilities tends to escalate costs of operation as Small Scale Business Enterprises are forced to resort to private provisioning of utilities such as electricity, transportation and communication.

Raw Material Based

This is another critical challenge faced by small scale business enterprises in Bida Metropolis. Osuagwu (2001) was of the opinion that due to poor state of agricultural sector, there has been lower and weak production of raw materials for agro allied enterprises which resulted to excessive reliance on the external sector supplying raw materials that are agro allied based at higher costs. Thus, the small business sector of Nigeria economy has been dependent on imported raw materials and capital goods. Most of the beverage industries cosmetics, cement, rubber, (plastic producers), and some other food industries depends on imported raw materials for their production even though there are abundance of untapped raw materials in the local areas.

Capital Shortage

It is no more news that business enterprises are currently facing cash crunch challenges in all the local government areas of Niger state. This is a problem that has been on existence for a while. Nevertheless, the burden of proof of evidence has been lessened as Aremu (2004) posits that lack of short, medium and long term capital, inadequate access to financial resources and credit facilities posed a critical challenge to the growth of small scale enterprises in Nigeria. He thus, observed that small scale enterprises have critical financial challenges in at least three aspects:

- i. Securing funds in small amount at rates comparable with those paid by large industries.
- ii. Building and manufacturing adequate financial reserves
- iii. Securing long term equity capital.

From this aspects, uneasy access to credit facilities experienced by small business operators in Bida, have been traced to the reluctance of banks to extend credit to small business operators owing, among others, 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.

Marketing

One of the major marketing problems facing small business enterprises in Bida Metropolis is lack of understanding and the application of marketing concepts. Most small business owners equate 'marketing' to 'selling' and this is reflected in their various dysfunctional business behaviour against customers' satisfaction and good business orientation. Fasua (2006) argued that most business owners operating in local environment lack the knowledge and skills of basic marketing ingredients such as marketing research, market segmentation, and marketing planning and control. The outcome of this is poor quality products, unawareness of competition, poor promotion, poor distribution, and poor pricing methods. They are not marketing oriented and market-focused. However, if a marketer is defined as someone who understands and applies marketing in order to create, build, and maintains beneficial relationships with target markets, then some operators of small business enterprises in Bida Metropolis lacks understanding of marketing concepts.

Technical Know How

The technological knowhow is another critical challenge facing the small scale businesses operators in Bida Metropolis. Thus, Olise (2006) was of the view that it is rare for the small business entrepreneur to have strong managerial and technical expertise. He said that many small business owners engage in industries where they do not have appreciable

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technological background or experience. He further stated that “due to the size of such industrial units, technical advice and advisory department are normally non-existent hence there is lack of technical advice on operational problems in the workshop, development work on issues relating to efficient utilization of labour, equipment and also proper use of raw materials, improved product design, technical training for staff and know-how to resolve problems of high production cost and poor quality of products all combined to affect the performance of business operations in area.

Lack of Entrepreneurial Skills

Lack of appropriate entrepreneurial skills with the attendant lack of strategic plan, business plan, succession plan, adequate organizational set-up, transparent operational system, etc on the part of many founders and managers of Small Scale Business Enterprises in Bida Metropolis have a very serious challenge in this sector. A fallout of this scenario as argued by Fatai (2011) is that many of the small business promoters will be purchasing obsolete and inefficient equipment thereby setting the stage for lower level productivity as well as substandard product quality with dire repercussions on product output and market penetration and acceptance. In spite of the fact that training institutions abound in Nigeria, they rarely address the relevant needs of Small Scale Business Enterprises especially in the areas of Accounting, Marketing, Information Technology, Technological processes and development, International trade, Administration and management of Small and Medium Enterprises. Essentially, Small Scale Business Enterprises are left most often on their own to eke out success amidst the avalanche of operational difficulties inherent in the current Nigerian business environment as well as the operational shortcomings, which characterize institutions set up to facilitate small and medium scale businesses and to boost their level of operational performance.

Relative Intensity of the Various Challenges of Small Scale Business Enterprises

The relative intensity of the various challenges of small scale business enterprises clearly shows that capital shortage with a response rate of 30 respondents, representing 22.9% and covering an area of 82.4⁰ and also ranked one (1) appears to be the greatest challenge facing small scale business enterprise today. Lack of entrepreneurial skills was ranked second (2) and has a response rate of 29 representing 22.1% and occupies 79.7⁰ of the pie chart. Technical know-how comes third (3) in the ranking with response rate of 26 respondents representing 19.8% and covers 71.5⁰ of the pie chart. Basic infrastructure takes forth (4) in the ranking with 23 respondents representing 17.6% and 63.2⁰ coverage on the pie chart. Weak raw materials base was ranked fifth (5) with a respondent’s rate of 12

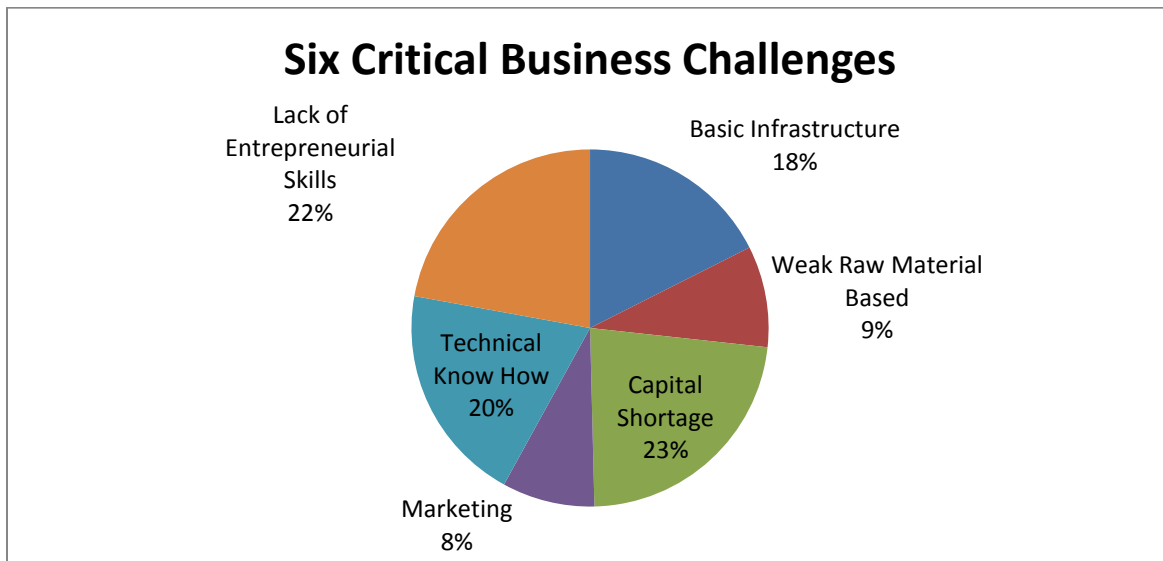
representing 9.2% and covers 33.0⁰ and marketing come sixth (6) with response rate of 11 representing 8.4% and covering 30.2⁰ of the pie chart. The table below shows the frequency, percentage, proportion of area covered in pie chart and ranking of each of the six critical business challenges and the performance of small scale business enterprises in Bida Metropolis.

S/No	Challenges	Frequencies	Percentages	Pie Chart	Ranking
1	Basic Infrastructure	23	18.0	63.2	4
2	Weak Raw Material Based	12	9.0	33.0	5
3	Capital Shortage	30	23.0	82.4	1
4	Marketing	11	8.4	30.2	6
5	Technical Know How	26	20.0	71.5	3
6	Lack of Entrepreneurial Skills	29	22.0	79.7	2
TOTAL		131	100%	360⁰	

Source: Questionnaire Administered, 2016

The Pie Chart

The pie chart below indicates the various areas covered by each of the six critical business challenges and the performance of small scale business enterprises in Bida Metropolis in a pie chart.



Source: Research Questionnaire Administered, 2016

These identified six critical challenges, notwithstanding their enormous depth, breadth and intensity; it is fair and proper to acknowledge the fact that the present government at all levels did not fold their arms to watch the Small Scale Business Enterprises wallow in the gamut of these critical

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problems. There is no doubt; the government fully appreciates the opportunities Small Scale Business Enterprises create for employment, their contributions to economic growth and development as well as the constraints and difficulties in their operating environment. All these explain why since the coming on board of this new government there have been increased emphasis in self-employment through agribusiness and new direction to various support, facilitatory and regulatory agencies and also emergency relief measures specially structured to render assistance and succor to minimize the challenges, which Small Scale Business Enterprises typically face if not to eliminate them as soon as 2016 budget secure the much awaited presidential assent.

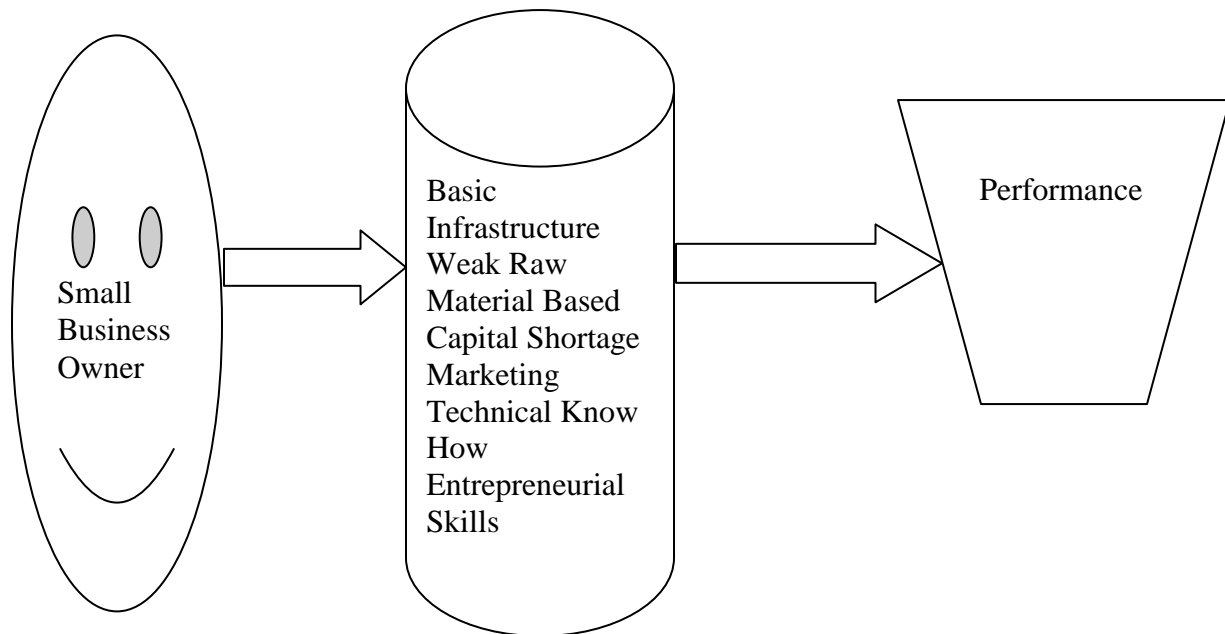
PERFORMANCE OF SMALL SCALE BUSINESS ENTERPRISES

Performance of Small Scale Business Enterprises has been taught with many conflicting definitions and it is not a new phenomenon among the academics and the industrialists as well as public institutions. Business performance has been a source of influence to the actions taking by companies and the degree to which a business enterprise realizes its goals as well as the stated objectives of the enterprise through the strategies and policies of such enterprise. The idea of performance of business enterprises is hanged on the position or premise that it is a combination of productive assets made up of human, physical, and capital resources, for the major reason of fulfilling a dream, vision or accomplishing a shared purpose (Aremu, 2004). Business performance is also viewed as the measure of how a business owner or manager utilizes the resources of the enterprise efficiently and effectively to accomplish the goals of the business enterprise as well as satisfying all the stakeholders (Ukpabio, 2004).

In his own contribution, Fasua (2006) described performance of business as the real input measured against the intended or expected output. They viewed business performance as a term that is made up of three major areas of firm outcomes and these are:

- i. Financial Performance that is made up of profits, return on assets (ROA), return on investment (ROI) etc.
- ii. Product Market Performance such as sales, market share, etc.
- iii. Shareholders return such as total shareholder return (TSR), economic value added (EVA).

Generally, the performance level of small scale business has been going low due to the critical challenges that were observed and exemplified below:



These challenges should not deter small business owners from continuing their operations in Bida Metropolis because the governments at all levels are neither relenting nor giving up in their bid to revamp and invigorate the fortunes of Small Scale Business Enterprises so as to enable them play the expected role in Nigeria's economic growth and development. This is evidenced by the government's establishment of as well as the new mandate given to the Bank of Industry (BOI), Bank of Agriculture (BOA) and the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN)

CONCLUSION AND RECOMMENDATIONS

As far as the present socio-economic condition economic downturn era is concerned the small scale business enterprises provides the alternative to employment opportunities that do not exist in the public sector, hence, its growth potentials. Based on what has been unraveled in this paper, it was concluded that:

- i. Bida Local Government policies to support the operations of the small scale business had not been effective and productive. From all indications, there are observed lapses inherent in them, the policies were either defective in their formulation and conceptualization, or were not truly and religiously implemented.
- ii. The phenomenal growth of small scale enterprise is mainly due to the people's quest to be self-employed and not because it is easy to establish or manage in Bida Metropolis.
- iii. Operators face challenges as observed and so each tries to satisfy his customers so as to maintain his market share.

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- iv. Small scale business enterprises are viable and profitable ventures in the economic development of Bida metropolis.
- v. There are bright future prospects for small scale business enterprises in Niger state.

In line with the conclusions above, the following recommendations were made in the belief that they will promote and stabilize small scale business enterprise of implemented.

- i. The government should re-introduce the small business credit scheme so that beneficiaries can use them to run the small and medium enterprise. Beside seeks for other sources of funds such as fiend, relatives and co-operatives societies.
- ii. The government, chamber of commerce and other non-governmental organizations should regularly organize seminars for potential and actual small scale business operators where they should be educated on how to plan, organize, direct and control their businesses activities in the face of challenges.
- iii. Small business operators should device effective marketing strategies. This includes such effective and aggressive promotional strategies such as advertising, good management-customers relations at all times.
- iv. Continuous improvement in the quality and quantity of goods sold in the business. Thus, the quality and quantity of products should be high at all times to meet international standard. This will attract more customers and markets outside Nigeria. Besides, operators should exploit ways of producing at medium and low costs products and selling at relatively low price. This will make demand to be high and effective always.
- v. Bida Local Government Council should embark on a current census/survey of small scale enterprises to gain a fresh and comprehensive understanding and knowledge of their population and distribution by sectors such as agriculture, manufacturing, services, trade, construction, mining, technology etc, Thus, the Census result should be used for policy formulation, implementation and intervention, vital advice on new investments, growth and profitable areas, raw materials availability as well as available technology, available markets and available sources of funds and assistance.
- vi. Lastly, all the stakeholders in the small scale business sector should be regularly involved in policy formulations and implementation for them to be efficient and effective and also yield greater performance and also boots economic development.

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