

## **BUSINESS AND ECONOMICS DEVELOPMENT IN NIGERIA: THE LESSON TO BE LEARNT**

**Odiwo, Williams Omokhudu<sup>1</sup>, Kifordu, Anthony Aniyibuofu (Ph.D)<sup>2</sup>, Oboh, Isaiah<sup>3</sup>,  
Maduagwu Nneka(Ph.D)<sup>4</sup>**

*1,2,3Department Of Accounting, Business Administration and Economics  
Faculty of Arts, Management and Social Sciences  
Edo University, Iyamho  
Edo State, Nigeria*

*4 Department of Business Administration  
Enugu State University of Science and Technology, Enugu, Nigeria*

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### **ABSTRACT**

*This paper examined recent and spatial patterns of manufacturing in Nigeria. In particular, the paper shows that small scale business in the industrial development of a country involved considerable artisan crafts firms in the early stages and growth. It concludes that the spatial pattern could change if industrialist adopt the strategy of industrial linkages and especially production subcontracting which has become a driving force in contemporary industrial development efforts in the world today. It is expected that the situation could be better enhanced given the ongoing privatization of industrial concerns along the Public Private partnership Policy in Nigeria.*

### **BACKGROUND OF THE STUDY**

The word business is used in everyday conversation by different people. It is a household's term in the sense that even kids in one process or the other makes use of it. It is obvious that in our everyday dealings we engage in one form of business activities or the other. However a layman would think it's any activity carried out with a second party that in return yield profit is a business. For instance, armed robbers after going on their operation would say they went successfully.

Those involved in all forms of cheating, defrauding and embezzlement commonly known as '419' will tell you that they are businessmen. Oyekanmi (2003) opined that businesses are all about profit directed to economic activities that are organized and directed toward finding or providing goods and services to mankind. An economic activity is considered as business if and

only if there exists opportunity for both profit and the risk of loss knowing fully well the sole motivator of any business is profit. The history of business in American is traced to small scale businesses which are independent business and are everywhere, in every line of work (Pirsig, 1994). We can see them in every community and most people want to be the Boss of their own establishment. This goal serves as an incentive for thousands to become entrepreneur every year. In this country we have climate where this possible.

The thing one needs is the idea generation of limited capacity with a quantum leap that will lead to success. This is an excellent example of free and open competitive market place like United States.

It is obvious that many great enterprises' today started as a small scale business such as mail order, houses, automobile companies, hotel, food processing plates and others. Apparently, small scale businesses are most businesses owned by private firms. The American classified it as none and job operation, because they are owned by one family with title or no outside help. Example of such businesses in Nigeria includes; Niger Optical Help Serve(NOHS) Enterprises, Deluxe Optimal Service, Eastman Electrical, Sam & Sam Electrical and so on. On the other hand, big or large businesses firms are those operated by the government and professionals. They have thousands of employees and conduct business in other countries.

## **STATEMENT OF THE PROBLEM**

The survival of any nation depends on the economic activities performed by various economic units like agricultural, building and construction, commerce and service. The small firm plays a very crucial role in economics development of every nation irrespective of the firm advantages such us large contributor of smaller market, quick development of rural areas and attention given to small firms by the government, it is still unfortunate that most of them are faced with various problems. Major problem is poor financial planning which adversely affect their performance.

## **OBJECTIVE OF THE STUDY**

The specific objectives of the study are:

- i. To ascertain the possible hindrance in the survival and growth of the small scale business firms.
- ii. To evaluate ways of effective and efficient management of small scale firm businesses.

## **REVIEW OF RELATED LITERATURE**

In this section, the paper review relevant literatures related to Business and economics development. It specifically review the concepts, theories, importance of small scale Business , areas of activities of small scale Business in Nigeria , challenges facing small scale Business were also discussed.

Conceptual framework

## **THE MEANING OF SMALL SCALE BUSINESS**

A lot has been muted, several talks and discussion held on the need to encourage and improve small-scale business firms. The history of Nigeria today is the language of small-scale enterprises since many people have recognized the need to be independent and be their own boss. Small scale and other many giant's enterprise started as one-person operation, some as Partnership and others as Co-operations. These types of business, which have been talked and written by many writers, fall within the small-scale business. Maingot and Zeghai (2006) opined that small scale Business is any industry with a total capitalization of not more than #200,000 in plant and equipment. The central bank of Nigeria through its guidelines to commercial and merchant bank confirmed it as any industry with a turnover of not more than #500,000. The central bank monetary and credit policy guidelines further stated that small-scale enterprises are that capital investment, which does not exceed #5m, including land and working capital or sufficient as well as self reliance will be achieved. Nigeria's third national development plan defines it as a manufacturing establishment whose employee is less than ten and investment capital on plants and equipment are not more than six hundred thousand naira (#600.00). The small scale industrial development programme (1985) assert it as any manufacturing processing or service concern whose initial capital investment is not more than #150,000 in plant and equipment alone. It is obvious by the definition of small scale Business that some expert set absolute criteria for measuring small business by size. It was said that any retail operation who have more than 8.75 million in sales cannot be classified as small business. Nevertheless a more flexible and useful set of guidelines has been adopted by the Committee for Economic Development (CED). It identifies some characteristics that may apply to a small business; a business possessing any of the two can be termed a small business. They include:

- i. Management is independent: In this case, the manager is seen to be the owner of the business
- ii. Capital is provided by a single person or a small, group of persons.

- iii. The area of operation is mainly local in that owners and workers all live nearby. The product or service of the firm might be sold regionally or nationally.
- iv. The Size of the firm is small compared to others in its industry.

## **THE IMPORTANCE OF SMALL SCALE BUSINESS**

Generally, an Entrepreneur or a Businessman did not get up one day and instantly set up a business. They had many things in mind of which they have decided to satisfy before it up. Some of those reasons that make people go into business include:

- i. To make profit
- ii. To perform satisfactory service to the community customer government etc.
- iii. To obtain prestige in the society
- iv. To be proud of their effort
- v. To find many and varied challenges and new experience. Considering the importance of industries in general and small scales in particular.

**They stated that:** any effort towards the restricting of bettered economy without particular emphasis on the development of small scale industries is not likely to be very successful in the long run from these comment, there is no doubt that effective development as small scale industries sector will solve the bad nature of our economic problem. Our hope in the country now is in the development and survival of small-scale industrial sub-sector. Asikhia (2009) contend that the national for Advocating small-scale industries in developing nations that the capital requirements are small and therefore within the reach of indigenous entrepreneurs. And that small-scale enterprise may achieve high capital productivity and contributes relatively more to employment and development of entrepreneurship.

However, small scale Business does not only provide employment opportunity to people but also improves productivity and develops entrepreneurship of small scale industries into the rural areas can help check the high rate of rural-urban migration which is evidence in almost every development country like Nigeria, the elimination of rural-urban migration will make the masses to settle down and work in their society and thereby uplifting the standard of living in the annual convention of the Nigeria Youth movement in perish .The establishment of small scale industries in the rural area of the country was the quickestway to uplift the standard of living of the rural populace, Pfeffer and Coote,(1991). He also noted the importance of small industrialization by

saying that since the government in the country was financial handicapped and could not set up major projects. The only sure way to industrialize the rural area is to set up small scale industries through co-operative unions.

The third national development plan (1975 – 1980) has also underlined the importance of small-scale industries in the country as it hoped that through promotion of small scale industries, it would be possible to generate substantial employment opportunities for thousands of employed youths to stimulate employment opportunities for thousands of unemployed youths, to stimulate indigenous entrepreneurship, facilities effective mobilization of local resources; capital and skill can also help to reduce regional disparities. Several researches have also established that the reluctance of small business to form combination. Small industries and craft shops have provided essential training ground for the subsequent emergency of medium and large scale organization. They generally employ workers with limited formal trainee who then learns skill on the job. Small-scale enterprise also have helped capacity to use capital productivity. Data from several states in Nigeria for instance should be ratios of value added to fixed assets in small firms than in larger firms. This also commended that through the characteristic of entrepreneurship; they make use of resources that may otherwise not be drawn into the development process. It went on to say that it's able to mobilize the small saving of the proprietors who would not use the banking system but who will invest in their own firm. Commenting on the importance of small scale industries, this sector has posed challenges to the society and has in turn created opportunities for the society.

The challenges posed are in the area mainly on streets that have turned into one huge workshop for the small industry. It would appear that society has not been smart enough to recognize that it is the interest of the health of our nation that the small industry sector be properly used. The importance of small-scale development has directed government attention towards the search for strategies for improving small-scale industry. Having seen the need for small-scale industries should not be neglect since it aids in industrialization process. On this, Ajibola said: the importance of small-scale industries to survival of the nation's economy can no longer be waved. They have moved from the subsistence level of pre-indigenization period of a position of importance in the country's industrialization process.

## **THE ROLE OF SMALL BUSINESS FIRM**

Dipp (2001) confirm that Small Business Enterprises constitute a vital engine in economic growth and development in Nigeria. One is not mistaken to say that the present and future economic advancement of Nigeria lies in the dynamism and growth of small-scale business enterprises. The numerous contributions made to the economic growth and development of

Nigeria by small-scale enterprises is often overlooked or under-estimated by economic planners of government and technocrats. Small scale business plays a vital role in the economic development of Nigeria and this why the Nigeria government continually support and encourage people wishing to set up growth of small-scale business. The Nigeria Industrial Development Bank (NIDB), the Nigerian Agricultural and Co-operative Bank, the Nigeria Bank for Commerce and Industries (NBCI) were established to help in this regard,(Osula,2004).

The major objectives in promoting small-scale business include:

**i. Creation of Employment:**

Small business enterprises create employment for the teaming population in Nigeria. Research has shown that about 70% of the entire labour forces are employed by small-scale business stimulation of indigenous entrepreneurship.

Dipp (2001) has noted that in developing countries, small-scale industries are among the most effective means of stimulating indigenous entrepreneurship. They enable private individuals and groups to start business with minimum recourses requirement and the opportunity to manage the business themselves. By so doing small-scale business helps to build up managerial skills in the local populace.

**ii. Linkage Effect:**

Small business help to link up the various sectors of the economy and constitute the market for agricultural extractive and industrial outputs.

They also provide a source of materials and labour input for big industries.

**iii. Utilization of Resources:**

Small business help to mobilize recourses that would remain ideal in the hands of people and employ them productivity and by so doing, capital formation is encouraged.

## **GOVERNMENT INVOLVEMENT IN SMALL BUSINESS**

The importance of small-scale business has given the government ideal in incentive into embarking on measures that will encourage the growth of small-scale industries. The government established the Nigeria Bank for Commerce and Industry in 1997 with the aim of administering loan to small-scale business industries,Osula(1998). This was evidence in the youth National development plan (1984 – 1985). This indicates that the state governments would establish more industrial estates and industrial Promotion Centre.

In the third development plan (1975 – 1980) the government provides funds for small-scale industrial sector research, created a division of small-scale industrial credit scheme. Above all these aforementioned the government creates maximum security for the business this security will provide a conducive atmosphere for business growth. Both police and military force help in this regards. They also provide basic amenities such as water, electricity, good roads, network etc. which helps in attracting both small-scale business and large business in rural area and urban area.

## **THE TYPE OF SMALL BUSINESS IN NIGERIA**

The areas of activities of activities of small business in Nigeria are grouped into three, which are:

1. Industrial concerns
2. Commercial Concern
3. Service corners
  - i. The industrial Concerns: Includes farming, mining, fundraises, queries engineering, furniture and block making, ship building etc.
  - ii. The commercial concerns: Includes baking, insurance, retailing, wholesaling transportation.
  - iii. The services industries include: Health services, education, hair choosing, entertainments and law firm.

## **SOURCES OF FINANCE FOR SCALE BUSINESS**

The life wire of every business depends on the availability of finance. This is in line with Ekpenyong (1992) who confirmed that sources of finance of small scale business required adequate fund from formal financial institutions and informal financial institutions.

## **SUMMARY OF MAJOR FINDINGS, CONCLUSION AND RECOMMENDATIONS**

Smallscale businesses help in promoting industrialization and economic growth both in Nigeria and other nations of the world .The knowledge acquired in small scale businesses has brought development in Nigeria. The objectives of this research are:

- (i) To ascertain the possible hindrance in the survival and growth of the small scale business firms.

- (ii) To evaluate ways of effective and efficient management of small scale firm businesses.

However, in Nigeria small scale business are faced with both internal and external threats. The major problem militating the development of small scale business is financial and managerial incompetence.

## **CONCLUSION**

The threats facing small scale business required urgent attention to move the country forward.

## **RECOMMENDATION**

To achieve a national development, there must be business national association in the area of policy strategy, developing a sound financial accounting key success factors for effective implementation of managerial principles.

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