

**T.C.**  
**ISTANBUL GELISIM UNIVERSITY**  
**INSTITUTE OF GRADUATE STUDIES**

Department of Business Administration



**EXAMINING FACTORS THAT INFLUENCE THE  
SUCCESS AND FAILURE OF SMEs IN NIGERIA  
(A CASE STUDY OF THE LAGOS METROPOLIS)**

Master Thesis

**IKECHUKWU PETER EGEOLU**

Supervisor  
Prof. Dr. ANTON ABDULBASAH KAMIL

**Istanbul –2021**



## THESIS INTRODUCTION FORM

**NAME AND SURNAME OF THE AUTHOR** : Ikechukwu Peter EGEOLU

**LANGUAGE OF THE THESIS** : English

**NAME OF THE THESIS** : Examining Factors That Influence The Success And Failure Of Smes In Nigeria.  
(A Case Study of The Lagos Metropolis)

**INSTITUTE** : Istanbul Gelisim University Institute of Graduate Studies

**DEPARTMENT** : Business Administration

**TYPE OF THE THESIS** : Master

**DATE OF THE THESIS** : 10.08.2021

**PAGE NUMBER** : 114

**THESIS SUPERVISORS** : 1. Prof. Dr. ANTON ABDULBASA H KAMIL  
2. Asst. Prof. Dr. Hüseyin ÖCAL  
3. Assoc. Prof.Dr. Cüneyt DIRICAN

**INDEX TERMS** : Small Medium Enterprises, Trade openness, Interest rate, Bank credit, Business, SMEs performance in Nigeria, World trade, SWOT, Partnership, Trade, Skills, Internal & External Factors.

**TURKISH ABSTRACT** : Bu çalışma, Küreselleşmenin Nijerya'daki Küçük ve Orta Ölçekli İşletmelerin (KOBİ'ler) performansı üzerindeki etkisini belirlemeyi amaçlamıştır. Spesifik olarak, çalışma, (i) Nijerya'daki küçük işletmeler üzerindeki küresel pazar ortamının etkilerini ortaya

çıkarmayı (ii) Nijerya'daki küçük işletmeler için küreselleşmenin yarattığı potansiyelleri ve zorlukları keşfetmeyi ve (iii) KOBİ'lerin nasıl çalıştığını bulmaya çalıştı. amaç ve hedeflerine ulaşmak için küreselleşmeyi kullanıyorlar. Çalışmada analiz edilen veriler, Lagos Metropolü'nde bulunan Üç Yüz Seksen (380) KOBİ'ye uygulanan Likert Ölçekli yapılandırılmış anketlerden elde edilmiştir. Veriler ayrıca Nijerya Merkez Bankası İstatistik bülteninden, borsa inceleme raporlarından ve Nijerya İstatistik Bürosu ile Menkul Kıymetler ve Borsa Komisyonu raporlarından elde edildi. Verilerin analizi, tanımlayıcı istatistikler ve regresyon analizi kullanılarak yapıldı. Çalışmanın sonucu, Küreselleşme değişkenlerinin (Banka Kredisi ve Faiz Oranı) Nijerya'daki KOBİ'lerin performansı üzerinde önemli bir etkiye sahip olduğunu, Ticari Açıklığın ise Nijerya'daki KOBİ'lerin performansı üzerinde anlamlı olmadığını tespit edilmiştir. Çalışma, KOBİ'lerin sorunsuz çalışmasını sağlamak için Kredi dostu politikaların uygulanmasını önerdi.

- DISTRIBUTION LIST** :
1. To the Institute of Graduate Studies of Istanbul Gelisim University
  2. To the National Thesis Centre of YÖK (Higher Education Council)

*Signature*

*Ikechukwu Peter EGEOLU*

**T.C.**  
**ISTANBUL GELISIM UNIVERSITY**  
**INSTITUTE OF GRADUATE STUDIES**

Department of Business Administration



**EXAMINING FACTORS THAT INFLUENCE THE  
SUCCESS AND FAILURE OF SMEs IN NIGERIA  
(A CASE STUDY OF THE LAGOS METROPOLIS)**

Master Thesis

**IKECHUKWU PETER EGEOLU**

Supervisor  
Prof. Dr. ANTON ABDULBASAH KAMIL

**Istanbul –2021**

## **DECLARATION**

I hereby declare that in the preparation of this thesis/project, scientific ethical rules have been followed, the works of other persons have been referenced following the scientific norms if used, there is no falsification in the user data, any part of the thesis /project has not been submitted to this university or any other university as another thesis/project.

Ikechukwu Peter EGEOLU

.../.../2021

**TO ISTANBUL GELISIM UNIVERSITY**  
**THE DIRECTORATE OF SOCIAL SCIENCES INSTITUTE**

The thesis study of SMEs titled Examining Factors That Influence The Success and Failure of Smes In Nigeria (A Case Study of The Lagos Metropolis), has been accepted as MASTER THESIS in the department of Business Administration by our jury.

*Signature*

Director \_\_\_\_\_  
*Prof. Dr. ANTON ABDULBASA H KAMIL*  
(Supervisor)

*Signature*

Member \_\_\_\_\_  
*Asst. Prof. Dr. Hüseyin ÖCAL*

*Signature*

Member \_\_\_\_\_  
*Assoc. Prof. Dr. Cüneyt DIRICAN*

*Signature*

**APPROVAL**

I approve that the signatures above signatures belong to the aforementioned faculty members.... / ... / 2021

*Signature*

*Prof. dr. Izzet GÜMÜŞ*  
Director of the Institute

## SUMMARY

This study used the regression equation model in succinctly analyzing several factors that affect the performance of Small and Medium Scale Enterprises performance in Nigeria. To understand the salient activities of SMEs, several factors were highlighted, including Bank Credit, Trade Openness, and interest rate.

Results from the study show that bank credit and interest rates improve and advance the overall performance of these SMEs ' output, while trade openness plays no significant role in the overall performance of these SMEs in Nigeria. The general effect as indicated by the F-statistics reveals that of all three variables measured during this study, Bank Credit and Interest are statistically significant in deciphering the improvement of the performance of Small and Medium-scale Enterprises in Nigeria. Hence, we reject the null hypotheses which stated that bank credit has no significant or one would say, visible effect on the performance of SMEs in Nigeria, as well as that which says that interest rate has no bearing on SMEs performance, but accepts the third hypothesis which states that trade openness has no bearing on the performance of SMEs in Nigeria.

**Keywords:** Small Medium Enterprises, Trade openness, Interest rate, Bank credit, Business, SMEs performance in Nigeria, World trade, SWOT, Partnership, Trade, Skills, Internal & External Factors



## ÖZET

Bu çalışma, Küreselleşmenin Nijerya'daki Küçük ve Orta Ölçekli İşletmelerin (KOBİ'ler) performansı üzerindeki etkisini belirlemeyi amaçlamıştır. Spesifik olarak, çalışma, (i) Nijerya'daki küçük işletmeler üzerindeki küresel pazar ortamının etkilerini ortaya çıkarmayı (ii) Nijerya'daki küçük işletmeler için küreselleşmenin yarattığı potansiyelleri ve zorlukları keşfetmeyi ve (iii) KOBİ'lerin nasıl çalıştığını bulmaya çalıştı. amaç ve hedeflerine ulaşmak için küreselleşmeyi kullanıyorlar. Çalışmada analiz edilen veriler, Lagos Metropolü'nde bulunan Üç Yüz Seksen (380) KOBİ'ye uygulanan Likert Ölçekli yapılandırılmış anketlerden elde edilmiştir. Veriler ayrıca Nijerya Merkez Bankası İstatistik bülteninden, borsa inceleme raporlarından ve Nijerya İstatistik Bürosu ile Menkul Kıymetler ve Borsa Komisyonu raporlarından elde edildi. Verilerin analizi, tanımlayıcı istatistikler ve regresyon analizi kullanılarak yapıldı. Çalışmanın sonucu, Küreselleşme değişkenlerinin (Banka Kredisi ve Faiz Oranı) Nijerya'daki KOBİ'lerin performansı üzerinde önemli bir etkiye sahip olduğunu, Ticari Açıklığın ise Nijerya'daki KOBİ'lerin performansı üzerinde anlamlı olmadığı tespit edilmiştir. Çalışma, KOBİ'lerin sorunsuz çalışmasını sağlamak için Kredi dostu politikaların uygulanmasını önerdi.

**Anahtar kelimeler:** Küçük ve Orta Ölçekli İşletmeler, Ticari açıklık, Faiz oranı, Banka kredisi, İşletme, Nijerya'daki KOBİ'lerin performansı, Dünya ticareti, GZFT, Ortaklık, Ticaret, Beceriler, İç ve Dış Faktörler

# TABLE OF CONTENTS

<b>SUMMARY.....</b>	<b>i</b>
<b>ÖZET.....</b>	<b>ii</b>
<b>TABLE OF CONTENTS.....</b>	<b>iii</b>
<b>LIST OF FIGURES.....</b>	<b>vi</b>
<b>LIST OF TABLES.....</b>	<b>vi</b>
<b>INTRODUCTION.....</b>	<b>1</b>

## CHAPTER ONE INTRODUCTION

1.1. Background to the study.....	1
1.2. Statement of Problem.....	3
1.3. Study Objectives.....	3
1.4. Research Questions.....	3
1.5. Hypothesis of the Study.....	4
1.6. Significance of the Study.....	4
1.7. Limitations to the Study.....	4

## CHAPTER TWO REVIEW OF CONCEPTS AND THEORETICAL BACKGROUND

2.1. Introduction.....	5
2.2. Entrepreneurship and its definitions.....	5
2.3. Roles and nature of Entrepreneurs.....	6
2.3.1. Firm desire for responsibility.....	6
2.3.2. Entrepreneurship take moderate risks.....	6
2.3.3. Entrepreneurship should have a strong desire and ability to succeed.....	6
2.3.4. The desire for immediate feedback.....	7
2.3.5. It is crucial for entrepreneurs to have high levels.....	7
2.3.6. Futuristic view and orientation.....	7
2.3.7. Skills for managing resources of the organization.....	7
2.4. Various forms of ownership in Entrepreneurship.....	10
2.5. The sole proprietorship.....	11
2.6. Advantages and disadvantages of sole proprietorship.....	12
2.6.1. Sole decision maker.....	12
2.6.2. Low start-up cost.....	12
2.6.3. Profit.....	12
2.6.4. Easy process.....	12
2.7. Disadvantages of sole proprietorship.....	13

2.7.1.	No separation between personal and business assets.....	13
2.7.2.	Less capital.....	13
2.7.3.	Error in decision making.....	14
2.7.4.	Taxes.....	14
2.8.	The partnership.....	15
2.8.1.	Limited partnership.....	16
2.8.2.	Limited liability partnership.....	16
2.8.3.	Master limited partnership (MPL).....	17
2.9.	Advantages of partnerships.....	17
2.9.1.	Ease of start-up.....	17
2.9.2.	Shared burden and responsibility.....	17
2.9.3.	Sufficient skills, knowledge and contacts.....	17
2.9.4.	Better decision making.....	18
2.9.5.	More capital.....	18
2.10.	Disadvantages of a business partnership.....	18
2.10.1.	Unlimited liability.....	18
2.10.2.	Possibility of conflict.....	18
2.10.3.	Future uncertainty.....	18
2.10.4.	Difficulty in transferring interest.....	19
2.10.5.	Poor public trust.....	19
2.11.	Close corporation.....	20
2.11.1.	Advantages of close corporation.....	20
2.11.2.	Disadvantages of close corporation.....	20
2.11.3.	Advantages of public company.....	21
2.11.3.1.	Ability to raise capital through public issue of shares.....	21
2.11.3.2.	Other finance opportunity.....	22
2.11.3.3.	Opportunity for growth and expansion.....	22
2.11.3.4.	Prestige and confidence.....	22
2.11.3.5.	Transferability of shares.....	22
2.11.3.6.	Exit strategy.....	22
2.12.	Disadvantages of public companies.....	23
2.12.1.	Strict regulatory requirements.....	23
2.12.2.	Higher transparency levels required.....	23
2.12.3.	Ownership issues.....	23
2.12.4.	Highly prone to take overs.....	24
2.12.5.	Short term result driven.....	24
2.12.6.	Highly Initial financial commitment.....	24
2.13.	A private company.....	25
2.13.1.	Advantages of private company.....	25
2.13.2.	Disadvantages of private company.....	25

2.14. Stages of Entrepreneurial Development in Nigeria and other countries.....	27
2.15. Small and Medium Enterprises (SMEs).....	32
2.16. Global Structure of Small and Medium Enterprises.....	34
2.16.1. System of controlling small organizations globally.....	34
2.16.2. The importance of small organizations globally.....	35
2.17. SME roles in economic development.....	37
2.18. Advantages and Disadvantages of Small and Medium Enterprises.....	38
2.18.1. The advantages of small organization.....	38
2.18.2. The disadvantages of small organization.....	39
2.19. Small and Medium Enterprises in Nigeria.....	41
2.19.1. Challenges of Small and Medium Enterprises in Nigeria.....	42
2.20. SWOT Analysis of Small and Medium Enterprises in Nigeria.....	44
2.20.1. Strength of SMEs in Nigeria.....	45
2.20.2. Weaknesses of SMEs in Nigeria.....	47
2.20.3. Opportunities of SMEs in Nigeria.....	48
2.20.4. Threat of SMEs in Nigeria.....	47
2.21. SMEs and Government Policies in Nigeria and other countries.....	52
2.21.1. Effects of Government Policies on Small and Medium Enterprises.....	53
2.21.2. Current Government Initiatives.....	55
2.22. Comparing Government Policies and SMEs in Nigeria and South Africa.....	56
2.23. Growing Entrepreneurs and SMEs in Nigeria and other countries.....	59
2.23.1. More African females are leading the SMEs across the world.....	60
2.23.2. Establish business across Africa.....	62
2.23.3. Discontinuation of business by SMEs countries.....	63
2.24. Disposition of entrepreneurs.....	64
2.24.1. Entrepreneur perception of opportunity and capability.....	66
2.25. Ease of Doing business ranking in Nigeria and other countries.....	67
2.25.1. Best places to do business.....	69
2.25.2. Most improved economies to do business.....	70
2.25.3. Analysis of reforms across every region.....	72

**CHAPTER THREE**  
**RESEARCH METHODOLOGY**

3.1. Research Design.....	74
3.2. Sources of Data.....	74
3.3. Research Population and Sampling.....	74
3.4. Technique of Data Analysis.....	75
3.5. Model Specification.....	75

**CHAPTER FOUR**  
**DATA ANALYSIS AND RESULTS**

4.1. Presentation of Data.....	76
4.2. Validity and Reliability Test .....	78
4.3. Test of Hypothesis.....	86

**CHAPTER FIVE**  
**SUMMARY, CONCLUSION, AND RECOMMENDATIONS**

<b>RECOMMENDATION.....</b>	<b>88</b>
<b>REFERENCE.....</b>	<b>90</b>
<b>APPENDIX A.....</b>	<b>96</b>

## LIST OF TABLES

<b>Table 1:</b> Profile of Respondents.....	77
<b>Table 1a:</b> Reliability Statistics.....	79
<b>Table 1b:</b> Cronbach’s Alpha Interpretation.....	79
<b>Table 1c:</b> Validity and Correlation Statistics.....	80
<b>Table 2:</b> Industry .....	82
<b>Table 3:</b> Type of Business.....	82
<b>Table 4:</b> Years of Enterprise been in Existence.....	83
<b>Table 5:</b> Number of Employees.....	83
<b>Table 6:</b> Capital Base.....	84
<b>Table 7:</b> The Descriptive Statistics of Variables.....	85
<b>Table 8:</b> Regression Analysis.....	86

## LIST OF FIGURES

<b>Figure 1:</b> Nature of the Entrepreneur.....	9
<b>Figure 2:</b> Forms of Business Ownership.....	11
<b>Figure 3:</b> Advantages and Disadvantages of Sole Proprietorship.....	15
<b>Figure 4:</b> Three Divisions of Partnership.....	16
<b>Figure 5:</b> Advantages and Disadvantages of Partnership.....	20
<b>Figure 6:</b> Advantages and Disadvantages of Close Corporation.....	21
<b>Figure 7:</b> Advantages and Disadvantages of Public Company.....	24
<b>Figure 8:</b> Advantages and Disadvantages of Private Company.....	26
<b>Figure 9:</b> Stages of Entrepreneurial development.....	27
<b>Figure 10:</b> Stages of Entrepreneurship.....	27
<b>Figure 11:</b> Entrepreneurial Process.....	30
<b>Figure 12:</b> Definition of SMEs according to country.....	31
<b>Figure 13:</b> SMEs and Finance across the world.....	32
<b>Figure 14:</b> Advantages of Small organizations.....	38
<b>Figure 15:</b> Disadvantages of Small organizations.....	39
<b>Figure 16:</b> SWOT analysis of SMEs in Nigeria.....	45
<b>Figure 17:</b> Strengths of SMEs in Nigeria.....	46
<b>Figure 18:</b> Weakness of SMEs in Nigeria.....	48
<b>Figure 19:</b> Opportunities of SMEs in Nigeria.....	49
<b>Figure 20:</b> Threats facing SMEs in Nigeria.....	51
<b>Figure 21:</b> SME Issues, challenges, and prospects.....	51
<b>Figure 22:</b> Government initiatives aimed at improving business growth in Nigeria....	55
<b>Figure 23:</b> Government policies that enhance Entrepreneurship.....	58
<b>Figure 24:</b> State of Entrepreneurship across the globe.....	60
<b>Figure 25:</b> Global Female Entrepreneurship.....	61
<b>Figure 26:</b> Discontinuation of Businesses across Africa.....	64
<b>Figure 27:</b> Fear of failure amongst Entrepreneurs across Africa.....	65

**Figure 28:** Entrepreneurs' perception of opportunities and threats across Africa.....66

**Figure 29:** World Bank's Ease of Doing business record.....68

**Figure 30:** World Bank's 2020 Ease of Doing business chart.....69

**Figure 31:** Most Improved countries on the Ease of doing business across the world....70





# INTRODUCTION

## 1.1. BACKGROUND TO THE STUDY

Financial development by Ajayi (2005), indicates an "increment over the long run in a country's genuine yield of items (product) and services". Yield is estimated by GNP (Gross National Product) with SMEs having critical commitments. Monetary advancement suggests genuine yield as well as the development that is in the midst of changes inside the construction of a country's economy. This incorporates the design of business associations, public, political and social constructions, specialized and institutional courses of action by which yield is created and conveyed as a segment of monetary turn of events. Inside this view, Vernon (2001) said, "it is feasible to have development without advancement as development and improvement of business associations aren't unequivocally something very similar". The monetary history of any country to Osuji (2005) likewise clarified that "no country has at any point developed without a calculable involvement and association of worldwide exchange and relations". The job of globalization in monetary set-up additionally applies impact on the speed of development of business associations particularly the SMEs. Development in account through direct unfamiliar speculation, financial and money related approaches, cash and monetary organizations are impacted by International or worldwide exercises which additionally impact a country's Small and Medium scale business undertakings. Innovation and creation measures as an illustration are "determinants of the speed at which efficiency limit and pay can develop (Buckley and Ghauri, 1999).

Studies have shown that nations termed as 'developing' have had higher advancements in terms of innovation than their 'under-developed counterparts. Quicker development, higher investments opportunities, the exponential growth and development of SMEs come mostly from interconnection and globalization. Small and Medium-scale (SMEs) business ventures in Nigeria are associated with different business exercises and the sum is enormously affected by numerous variables.

The achievement, endurance, development, and advancement of Small and Medium Enterprises (SMEs) are set up by level of communications and impact from worldwide tasks. Success in SMEs by Wore (2004) is furthermore a substantial part of any country's economic growth and development. They play greater roles, substantially more than expanding per capita yield and pay. It includes starting and establishing changes inside the design of business and society. The change is in the midst of the development and expanded yield.

Several factors like government policies, ease of doing business, and access to financial assistance are surmised to have affected Nigeria's Small and medium scale businesses either emphatically or adversely and conceivably be with no huge impact or relationship. Prahalad (2005) clarified that "SMEs exercises are altogether higher in developing economies particularly in European and American countries". this infers a connection between the monetary turn of events and SMEs. The investigation of the association between economic factors and SMES shifts and in this way the impact is smoothed out in sync with innovative abilities, wellsprings of account, preparing and labor advancement, government strategies, and work age.

All through the world, governments have taken essential measures to shape sure the combination of financial exercises all the more intently into the apparatus of affecting arrangements on SMEs. SMEs and a country's economy are affected by the type of things. These incorporate the qualities of the country's norm, an association of foundations and markets, political and monetary conditions, and level of financial turn of events. SMEs in Nigeria report a few issues that undermine their endurance, some of these can be resultant impacts of lacking arranging, obliviousness of the ideas of a global market, innovation and contest besides as helpless government strategies and decrepit framework. These associations are continually pulling out and new ones entering the business. Some pull out because business is doing seriously and to a few, on account of different profit opportunities. Hisrich (1985).

The study is to work out and determine the attendant impact of several economic and situational factors on Small and Medium Enterprises (SMEs) in Nigeria.

## **1.2. STATEMENT OF PROBLEM**

Small scale businesses make up a major economic pillar of any nation, including Nigeria. When these businesses thrive, employment, revenue generation, and national development thrive. However, many SMEs face challenges amid the prospects before them.

This study aims to determine the problems and opportunities SMEs face in Nigeria and discover how they are evolving to fit into the new business environment.

## **1.3. STUDY OBJECTIVES**

The general objective of this research work is an assessment of the factors that affect Small and Medium Enterprises (SMEs) in Nigeria. However, there are specific objectives and these include the following:

- To unravel the effects of the global market environment on small businesses in Nigeria
- To discover the potentials and challenges faced by small enterprises in Nigeria
- To find out how SMEs are exploiting current economic realities to meet their goals and objectives

## **1.4. RESEARCH QUESTIONS**

- How do economic factors such as bank credits, trade openness, and loan interest rates affect Small and Medium Enterprises (SMEs) in Nigeria?
- What challenges do Small and Medium Enterprises (SMEs) face in Nigeria?
- In what ways are Small and Medium Enterprises (SMEs) exploiting the global market and economic realities to meet their objectives?

## **1.5. HYPOTHESIS OF THE STUDY**

The following hypotheses have been developed in line with the tenets of this study. The hypotheses have been developed in null form.

H<sub>0</sub>: Trade openness bears no significant influence on SME performance.

H<sub>1</sub>: Bank credit does not significantly affect SME's performance.

H<sub>2</sub>: The interest rate does not significantly affect SME's performance.

## **1.6. SIGNIFICANCE OF STUDY**

Findings from this research will serve as a guide to help Small Scale industries navigate the global business environment.

Findings from the study will serve as a blueprint for SMEs to understand the international business environment and discover the benefits it holds for them. The Nigerian government will also find out areas where they need to support small-scale industries to yield profitable results for the benefits of the industries and the entire nation.

People considering starting up a small business will get insight into the environment to enable better positioning in the small-scale business industry amid the global business environment.

## **1.7. LIMITATIONS TO THE STUDY**

This study might face limitations arising from a perceived unwillingness of some respondents and owners of small-scale businesses to answer questions honestly.

The duration of this research might also limit the researcher's ability to cover a wide range of respondents for the research.

## **CHAPTER TWO**

### **REVIEW OF CONCEPTS AND THEORETICAL BACKGROUND**

#### **2.1. Introduction**

This chapter deals with a review of the various concepts that make up this dissertation. These range from an analysis of the concept of SMEs, roles and attendant challenges of Small and Medium Enterprises (SMEs) in Nigeria, and things that influence the success or failure of these businesses.

Success and failure in business are commonplace with both new businesses under the 3-month radar and older businesses that have existed for three and a half years.

In this chapter, we will begin by exploring the background of entrepreneurship, as entrepreneurs are those who own these small and medium enterprises we are studying. We will then discuss the success and failure of small and medium enterprises while we highlight issues relating to SMEs that have been overlooked in Nigeria and other developing countries.

In the thoughts of Nieman et al, 2003, the general capitalist system is hinged on the risk of production and distribution of resources. Nieman, citing Schumpeter posits that the entrepreneur is a major player and contributor to effective economic growth and development. The entrepreneur is the one who comes about with new products, services, and other combinations which failures and successes have major consequences on the economy.

#### **2.2. Entrepreneurship and Its Definition**

Entrepreneurship can be defined as the emergence and growth of new/existing businesses within any location. A generally accepted definition holds that an entrepreneur is a person who has possesses ideas and characteristics that cause change and are beneficial to the general society.

The famous Austrian economist Schumpeter defines entrepreneurship as an event that introduces a new product, method, a new market, and other organizational forms.

Schumpeter opines that in an ideal situation, the actions of an entrepreneur help to generate wealth because it creates a demand for innovation in the market.

According to Nieman et al (2003), although several motivational factors exist, the desire to maximize profits can be considered as one of the most important reasons business owners get involved in entrepreneurial activities.

When an entrepreneur combines inputs in a way that they bring about great and profitable outputs, the resultant effect is wealth creation in the society where the entrepreneur resides.

Where entrepreneurial activities are concerned, the business owner has several crucial roles to play to ensure a successful business. We will look at such roles in the next subtopic in this discussion.

### **2.3. The Roles and nature of Entrepreneurs**

Entrepreneurs play a crucial role in society, especially if they can establish a successful business. As a result, the actions and responsibilities of an entrepreneur should be taken seriously, as they affect not only the business owner but his customers and the society at large.

Zimmerer and Scarborough (2002) list several factors that an entrepreneur should consider when managing an organization or business enterprise.

**2.3.1. Firm desire for responsibility:** An entrepreneur needs to have a strong sense of responsibility, a deep passion, and a strong sense of personal responsibility for his venture and the outcome of the business he has set up. The entrepreneur should have a strong desire to be in control of the available resources use them effectively and efficiently for the achievement of pre-set goals and objectives.

**2.3.2. Entrepreneurs take moderate risks:** Many persons are misinformed to think that an entrepreneur is a gambler who takes all the risks and throws things out to fate and chance. However, entrepreneurial activity is more detailed, calculated, and sensible than gambling. An entrepreneur is a realist who studies a situation or opportunity from different perspectives before deciding whether or not to engage in such activity.

**2.3.3. Entrepreneurs should have a strong desire and ability to succeed:** Entrepreneurs need a lot of positivity to survive, even when the economy of a nation they reside in doesn't seem as promising as they would like. Most successful entrepreneurs have a lot of confidence in their ability to succeed at their business venture, and they base this optimism on reality, as well as their plans to make things work irrespective of the said reality.

However, some entrepreneurs tend to be overly optimistic, and this can be damaging sometimes when they don't tread with caution and could lead to a failure in their business venture.

**2.3.4. The desire for immediate feedback:** Many entrepreneurs desire feedback from clients to help them assess their business performance. This is why many entrepreneurs ask their strong clients for feedback. Entrepreneurs should like to discover ways to improve their business functions and areas they need to make changes.

**2.3.5. It is crucial for entrepreneurs to have high energy levels:** Entrepreneurship can be a stressful endeavor sometimes, which is why an entrepreneur should have high energy levels to withstand stress and not break down under the burden they often face. Starting up a business is one of the most stressful phases in business, and an entrepreneur will do a lot, from business registration at the Corporate Affairs Commission in Nigeria, renting a shop or location for their business, and engaging in publicity. All these activities take a lot of energy to run.

Entrepreneurial activities often take many hours of tedious work, and most times they are longer than the traditional working hours in a corporate organization.

Most entrepreneurs in Nigeria are more energetic than the average Nigerian, and this is the case across several countries as well.

**2.3.6. Futuristic view and orientation:** Entrepreneurs need to be certain when seeking opportunities in the market for the best and most competitive advantage. Entrepreneurs should never be stuck in the failures or even the victories of the past. Instead, they focus on what they can achieve with their business plans in the near and distant future.

The futuristic view of the entrepreneur is beyond important because it is easy to get carried away by the present challenges and ignore the possibilities of success in the future. For

instance, the coronavirus pandemic has posed massive challenges for businesses in Nigeria since 2020, but several entrepreneurs have been able to strategize, leverage technology and the internet to get their business online and get patronage. When the average person sees challenges, the entrepreneur should see opportunities and make something out of them.

Entrepreneurs focus on spotting opportunities and capitalizing on them for the success of their business.

**2.3.7. Skills for managing resources of the organization:** An entrepreneur who ventures into a business should know how to manage his/her finances and other resources carefully to avoid waste or loss. An entrepreneur should not only manage resources; he should also know how to manage people who will contribute to the success of his business endeavor.

Apart from the roles outlined above, the entrepreneur should have a high level of commitment, because this is a major driving force behind the success of a business endeavor. It isn't surprising to find business founders committing completely to their businesses despite the challenges they may face.

Entrepreneurs are bound to face the unavoidable barriers standing between them and the launch or growth of their business. This is where full commitment and tolerance come into the picture.

The business environment has a major impact on businesses that cannot operate in a vacuum. These entrepreneurs might face setbacks or challenges resulting from the business environment, but they shouldn't give up.

Sometimes, entrepreneurs have to face ambiguity and uncertainties that challenge their abilities to make well-informed decisions. When they go in search of information, they may come across confusing and conflicting information. However, with a high tolerance for confusion and ambiguity, an entrepreneur can adapt to uncertain and changing business conditions.

With the constant and consistent change in the global economy of today, rigid businesses have higher chances of encountering failure. (Zimmerer & Scarborough, 2002).





**Figure 1: Nature of the entrepreneur (Zimmerer and Scarborough, 2002)**

## **2.4. Various Forms of Ownership in Entrepreneurship**

One of the first decisions made by entrepreneurs before setting up their businesses is what form of business ownership they plan to operate.

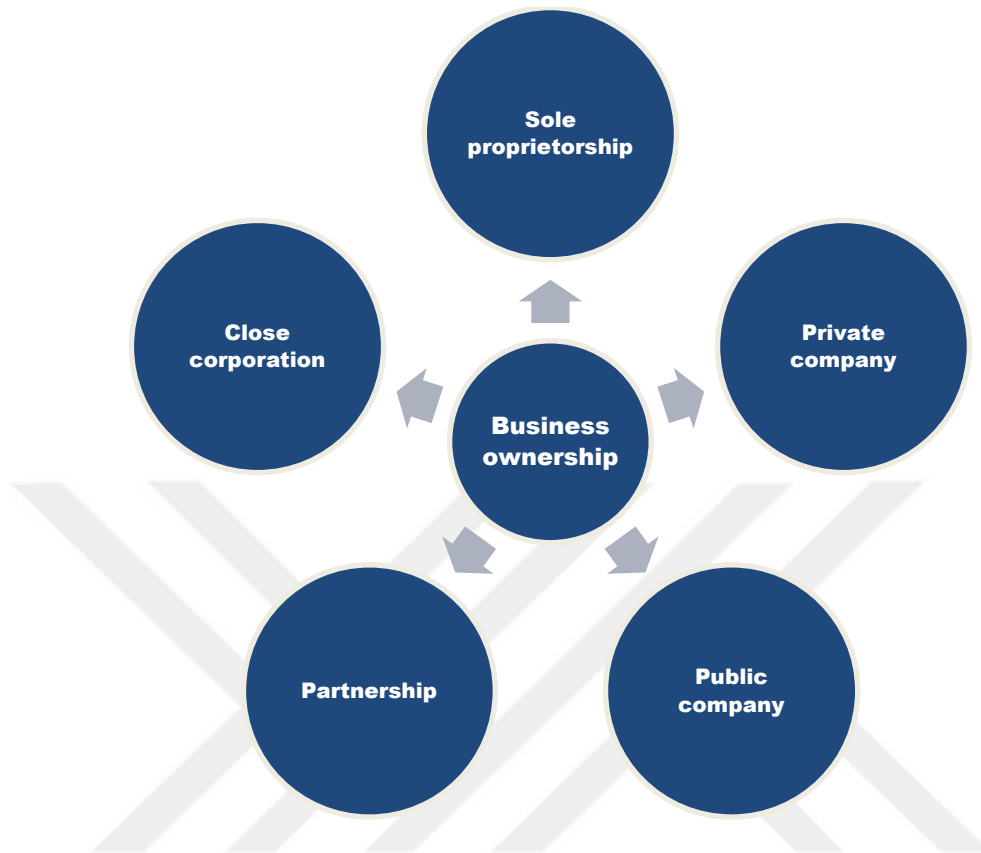
Unfortunately, many entrepreneurs don't give much thought to this important stage. Instead, they opt for whatever business ownership method is popular in their environment. They then tend to face problems after establishing their business and they want to change from one business ownership form to the other due to the expenses involved or other such problems.

Making the change after already establishing a business will be an expensive endeavor for the entrepreneur.

That is why many business experts advise the entrepreneur to decide right from the beginning.

When considering deciding on a form of business ownership, entrepreneurs need to consider areas like level of control, required capital to start up, tax, liability exposure, business goals, and management succession plans.

We will go further in the next section to discuss the various forms of ownership.



**Figure 2: Forms of Business Ownership (Zimmerer & Scarborough, 2002)**

### **2.5. The Sole Proprietorship**

A sole proprietorship is a form of business managed by one individual. This is by far the most popular form of business amongst SMEs in Nigeria and other countries on the African continent.

Many persons opt for sole proprietorship because it is by far the simplest business form to establish, and it is the cheapest to create as well.

According to Zimmerer & Scarborough (2002), sole proprietorship gives the entrepreneur total decision-making authority without any legal restrictions. It is also a type of business ownership that is easily discontinued if the need be.

While many entrepreneurs would rather go into a sole proprietorship, others opt for other business forms because of the limitations associated with a sole proprietorship.

Let us assess the advantages and disadvantages of this form of business ownership.

## **2.6. Advantages of Sole Proprietorship**

### **2.6.1. Sole Decision Maker**

Many entrepreneurs prefer to operate sole proprietorship over other forms of business owners because they don't have to be accountable to anyone. They make the decisions themselves as the sole owners of the company.

In a sole proprietorship, the entrepreneur is at the helm of affairs and is responsible for making all the decisions. He doesn't have to consult with anyone else or a group of people when he wants to take certain actions.

The advantage of being a sole decision-maker is often seen when the entrepreneur has to make an urgent decision, and time wouldn't permit consultations.

### **2.6.2. Low Start-up Costs**

Most Sole proprietorships can start with no employees and then go up to a few employees. The sole proprietor can decide to start alone or hire one or two hands to help with the business.

Such an arrangement is easier because it requires fewer expenses and taxes. When opening a business of this nature, the entrepreneur does not need to involve in legal expenses such as corporate taxes. However, businesses with more employees need to handle other expenses like insurance. Also, the sole proprietor will spend less on incentives and bonuses because he has fewer persons to pay.

### **2.6.3. Profit**

Another advantage of a sole proprietorship is that the owner gets to keep all the profits to himself, unlike a partnership where he would have to share with his partners or even a corporation where investors will divide the profits by percentage.

### **2.6.4. Easy Process**

There are fewer requirements when setting up a sole proprietorship, including opening a bank account with only one signatory, choosing a business name. Also, it is easier to make changes to the business structure under sole proprietorship.

The sole owner can decide to change the business into a partnership or incorporate it without needing to make any consultations because there are no co-owners or signatories to his business.

Even if the sole owner decides to stop operations or close the business at any given time, only a few documents are required and the process is simple and easy.

## **2.7. Disadvantages of Sole Proprietorship**

### **2.7.1. No Separation between Personal and Business Assets**

One major disadvantage of a sole proprietorship is that the entrepreneur's money is tied to his business without any legal separation between them. As a result, the owner can easily put in his money to solve problems that come up, just as he can quickly take money out of the business to attend to other personal issues.

If his/her business were to fail, the sole proprietor would be losing all their money as well as the business funds. His personal properties can also be confiscated in cases of legal actions or bankruptcy.

### **2.7.2. Less Capital**

Another disadvantage of not having partners in a business is that the sole proprietor might find it hard to come up with a large amount of capital to start the business and grow the company over a period.

Even the most lucrative businesses need some amount of money for start-up and maintenance until the profit starts rolling in.

When there is no additional capital going into the business, it might begin to depreciate, and unfortunately, there are no partners or investors to add money to the business.

### **2.7.3. Errors in Decision-Making**

There are disadvantages to a sole proprietor being the only one to make decisions concerning his business. Sometimes, complex problems may occur and these issues would need several people to make suggestions, brainstorm, and add ideas.

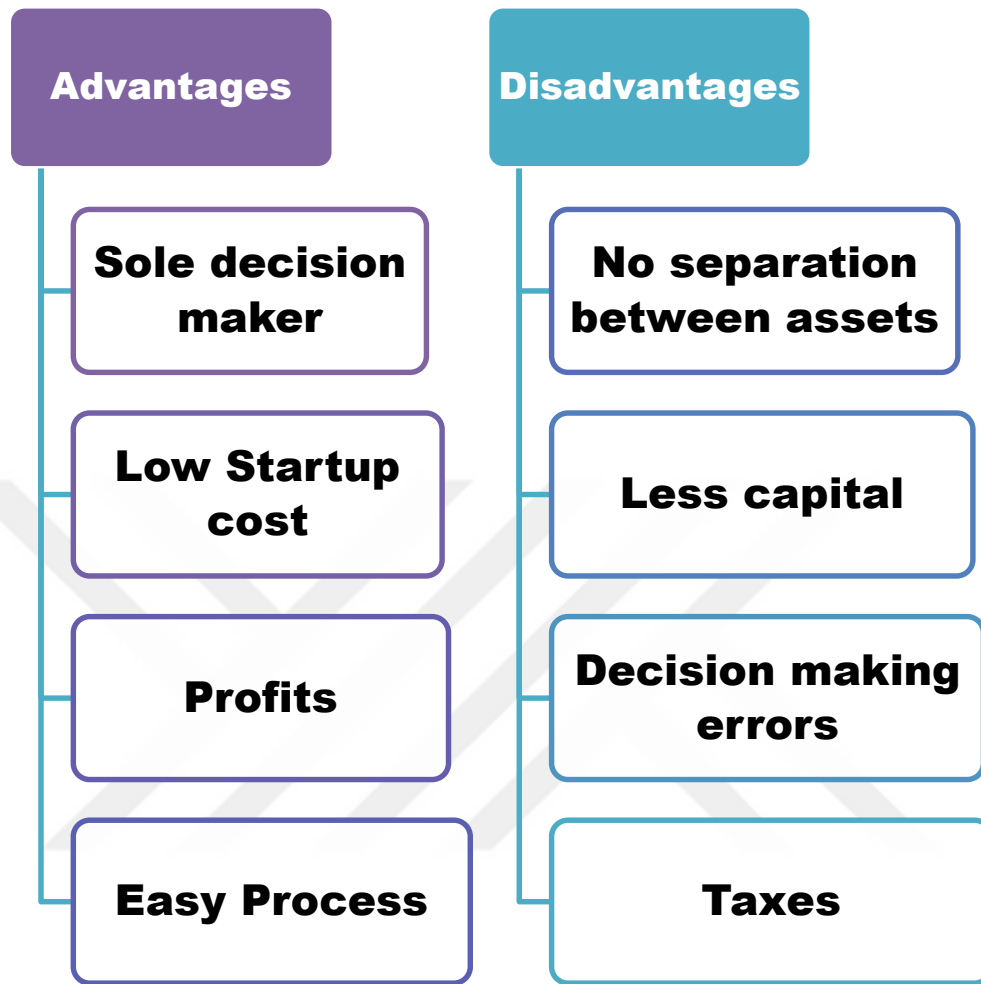
However, if a sole proprietor does this alone, he/she might miss out on several important angles and make a short-sighted decision because they weren't exposed to a plethora of information to aid the decision-making.

The term 'two heads are better than one' is easily seen in such a situation that sole proprietors might face.

### **2.7.4. Taxes**

Another disadvantage of a sole proprietorship is that the business owner has to pay taxes alone. The entrepreneur will have to pay taxes as a self-employed person because he is both the owner and runner of the business.

Also, a sole proprietorship doesn't get some tax benefits that corporations and partnerships get, such as health insurance benefits for employees. The sole entrepreneur might be faced with a tax burden to carry on his/her own.



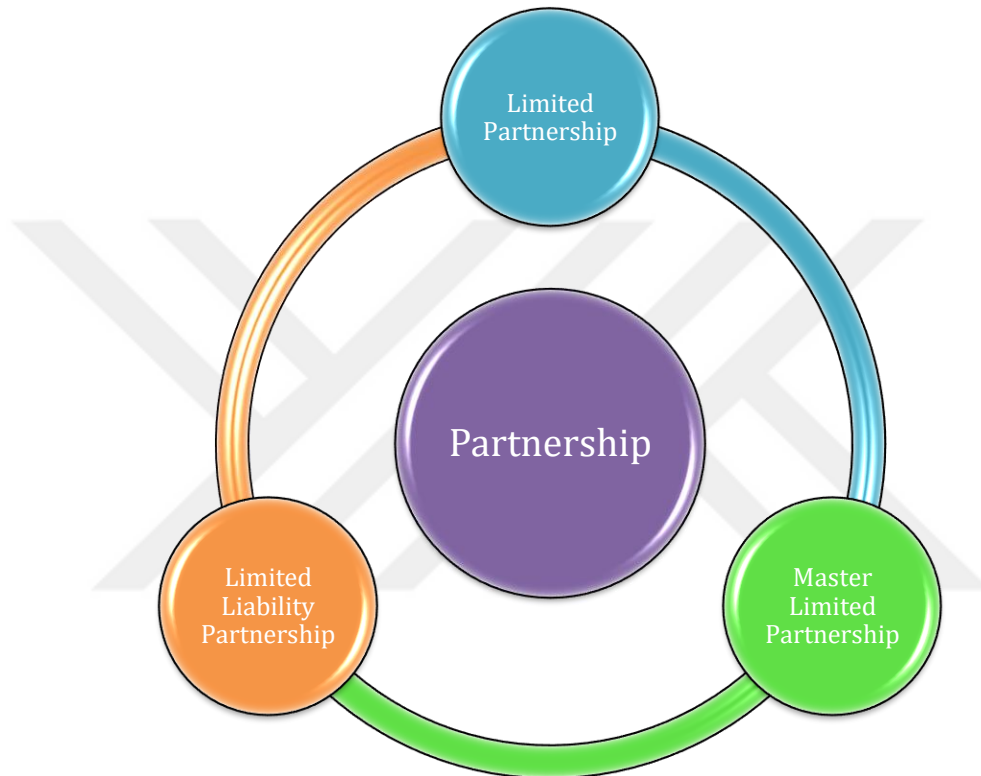
**Figure 3: Advantages and Disadvantages of Sole Proprietorship (Zimmerer & Scarborough, 2002).**

### **2.8. The Partnership**

A partnership refers to an association of two or more people who are co-owners of a business intending to earn profit. Under this form of business ownership, the partners share the assets, liabilities, and profits of the business on terms that they established in an agreement. (Zimmerer & Scarborough, 2002).

Traditionally, partnership agreements contain the name of the partnership, purpose of the business, duration of the partnership, domicile of the business, name and legal addresses

of partners, and the amount that the partners contribute. It also stipulates how profits and losses will be shared, salary agreements, partnership interests, expansion procedures, modifications, and dissolution of a partnership agreement.



**Figure 4: Three divisions of Partnership (Zimmerer & Scarborough, 2002)**

Zimmerer & Scarborough (2002) distinguish partnerships into three groups as seen in the diagram above. Let us discuss what they entail.

**2.8.1. Limited Partnership:** This form of partnership is a modified version of a general partnership and it comprises at least one general partner alongside at least one limited partner. Under this form of partnership, the general partner is often treated as a general partnership under the law.



**2.8.2. Limited Liability Partnership:** Under this form of partnership, which many states and countries recognize, all partnerships are limited partners. Similar to any form of partnership, the limited liability partnership does not pay taxes. Instead, the income is shared with the limited partners, and they then have to pay taxes out of their shares of the company's revenue.

**2.8.3. Master Limited Partnership (MPL):** This partnership form is newer than the others, and it is similar in operations to limited partnerships. However, the difference is that the shares in this business are traded like common stock, and the profits are divided amongst all the multiple partners.

## **2.9. Advantages of Partnerships**

### **2.9.1. Ease of Start-up**

Partnerships are easy to start up because the partners can either agree on a written or verbal partnership amongst themselves. Their taxation system for partnership is also simple.

Although things can be done orally, it is safer and more sensible to put a partnership agreement in place and ensure that this document contains everything about how the partnership will work, including the rights and responsibilities of partners.

### **2.9.2. Shared burden and responsibilities**

Compared to sole proprietorship, a partnership has the advantage of financial and managerial mutual support. Setting up and managing a business alone is very stressful and taxing, especially if it is the first time. However, the partnership gives you a team of people to go through it with.

### **2.9.3. Sufficient skills, knowledge, and contacts**

Every business partner will add their expertise, skills, and knowledge, and even contacts to the partnership, which improves its potentials for success.

The business partners can share tasks based on their areas of specialization and get the work done faster. This is better than a sole proprietorship where one man does the entire job.

#### **2.9.4. Better decision-making**

Decision-making is more rounded and thought through under a partnership than a sole proprietorship. This is because all partners bring their unique perspective after which they will debate on it and make a decision. In the end, the conclusion reached would most likely be better than a one-man decision.

#### **2.9.5. More capital**

The number of partners in the partnership directly affects the resources available for running the business. All the partners will bring stipulated amounts and invest them into the business for business expansion and growth. Also, the borrowing capacity of a business with several partners is higher than other capacities.

### **2.10. Disadvantages of a business partnership**

#### **2.10.1. Unlimited Liability:**

All the members of the partnership have joint responsibility and liability for the debts accrued to the business. This implies that even if one partner makes a major mistake or is dishonest in his dealings, all the partners will get into trouble.

#### **2.10.2. Possibility of Conflicts**

When a group of persons is working together, lots of conflicts are bound to crop up, including personal interest, opinion difference, and differences in character traits.

Sometimes, the partners might be divided amongst themselves and set camps, which can cause major issues in the business operations. It will take a lot of management skills, understanding, and patience to handle such issues.

#### **2.10.3. Future Uncertainties**

If one of the members dies, develops a mental ailment, or faces insolvency, the business will have to shut down. Also, the process of adding new partners is not complete until all existing partners agree to it. This system might pose a challenge when one partner wants to bring someone in but other partners disagree.

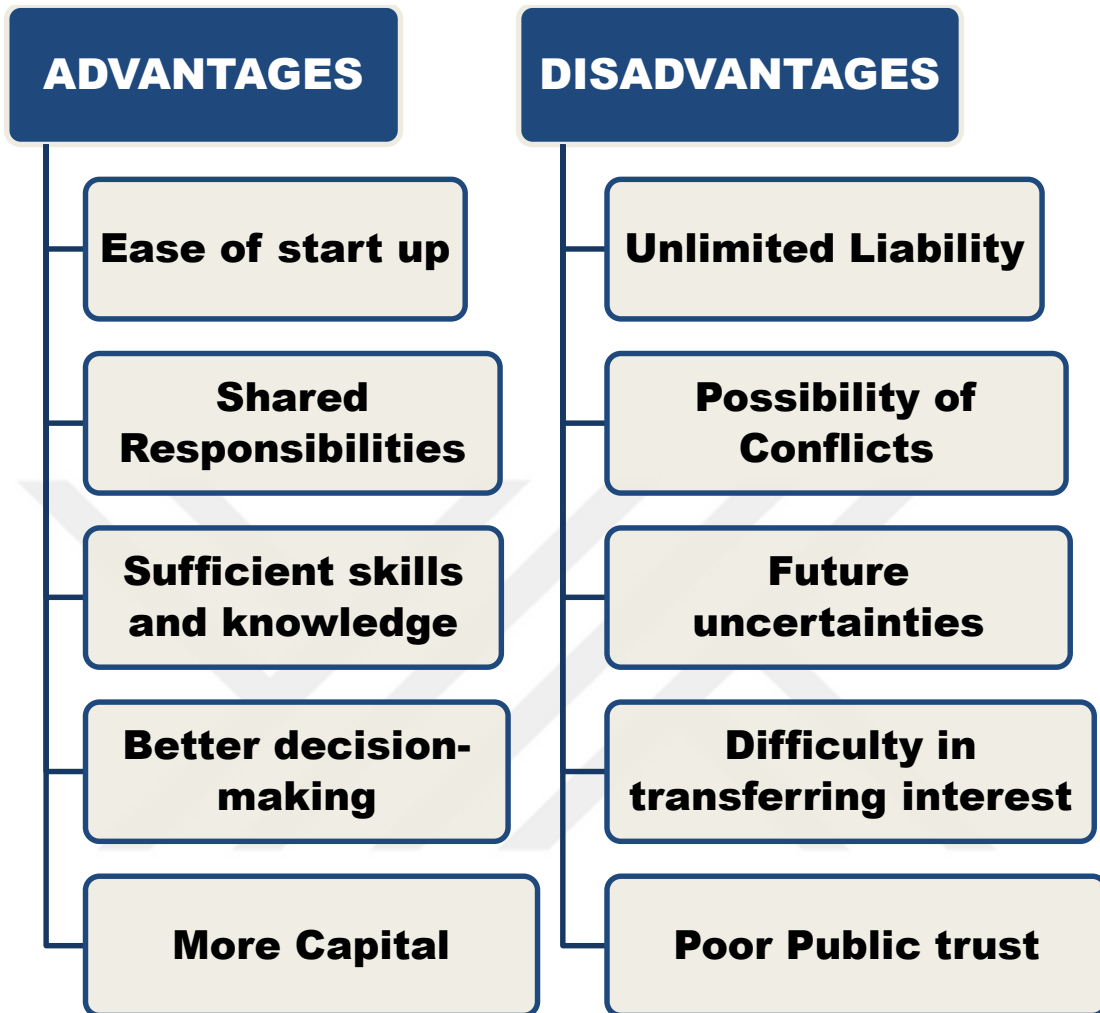
On many counts, the firm's operation is always filled with doubts and uncertainties, including the financial and physical health of all partners.

#### **2.10.4. Difficulty in Transferring Interest**

Without the agreement of all partners, it is impossible to transfer a partner's interest to someone outside of the partnership. This is because an investment in a partnership business turns into an illiquid asset.

#### **2.10.5. Poor Public Trust**

A partnership doesn't have its financial and operational books in the public sphere. It also doesn't get its accounts audited. As a result, members of the public are often suspicious of those kinds of businesses. The atmosphere surrounding this form of business might negatively affect its credit worthiness, and make it difficult to get credit from financial institutions and other organizations



**Figure 5: Advantages and Disadvantages of Partnership (Zimmerer & Scarborough, 2002).**

### **2.11. Close Corporation**

A close corporation is a small corporation that isn't held by the obligation to follow the strict formalities required of standard corporations. The directors and shareholders of a close corporation operate very similarly to partnerships. Across several countries, a close corporation cannot have more than 10 shareholders. However, the number varies from one country to the next.

### 2.11.1. Advantages of Close Corporation

According to Spadaccini (2005), some advantages of a close corporation are seen below:

- Fewer formalities than standard corporations, which makes business operations seamless and easy.
- Shareholders in a close corporation have a lot of control over the sales of shares to new intenders.
- Strong liability protection for shareholders within a close corporation.

### 2.11.2. Disadvantages of Close Corporation

The disadvantages of a close corporation as highlighted by Spadaccini (2005) include:

- Close corporations have shareholders' agreements and bylaws guiding their operations, which can sometimes be confusing.
- Organizing close corporations is often an expensive endeavor
- You cannot offer stock publicly within a closed corporation

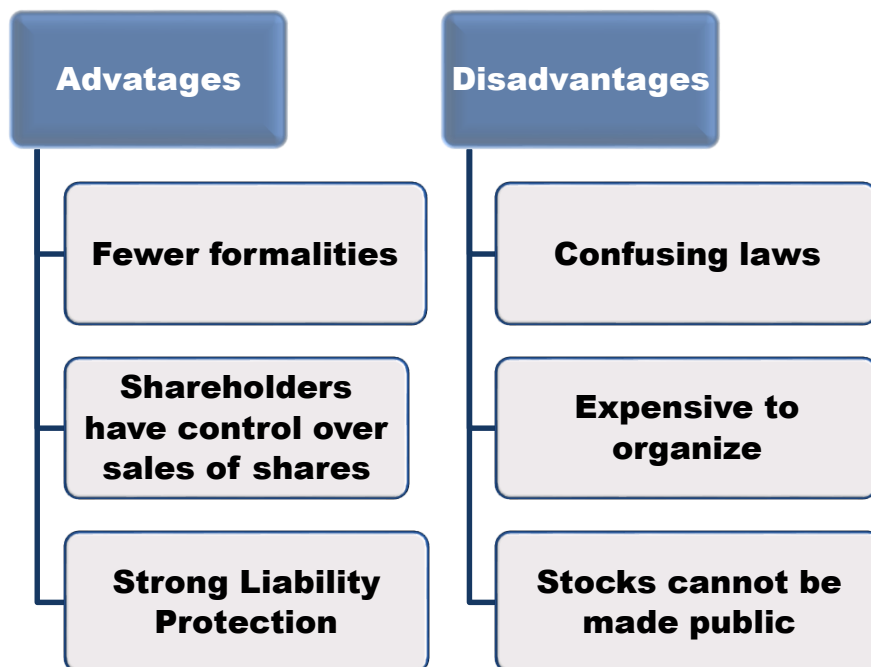


Figure 6: Advantages and Disadvantages of Close corporation (Zimmerer & Scarborough, 2002).

Public companies, also called publicly owned companies are companies that are open such that any member of the general public can buy the company's shares/stocks or an ownership position in that company.

Several regulations govern how public companies operate and how they can sell their shares. In Nigeria, the Securities and Exchange Commission (SEC) demands that companies provide transparent information about their business finance and operations.

Public companies are almost always in the public view because they release a lot of information about their activities and finances to the public. They do this for accountability purposes, and also to convince potential investors to choose their stocks.

### **2.11.3 Advantages of Public Company**

#### **2.11.3.1. Ability to raise capital through public issue of shares**

Because a public company can sell its shares to anyone looking to invest their money, they raise capital that is higher than what a private limited company will raise.

Listing a stock listed on an exchange can gain a public company investment from mutual funds, hedge funds, and other traders.

#### **2.11.3.2. Other finance opportunities**

A public limited company can find other financing options apart from the sales of shares. For instance, when a public limited company meets up to a stock exchange listing, the company's creditworthiness improves and banks alongside other financial institutions will be more likely to offer them loans.

#### **2.11.3.3. Opportunities for Growth and expansion**

The ability to raise potentially available finance is higher than a private company, which places the public limited company at an advantage.

#### **2.11.3.4. Prestige and confidence**

There is a sense of responsibility and confidence that comes with being a public company as people see such companies as prestigious.

Although most companies might not meet up to the perception of being more established, more established, and larger than other companies.

#### **2.11.3.5. Transferability of shares**

You can easily transfer the shares of a public limited company than the private companies so shareholders can benefit from liquidity.

It is comforting that shareholders are not strictly bound to the company, so they will be more open to buying shares and investing. You can handle issues like the death of a shareholder in line with a will.

#### **2.11.3.6. Exit Strategy**

A public company has increased options for founders of the business to leave at any time in the future if they want. They can even get exit benefits as they leave.

### **2.12. Disadvantages of Public Companies**

#### **2.12.1. Strict regulatory requirements**

These requirements are stricter than those of a private company. They include a trading certificate, having at least two directors, stricter rules concerning loans to directors, the appointment of a company secretary, following the rules of the stock market.

#### **2.12.2. Higher transparency levels required**

Public companies need to have their accounts audited, and they cannot file abbreviated accounts. A public limited company needs to present information about performance, finance, and other details to anyone who requests it.

#### **2.12.3. Ownership issues**

Ownership issues can occur with public companies because it is hard to control who becomes a shareholder of the company and who the directors have to give account to. Disputes and a lack of direction can occur due to many persons being shareholders.

#### 2.12.4. Highly prone to takeovers

If a large number of shareholders agree to takeover a company, they can transfer shares, build a shareholding, and attempt to take over the company.

#### 2.12.5. Short-term result driven

In situations where a public company is listed, they can face pressure and undue emphasis on the share price. This might make directors focus too much on short-term results and miss other long-term opportunities or threats.

#### 2.12.6. High Initial financial commitment

Public companies have a higher minimum financial commitment than private companies. Before trading, a public company must have a minimum of £50,000 of nominal share capital, and pay up at least 25%.

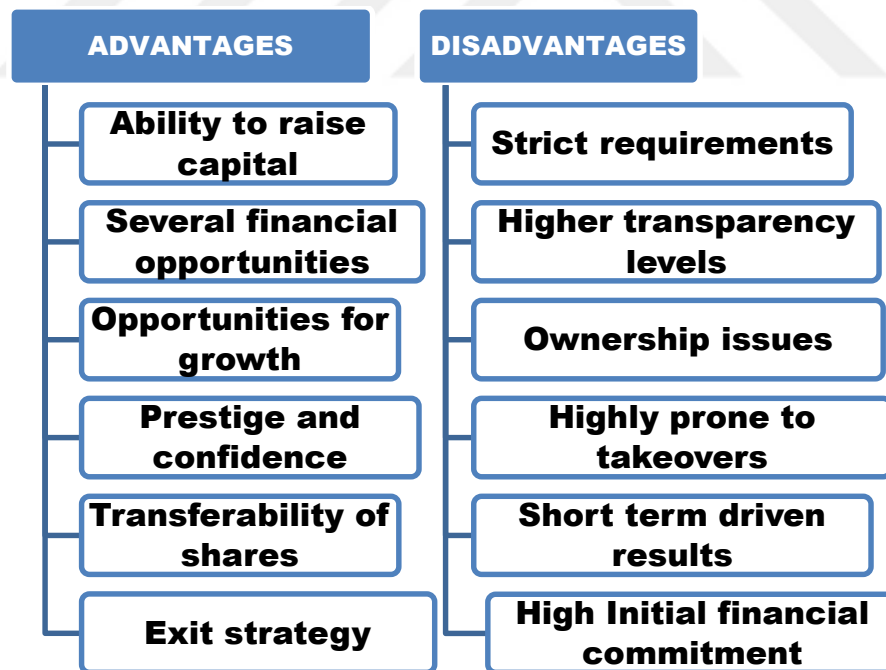


Figure 7: Advantages and disadvantages of public companies (Zimmerer & Scarborough, 2002).



### **2.13. A Private Company**

A private company is a profit-making company; a small business whose capital cannot be gotten by selling shares to the general public.

A private company often has a restriction on shares transfer. Such companies are restricted to two directors and at most fifty shareholders (Nieman et al., 2003).

#### **2.13.1. Advantages of Private Company**

- The company is a legal entity set apart from its shareholders.
- Members have limited liability
- Perpetual succession is possible in the company and the existence continues even after owners die.
- The company is not under any obligation to provide commercial or financial information to the general public.

#### **2.13.2. Disadvantages of Private Company**

- Longer registration process and cost that is not found in sole proprietorship or partnership.
- Ownership must be divided between at least two persons who will act as directors.
- Restricted trade of shares limits the options of shareholders who want to liquidate their shares.
- Restriction of public participation in buying shares tends to affect the company's ability to raise capital.

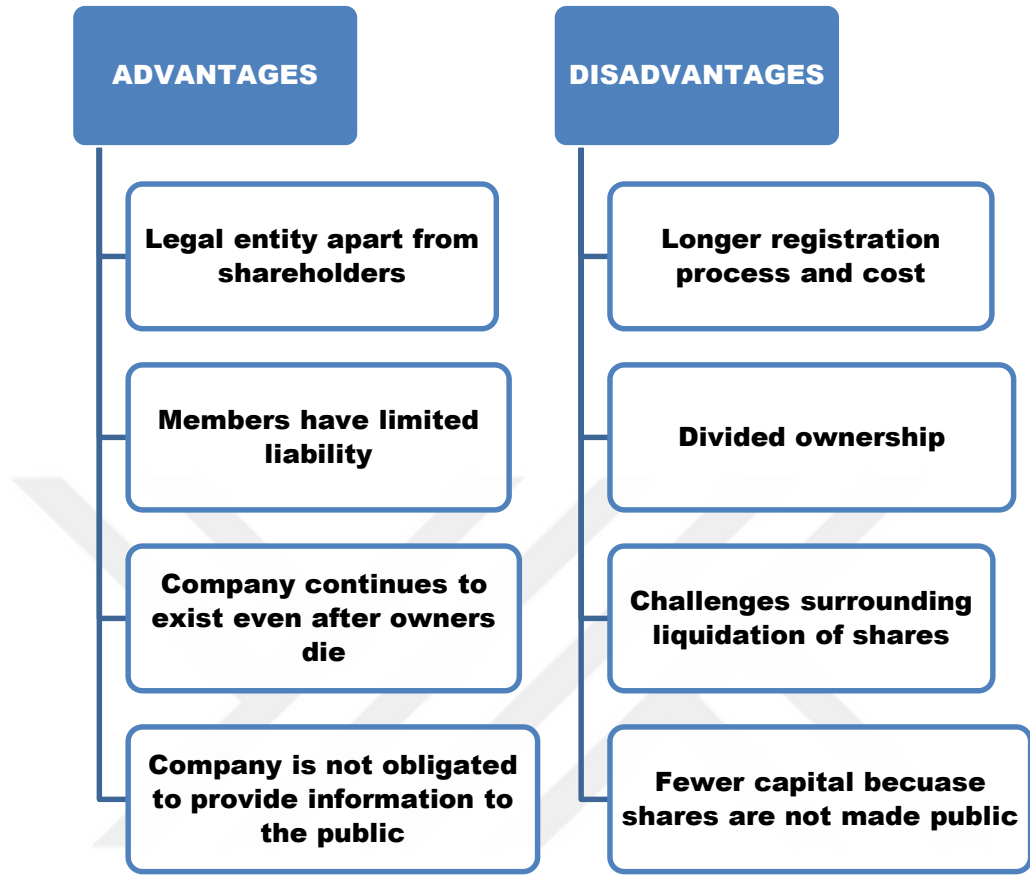
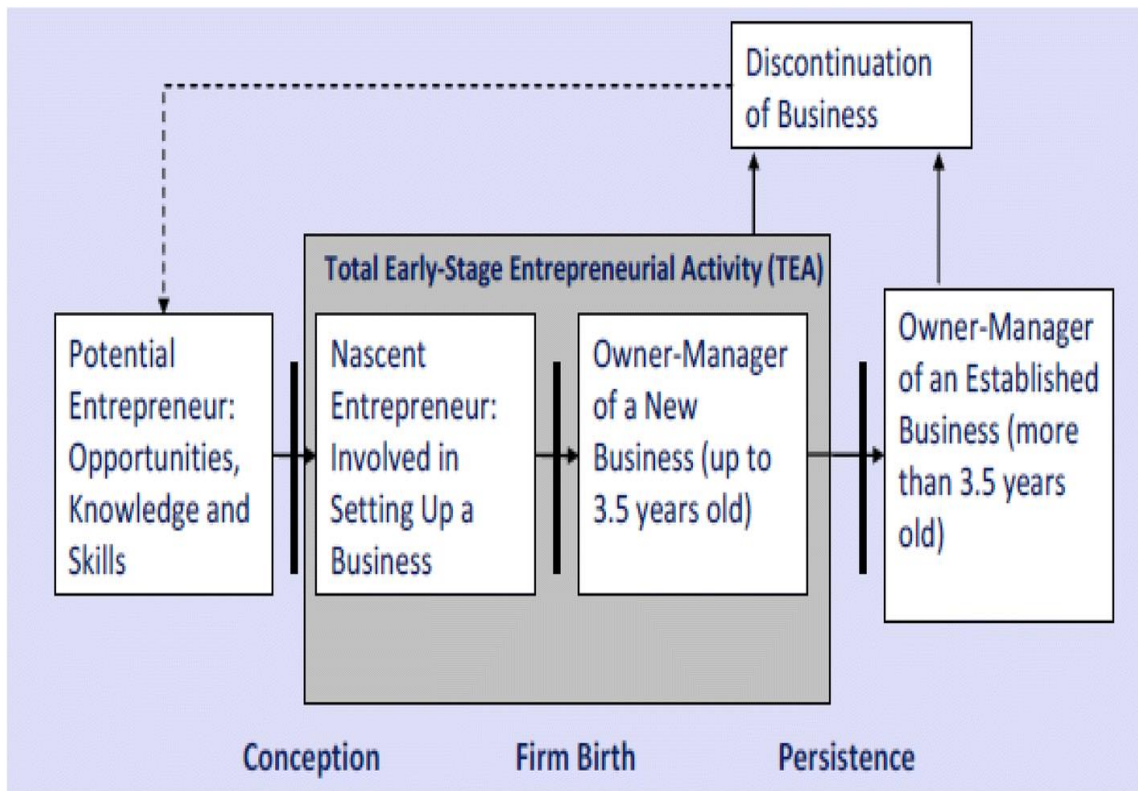


Figure 8: Advantages and disadvantages of Private Companies (Zimmerer & Scarborough, 2002).

## 2.14. STAGES OF ENTREPRENEURIAL DEVELOPMENT IN NIGERIA AND OTHER COUNTRIES

Business establishment goes through several stages, and it is often called the stages of business or entrepreneurial development. Nieman et al (2003) refer to this process as the life cycle of the business venture.

Let us examine some figures that showcase the major stages of entrepreneurial development



**Figure 9: Stages of entrepreneurial development (Bosma & Levie, 2010).**

According to Bosma & Levie, (2010), the entrepreneurial Process includes the conception phase, the firm birth, the persistence phase, the established phase, and the discontinuation phase.

The conception phase refers to the stage where the entrepreneur is nursing the idea of starting a business and considering what kind of business to embark on.

The start-up phase is when the business gets set up and starts to run. This covers the first year of operation.

The persistence phase refers to the time when the entrepreneur begins to make progress and gain experience.

The established phase is when the business is above three and a half years old, and continues to be profitable.

The discontinuation phase refers to the point when an entrepreneur is unable to continue their business due to several reasons or challenges, which could include a natural disaster, financial decline, a pandemic, or other issues beyond their control. Other times, a business could fail because of poor management practices, insufficient resources, a change in business policies, or consumers' preferences.

However, discontinuation of business is not the end, which is why optimistic and driven entrepreneurs can go back to the drawing board and start their business all over again. This is where there is an arrow connecting discontinuation of business to the potential entrepreneur phase where the entrepreneur considers new business ideas. Determined entrepreneurs can come back to business even if they earlier failed at the process.

Let us also explore other studies and stages of business development according to other sources.

As seen in the graph below, Nieman et al (2003) also divide the business development stage into five, including the incubation stage, the start-up stage, growth stage, maturity, and decline stage.

They opine that during the incubation stage, there are limited options for harvesting as the business is still a concept in mind. The only way an entrepreneur can harvest during this stage is if their concept poses a threat to other businesses in a competitive industry.

The start-up stage is mostly associated with high risk and potential for business failure as the demand for such products or services in the market is not yet high. The uncertainties of market demand at this time are combined with the few certainties of making a profit from the business.

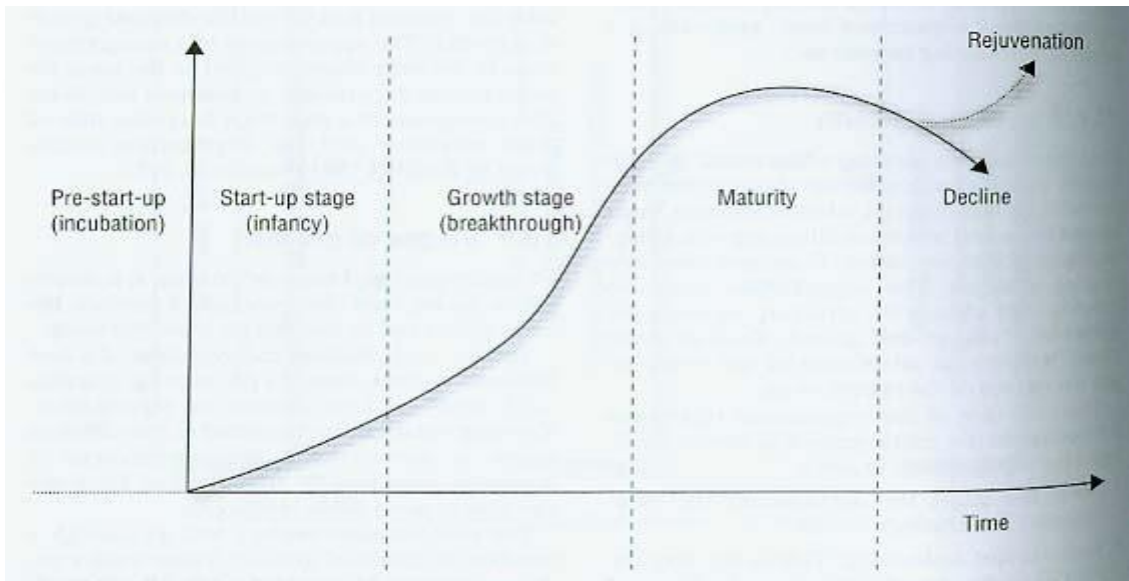
Nieman et al (2003) believe that the growth stage is a great time for the entrepreneur to consider harvesting, although the average entrepreneur might still not be there yet.

At this point, market demand and business growth are becoming clearer to the entrepreneur. However, potential competitors are looking to gain access to seemingly lucrative markets. Entrepreneurs can choose to sell the venture at this point depending on its performance and projected performance for the near future.

The maturity stage is fraught with serious competition and pressure in distribution and sales often begin to face a decline in profits. In the early maturity stage, selling is quite profitable before, but in late maturity, selling begins to decline. It is at this stage that some entrepreneurs consider alliances and mergers.

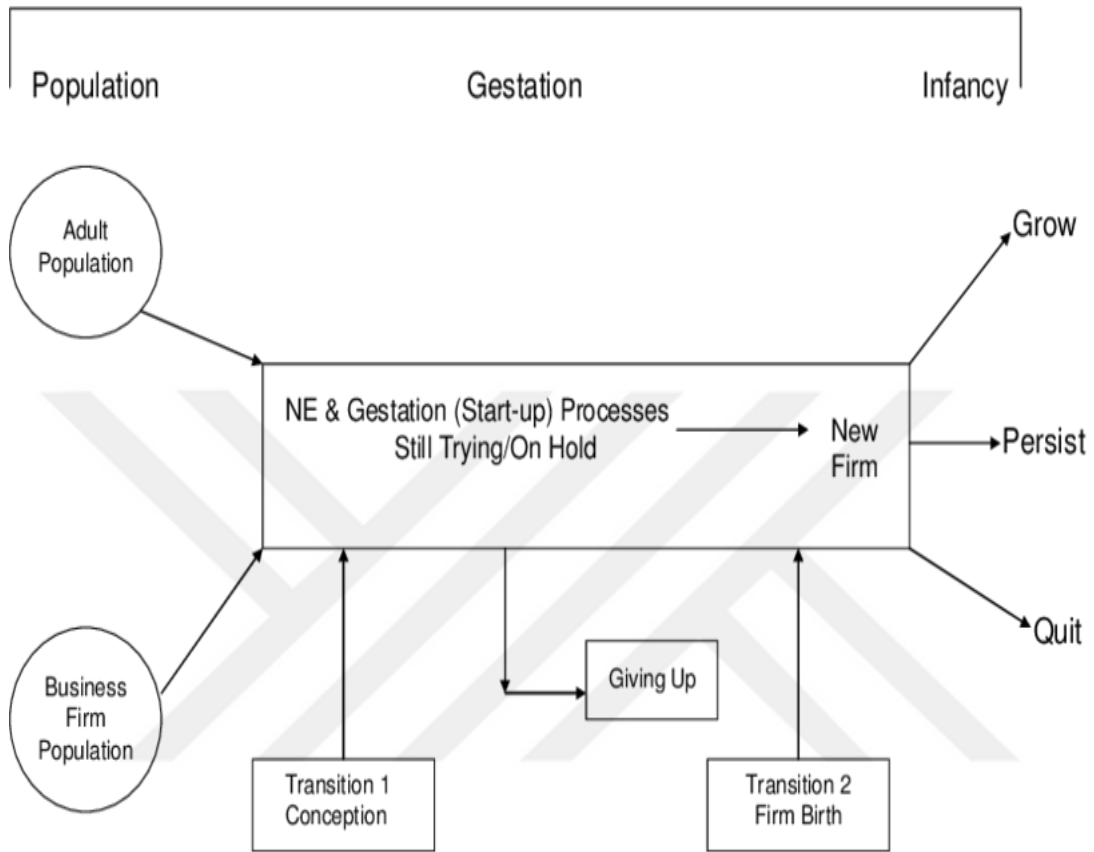
The decline stage is when both sales and profit decrease and harvesting is very poor. Only serious creativity can help an entrepreneur achieve great harvesting. Several entrepreneurs don't see it coming at this stage until it becomes too late. Nieman et al blame poor strategic positioning for a decline in business prospects at this phase.

At every stage, the entrepreneur needs a different approach to keep the business growing and profitable. When businesses move to another stage too soon or too late, it could lead to failure. Every stage needs its planning, organization, and implementation, and a business owner needs to understand all the stages of entrepreneurial development to avoid failure.



**Figure 10: Stages of Entrepreneurship (Nieman, et. Al., 2003).**

Political, Social and Economic Context



**Figure 11: diagram representing the entrepreneurial process detailed by Reynolds et al. (2004).**

## 2.15. SMALL AND MEDIUM ENTERPRISES

Small and medium-sized enterprises (SMEs) are defined as independent, non-subsidiary firms that employ fewer than the number of employees you find in a larger firm. The interesting thing about the definition of SMEs is that the number stipulated for a business to be tagged an SME varies from one country to the next. The United States considers SMEs to be firms that have below 500 employees, but a more frequently accepted definition of SMEs is those with an upper limit of 250 employees, such as the European Union. It is not uncommon to find some countries set their employee limit at 200.

Small and Medium Enterprises (SMEs) play a massive role in most economies around the world, especially in developing countries like Nigeria.

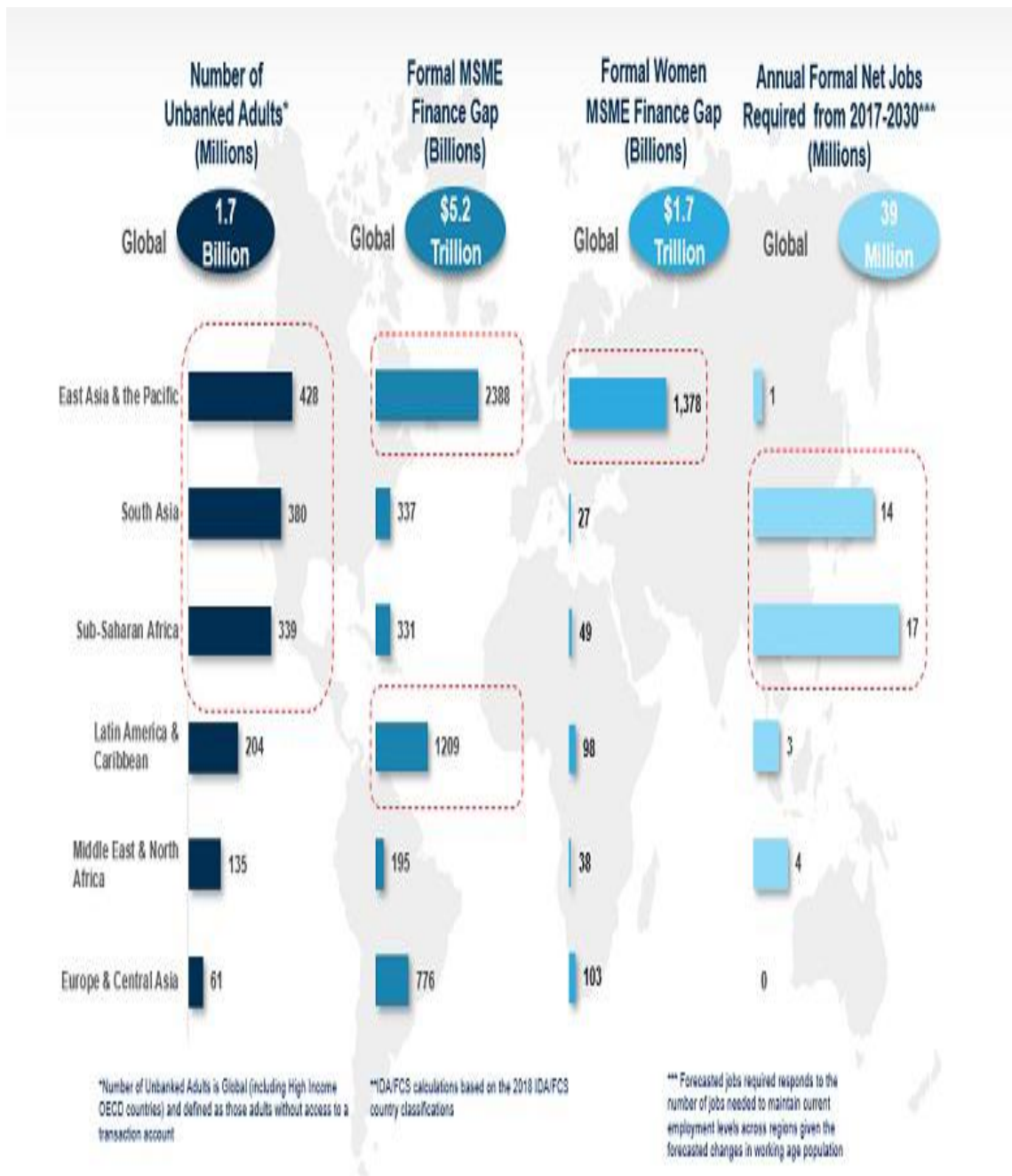
According to the World Bank, SMEs make up the majority of businesses worldwide and make major contributions to global economic development and job creation. SMEs make up about 90% of businesses and over 50% of employment worldwide.

Formal SMEs contribute about 40% of national income (GDP) in developing countries, and the percentage rises when you include informal SMEs.

<b>Countries</b>	<b>Definition of SMEs</b>	<b>Measurement</b>
Germany	Employees not exceeding 255, annual turnover not exceeding 50 million euro	Employment and assets
Belgium	100 employees, annual turnover of not more than 50 million euro	Employment
United States	1500 employee and \$50million dollars	Employment and assets
Canada	Not more than 500 employees for manufacturing and 50 employees for service industry	Employment

**Figure 12: Definition of SMEs according to country (Emmanuel Ajike et. Al., 2015).**





**Figure 13: SMEs and finance across the world (World Bank.Org, 2020).**

## **2.16. Global Structure of Small Medium Enterprises**

SMEs have an organizational design that is quite different from the structure of large-scale organizations. For instance, with small organizations, few members of staff have to carry out multiple tasks. However, large organizations work with a few specialists who carry out a few duties.

Herbst (2001) has defined that the features of small organizations are relative to their size.

According to Ehlers (2000:105), small organizations divide their tasks into subsections that they assign to selected staff. However, specialization only works when an organization is large, and staff can afford to focus on a specific task.

The reason many SMEs don't employ professional staff is often that they cannot afford to pay them either on a part-time or full-time basis.

However, having non-experts handle these jobs might lead to problems, which could cost the SMEs a lot of money in the long run. Unskilled workers often lack the necessary skills to handle a business successfully.

When creating a structure for your organization, the owner needs to ensure that good system is in place, alongside appropriate control for the organization. Let us look at the methods of controlling Small organizations globally.

### **2.16.1. System of Controlling Small Organisations Globally**

It is expected for an SME owner to face some tension with regards to dictating and determining an organizational policy as well as the goals and operations of that organization and the needs of their employees.

Ehlers (2000) opines that a business owner holds a dominant position which could bring about tension or issues as he/she has to take charge of events in the company and ensure that processes work well while keeping the employees empowered.

It is expected that a business owner will co-ordinate all daily activities within an organization, oversee and supervise, and also communicate with his/her staff.

Apart from his wield over a decent amount of power in areas such as innovations, decision-making, employment, and developments. When handling a small business, the owner maintains close contact with his employers. Such an interaction ensures that the workers and processes are flexible and open to changes. (Herbst, 2001).

Some qualities needed for managing SMEs include the ability to adapt, creativity, change, flexibility, ambiguity, collaboration, and problem-solving. Owing to turbulent times and changing environments, small business owners learn to fight through difficult times, make predictions and plan to get past the difficulties that they face.

### **2.16.2. The Importance of Small Organisations Globally**

SMEs make up 95% of the economic community in Europe. However, many economic and financial commentators don't pay attention to the relevance of the SME sector in the area of economic development. (Ehlers, 2000:44).

Ehlers (2000) cited an international study carried out a comparison between SMEs in the United States, France, United Kingdom, Germany, and Italy. The results from the study showed an increase in the share of employment amongst small organizations.

Here are some reasons why small organizations are largely important to global economies:

- SMEs are creators of employment, innovation, and work opportunities across countries and continents of the world.
- SMEs have a vital socio-economic role that they play in the world of business.
- SMEs often serve as subcontractors of large organizations
- SMEs are a manifestation of the free market system.
- SMEs bring about a multiplier effect on the economies of nations and continents.

Over time, several positive changes have been made because of the presence of SMEs in different global market economies. They include:

- Magnitudinal shift in the sizes of organizations from solely larger organizations to smaller ones.
- The continuous decline in dependency on the size and age of the organization.
- Small organizations play a crucial role in the economy, which can be seen in the rate of jobs created.
- Increased innovation on the part of SMEs as compared to large organizations across these countries.
- SMEs are increasing the share of goods in the manufacturing sector.
- Small organizations' have an employment share that is growing at a faster rate.
- Small organizations play a vital role, as there is a relatively proportionate share of new jobs created.

When you look across several countries in the world, especially on the African continent, you can deduce that SMEs have increased across the board because many people prefer to start their businesses. This desire is often driven by several factors including the need to be in charge of one's own business, handle all decisions, and be their boss.

Some other persons prefer to work in smaller organizations due to their flexible work process and structure. The organizational structure of SMEs brings all members of the business in close contact with each other. It is also relatively easy to operate a small business from any location.

Owners and establishers of small-medium enterprises create jobs for themselves and also provide employment opportunities across an entire nation. The contributions of SMEs also have a global impact over time.

Having looked into the contributions of small organizations to the global economy, the next section will look into the advantages and the disadvantages of SMEs.

### **2.17. SME Roles in Economic Development**

SMEs play highly significant and vital roles in every economy of the world. More so, the role of SMEs is more important in developing countries, seeing that the sector tends to offer the only viable prospect for creating and maintaining a robust workforce, thereby aiding poverty alleviation and generally increasing the quality of life for the citizenry (Agbu, 2006). A vibrant SME sector is necessary to achieve an inclusive and socially sustainable economic development even though institutions that provide support services where available are often limited in capacity and coverage in developing economies. In this wise, there's no dearth of acknowledgment for the positive contribution of SMEs to economic growth and development. This has informed the efforts of countries around the globe to formulate policies and create favorable conditions that will engender exponential growth and stability of the SME sector. In both developed and developing countries, reports put SMEs export at around half of all industrial exports.

In harmony with the innovations in the world economy and the associated global effects, the role of SMEs from this point on is sure to be even greater and more prevalent, with evident impact on the evolving world trading order (Aluko, 2004). The central jobs played by the little and medium scale businesses in the industrialization and economic development especially as far as essentially adding to work and income, and accelerating expansion in metropolitan and provincial regions can't be overemphasized (Olutunla, 2001; Hallberg, 2000; Olutunla, 2001; Williams, 2006). For instance, in a great large number of the newly industrialized nations, more than 98% of all the ventures have a place with the SMEs sub-area and records for an enormous piece of the workforce (Sanusi, 2003).

In Nigeria, it is impossible to discount the pivotal role SMEs play in generating employment, stimulating economic growth, reducing poverty, and income generation.

In both the formal and informal sectors SMEs employ over 60 % of the labor force in Nigeria.

## **2.18. THE ADVANTAGES AND DISADVANTAGES OF SMES**

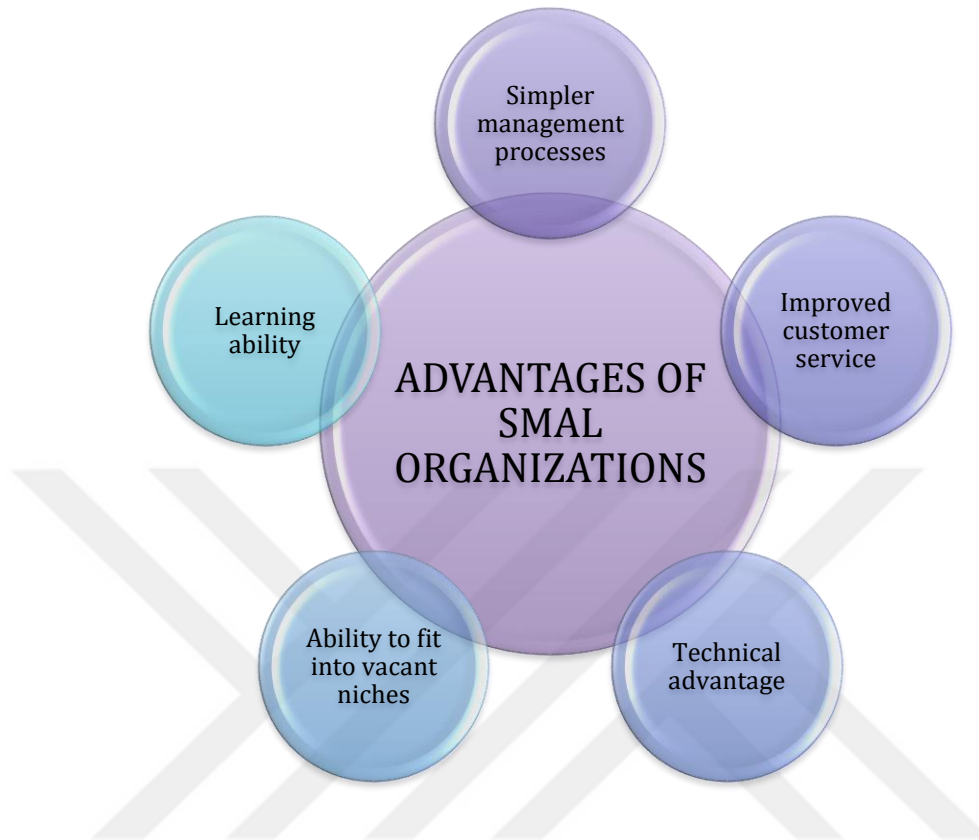
Before we proceed, it is crucial to re-emphasize that small organization is different from large organizations in many areas, including their market positioning, legal form, organizational structure, management styles, and financial resources.

### **2.18.1. The advantages of small organizations**

Andreassi (2003) opined that small organizations offer several benefits to society, economy, and nation in ways that differ from large organizations.

- Improved customer service: A small organization is more flexible than a larger organization in many areas. This situation makes it possible to tailor its services and even products to meet the unique needs of customers and prospective clients.
- Management process: Small organizations have a management process that is easy, less bureaucratic, and induces a faster decision-making process when compared to large organizations.
- Learning ability: Small organizations and their employees can learn at a faster pace and adapt to several strategies and routines than large organizations.
- Technical advantage: Small organizations often get more support from government bodies in technical aspects and face fewer regulations than large companies.
- Ability to fill niches: Large organizations sometimes get excluded from some markets due to their large sizes, and such a situation allows small organizations to get in there.

Now that we have looked into the advantages that come from small organizations and ownerships of SMEs, let us go on in the next section to discuss the disadvantages of SMEs.



**Figure 14: Advantages of Small Organizations. (Andreassi, 2003).**

### **2.18.2. The Disadvantages of Small Organisations**

There are several disadvantages associated with small organizations, and they include poor communication, poor financial control, and poor governmental regulations.

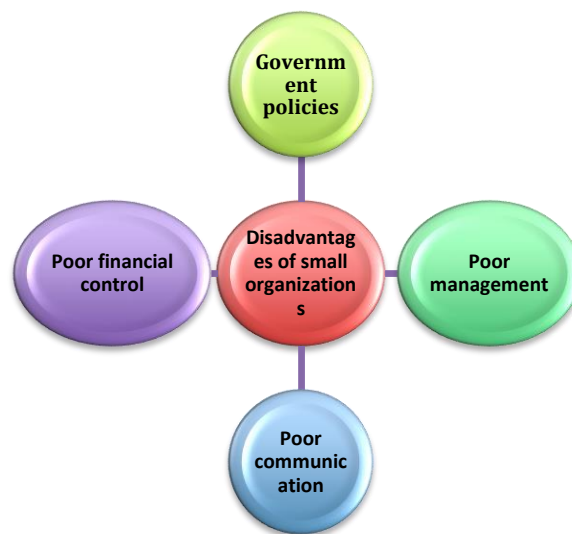
Here are some major disadvantages of small organizations according to Andreassi, (2003).

- **Poor management:** Sadly, many entrepreneurs don't have the formal management skills, needed to run their businesses, which causes such businesses to fail. Also, a lack of business skills leads companies into bankruptcy. Very few entrepreneurs go through the necessary training to acquire business and marketing skills.
- **Poor financial control:** Mismanagement of funds is one pertinent problem facing owners of small organizations. Many SMEs get set up when their owners have no financial knowledge or very little ones. Without the right financial knowledge, a business will run short of funds and probably close down in its early stage.

- **Poor communication:** Many SME owners often lack the time and relevant resources needed to create suitable communication networks. As a result, they often sacrifice the advantages that would come with establishing such communication networks thereby losing out on the value it ought to add to their organizations.
- **Government Policies and regulations:** In many countries, government policies don't work in favor of small organizations. It could be a case of excessive paperwork, tedious business registration, and management process, or even multiple taxations. Such requirements put a burden on the SME and can lead to other issues

One must understand how reversing these issues will enable small organizations to develop better, employ more persons, and contribute to the economy while surviving into the maturity stage.

With the Nigerian Government, and other governments around the world beginning to pay closer attention to the welfare of small businesses, we hope that these disadvantages would soon be tackled and eradicated.



**Figure 15: Disadvantage of Small organizations. (Andreassi, 2003).**



## **2.19. SMALL AND MEDIUM SCALE ENTERPRISES IN NIGERIA**

History has shown that the idea of Small and Medium Enterprise (SME) was brought into the sphere of development, howbeit economic development, however right on time as the last part of the 1940s and the fundamental target seemed to be to upgrade exchange and incite industrialization in the created countries as we have them today (OECD, 2004). There are several definitions for the term SMEs, however, most of these definitions are country-specific, as more often than not, SMEs are defined based on the role they play in the country in question, as well as the policies of the agencies created and designed to see to the activities of SMEs in the country. Also, SMEs can be categorized using certain factors, some of which are; employee strength, capital employed in production, relative size within the industry, available finance, profit, turnover, and market share.

SMEs in Nigeria has on various occasions been characterized varyingly, but as the years pass by, the extent of the definition gets refreshed. Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) characterizes these ventures as those whose complete speculation was between One Hundred Thousand Naira and Two million naira, barring land, however including working capital. In like way, the declaration setting up the National Economic and Reconstruction Fund (NERFUND) in 1989 put SMEs in Nigeria as those whose fixed resources barring land however including the cost of production doesn't surpass Ten Million Naira. In any case, in 1992, when the National Council on Industry brought together these definitions, limited scope undertakings (SSEs) are portrayed as those businesses with fixed resources adding up to One Million Naira however not surpassing N10 million. In 1996, these definitions were changed to mirror those endeavors with an all-out cost of above One Million Naira yet not surpassing Forty Million Naira comprehensive of working capital however barring cost of land.

As a result of his study of the potentials on SMEs in Nigeria, F.N Udechukwu (2003) characterized SMEs in Nigeria under the following sets;

- Micro/cottage industry; an industry with a labor size of not more than 10 workers, or capital of not more than 1.5 million Naira, this includes working capital but excludes the cost of land.

- Small scale industry; an industry sporting a labor size of 11 to 100 workers or total capital of not more than N50 million, this includes working capital but excludes the cost of land.
- Medium-scale industry: an industry with a labor size of between 101 to 300 workers or total capital of over N50 million but not more than N200 million, this includes working capital but excludes the cost of land.
- Large scale industry is an industry with a labor size of over 300 workers or total capital of over 200million Naira, including working capital but excluding the cost of land.”

The budding worry over the spate of unemployment among the youth population, especially those with Tertiary education, as well as the diminishing growth potentials in the economy have further increased the need for attention to the need for the survival and growth of SMEs. There certainly have been several government involvements in the Nigerian economic sphere to give an enhancement to the ease of business as far as SMEs are concerned. These came through the establishment of various agencies and programs such as the Small and Medium Enterprise Equity Investment Scheme (SMEEIS) founded in 2001 and the Small and Medium Scale Enterprises Development Agency of Nigeria (SMEDAN) founded in 2003. Some other bodies founded for these same purposes include The National Directorate of Employment (NDE), Skills Acquisition Centre, and Industrial Development Centres. More measures include several financial interventions to help put SMEs on their feet, one of these is the MSMEs Survival Fund. SMEs require adequate strategies to enhance their performance in the market and develop more rapidly, which will, in turn, lead to an increase in sales and profits.

Central Bank of Nigeria (CBN), Nigeria’s apex bank, in its guideline on Small and Medium Enterprise Investment Scheme (SMEIS), 2005, did describe SMEs as enterprises having a peak asset base of at least Two Hundred Million Naira, with the exclusion of land, working capital, and no cap to the staff limit

### **2.19.1. Challenges of SMEs in Nigeria**

The SME area is the foundation of major economies, just as significant supporters of work, financial, and trade development. In Nigeria, SMEs contribute 48% of public

GDP, represent 96% of organizations and 84% of the business (PWC, 2020). That SMEs have not accomplished wanted impact on the Nigerian economy despite the relative multitude of tries and support of succeeding governments, gives a justification concern. It highlights the conviction that there are fundamental issues, which go facing SMEs, in any case, which as yet have either not been tended to at all or have not been morally taken care of.

As part of the review process, the following problems were exposed. Without mincing words, these problems are found to be monumental to the survival of SMEs in Nigeria. Of these, the more prevalent is insufficient, and more often than not, dysfunctional infrastructure, which contributes greatly to increased costs in carrying out their daily operations, as these SMEs now have to privately procure basic utilities which should have been made available by the government, some of these include pliable roads, adequate water supply, stable electricity, safe transportation and reliable communication services (Olayode, 2004).

All the more thus, SMEs need simple admittance to subsidize/credits, which can be detectable to the hesitance of banks to stretch out credit to them owing, among others, to poor and deficient documentation of strategic agreements, absence of proper and satisfactory security, significant expense of the organization and the board of little advances just as high loan fees. Besides, shortcomings in association, showcasing, data use, handling and recovery, work force the board, bookkeeping records and preparing, and so on emerging from the deficiency of such abilities in many SMEs because of deficient instructive and specialized foundation concerning the SME advertisers and their staff (Orunmoluyi, 2000).

Emezie (2017), in his study, categorized the challenges of SMEs in Nigeria into the following classes:

- Insufficient finance
- Pitiable information organization as well as record-keeping
- Obvious ignorance in terms of separating business capital from personal
- Deficient infrastructural amenities
- Insufficient business skills as well as that necessary for effective management.

## **2.20. SWOT ANALYSIS OF SMALL AND MEDIUM ENTERPRISES IN NIGERIA**

The Nigerian business environment like other business environments around the world is faced with several challenges and competitions which can convert a business opportunity into an advantage or a disadvantage.

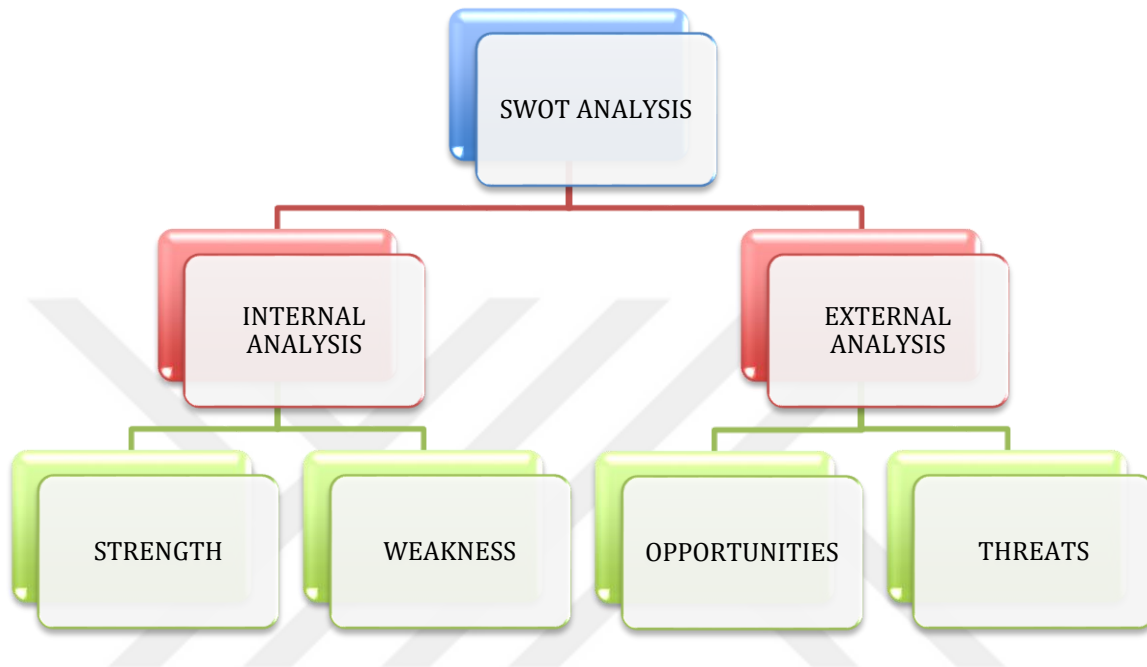
The business environment in Nigeria is characterized by its strengths, weaknesses, opportunities, and threats, which is SWOT, and which can become competitive or prove to be a death threat.

Every entrepreneur needs to carry out a SWOT analysis of a business environment before going into it, and while engaged in the business. SWOT-analysis helps a business owner gain a strategic advantage over competitors.

With Nigeria's somewhat hostile business environment, a businessman should venture into Nigeria's business environment, but not without a SWOT analysis.

According to a survey conducted by Udokwu in Imo state in 2003, many small and medium businesses have gone bankrupt, liquidated, and closed down because they did not study their environment before setting up their business.

Let us go into further details about SWOT analysis for businesses in Nigeria.



**Figure 16: SWOT analysis of SMEs in Nigeria, (New Partnership for Africa’s Development, 2008).**

### **2.20.1. Strengths of SMEs in Nigeria**

For entrepreneurs to set up successful businesses in Nigeria, they need the basic strengths that organizations need for a successful business in the Nigerian environment. Here is some strength for SMEs in Nigeria.

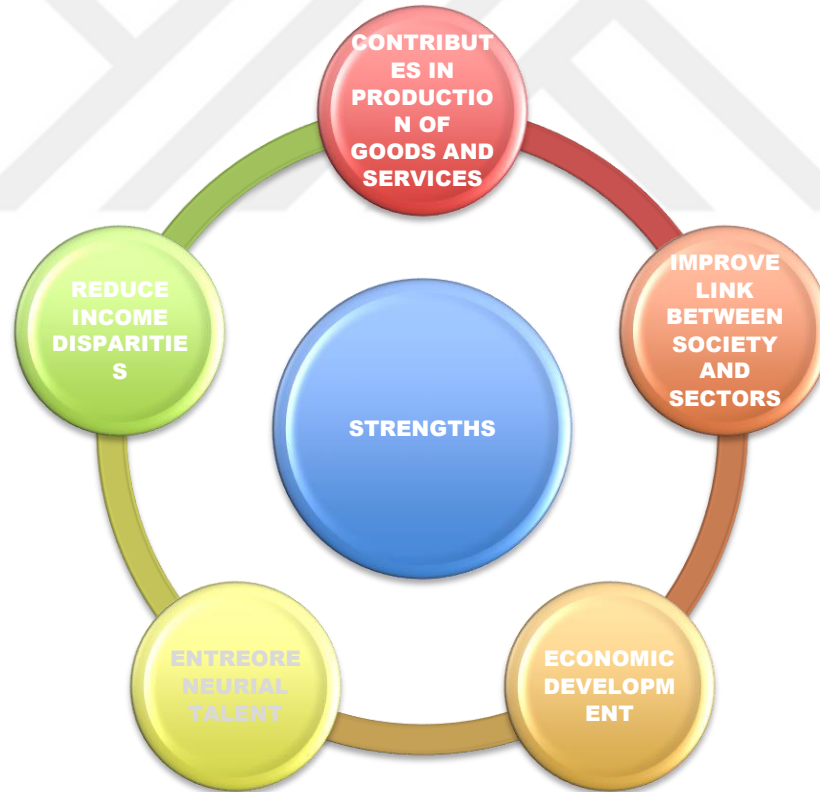
SMEs contribute to the economy in areas of production of goods and services. They also lead to the creation of jobs for the teaming unemployed or underemployed Nigerian population at a considerably low capital cost.

SMEs help to reduce income disparities in society, and they create a group of skilled and semi-skilled workers who offer hope for industrial expansion soon.

SMEs improve forward and a backward link between several diverse sectors in the community, including the socially, economically, and geographically economic diverse sectors.

SMEs are the perfect breeding ground for entrepreneurial and organizational talent, which contributes to economic development.

Finally, SMEs are the very engine room for economic development in growing economies like Nigeria.



**Figure 17: Strengths of SMEs in Nigeria (Obioma, 2010).**

### **2.20.2. Weaknesses of SMEs in Nigeria**

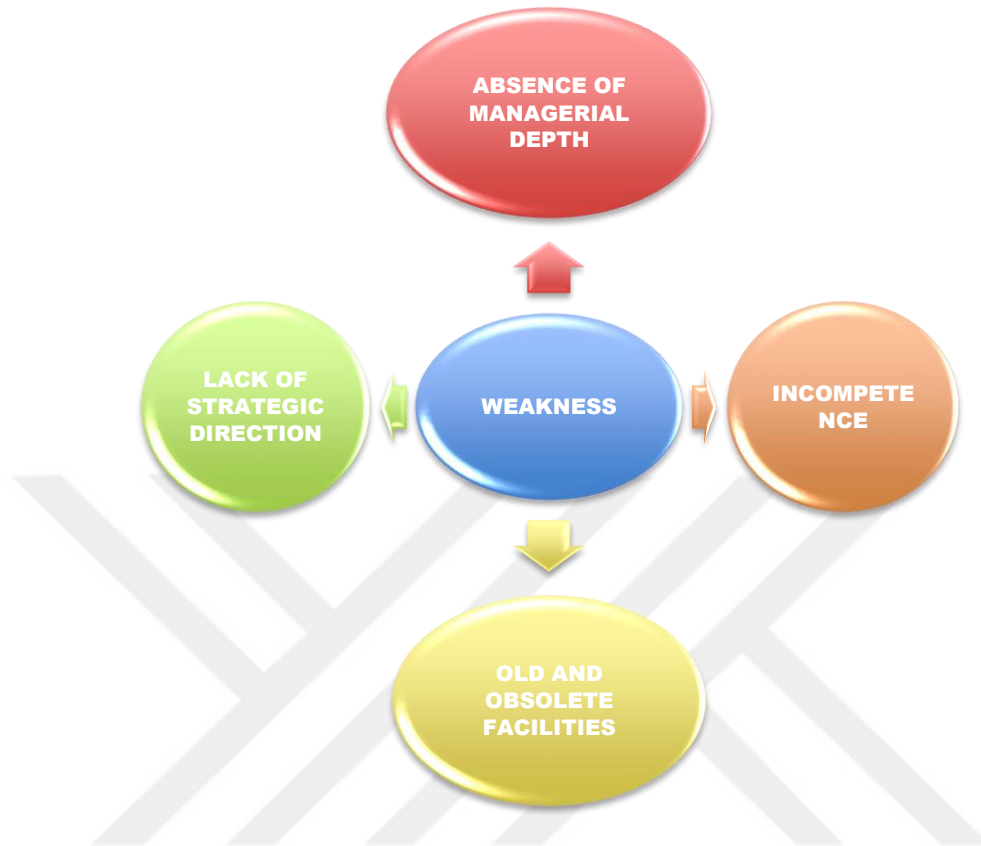
Weaknesses are situations or challenges that place a business at risk of failure or limits business profitability. SMEs in Nigeria is faced with some of the following weaknesses.

Old and obsolete business facilities make it difficult for SMEs to meet the demands of the growing market. Many businesses use outdated or old facilities because they cannot afford more recent ones, and this situation often results in a breakdown in the process of production which causes low output and poor business performance. SMEs operating in Nigeria need updated production facilities to meet the demand of their customers at the right time.

Incompetence and the absence of key skills is another weakness facing entrepreneurs and SMEs in Nigeria. Many people start businesses without gaining proper business education, and this can cause challenges for the business.

The absence of Managerial Depth is also a major weakness facing SMEs in Nigeria, as many business owners don't have the right managerial skills. The absence of these skills can affect the business negatively, especially in the areas of accounting and resource management.

Other potential weaknesses include the inability to finance needed changes in strategy, higher overall unit costs relative to key competitors, lack of clear strategic direction, and other related factors. Working on these weaknesses to build competitive advantages over others in business is a step for all SMEs to take.



**Figure 18: Weakness of SMEs in Nigeria (Oyeyinka, 2020).**

### **2.20.3. Opportunities for SMEs in Nigeria**

Several opportunities lie before SMEs in Nigeria, including an untapped growth potential.

According to Obioma (2010), Nigeria has much in common with Brazil; including population, an abundance of resources, an increasingly functional democracy, and a well-regulated financial system, which are all great testimonies of a growing economy.

A Report for New Partnership for Africa's Development (2008), highlights the following as opportunities for SMEs in Nigeria's business environment:

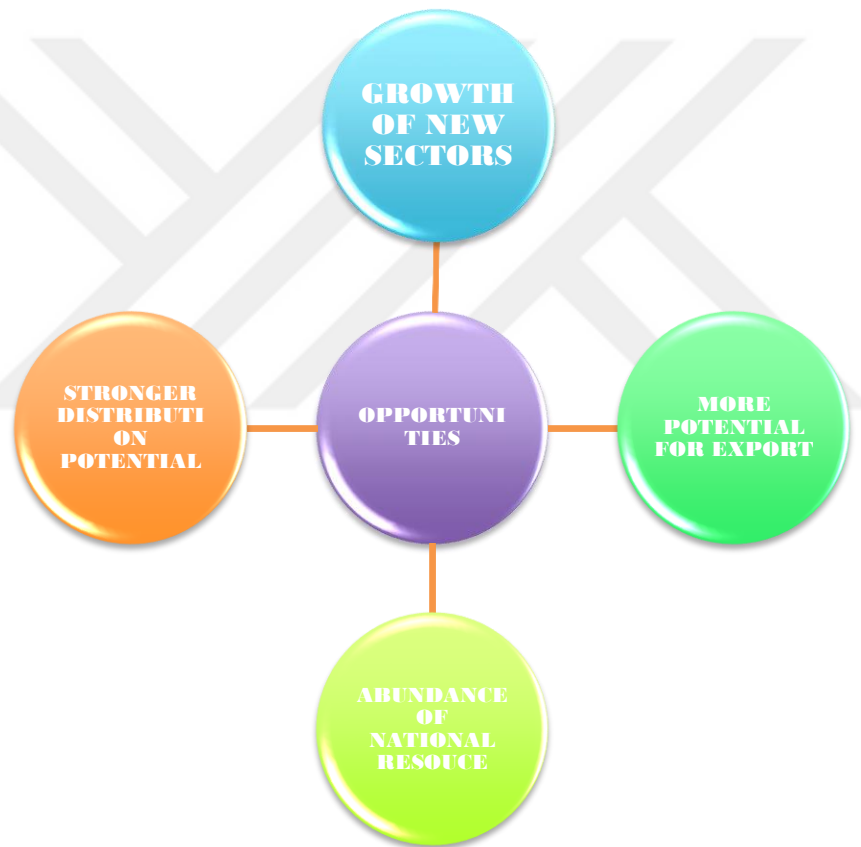
Substantial increase in foreign reserves that are equal to twelve months import.

A notable decline in the domestic and external debt stock, especially in the area of debt relief which brings about a reduction in debt servicing.



Some other opportunities cited by Oyeyinka (2020) include the strong potential for employment and export, the distribution of SMEs in Nigeria within regions; which offers the potential of synergized operational and cost implications.

Growth of new sectors, including leisure and entertainment and the development of Low-Tech Sectors such as agro, cloth and garment making, and footwear sector also offer opportunities to SMEs in Nigeria



**Figure 19: Opportunities of SMEs in Nigeria (Obioma, 2010).**

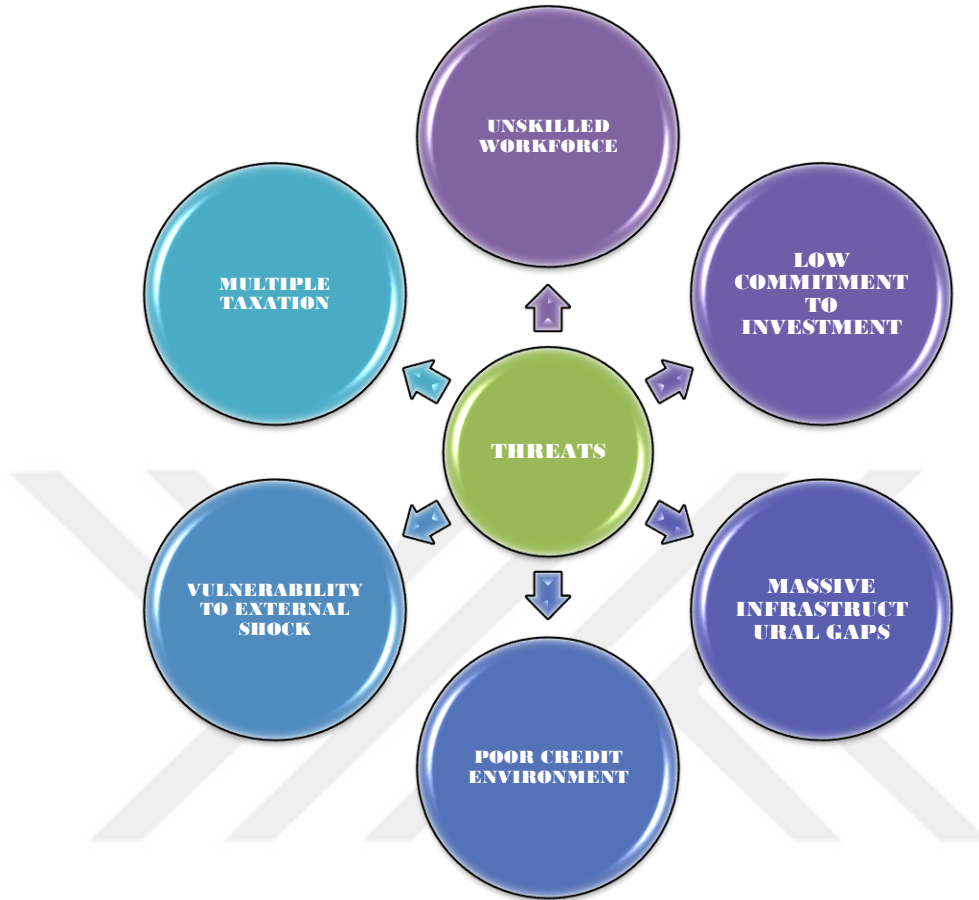
#### **2.20.4. Threats facing SMEs in Nigeria**

The New Partnership for Africa's Development report (2008) highlights the following as some of the threats to SMEs in Nigeria's business environments:

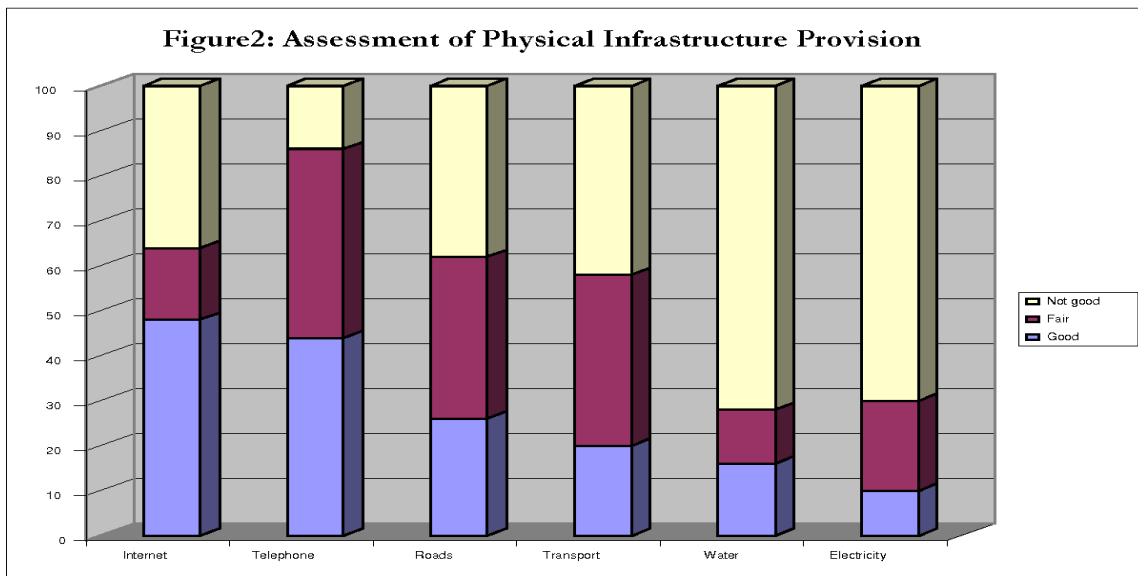
- The long-term neglect of sectors like manufacturing and agriculture, which are two critical sectors that can positively impact development in Nigeria if properly explored.
- The vulnerability of SMEs to external shocks in the oil sector, which brings about extreme consequences to economic stability and socio-economic development.
- The multiple taxation policy in Nigeria.
- Poor physical infrastructure and the absence of sustained economic growth.

A 2020 report on the state of SMEs in Nigeria by Oyeyinka highlights the following threats to SMEs in the Nigerian environment.

- Massive infrastructural gaps
- Poor credit environment and financial support
- High numbers of unskilled workforce
- Low commitment to investment which tends to grow commercial scale



**Figure 20: Threats facing SMEs in Nigeria (New Partnership for Africa’s Development report, 2008.)**



**Figure 21: SME issues, challenges, and prospects (Banji Oyelaran-Oyeyinka, 2020).**

## **2.21. SMES AND GOVERNMENT POLICIES IN NIGERIA AND OTHER COUNTRIES**

A policy refers to a plan of action decided upon by a group of people, organization, or a political party. In the business environment, policies can either be internal or external. The internal policies guide the running of business activities. Internal policies are also called business policies, and they are established by the owners and management of a business and define its scope of operations (Oviatt & McDougall, 2005).

Most business policies are dependent and influenced by the overall government policies in the economic environment where the entrepreneur or business operates.

Hence, government policies are the external policies that are outside the direct control of the entrepreneurs and businesses within a given economy. Going further in this study, we will focus on entrepreneurship policies created by governments, specifically the Nigerian government and other countries.

Government entrepreneurship policies are the plans or courses of action, established by the government to influence and enhance the decisions and actions of entrepreneurs (Audretsch, Grilo, and Thurik, 2007; Klapper, Amit, and Guillén, 2010).

In this regard, Government policies refer to policies and regulations that enable the business start-up and affect the viability of entrepreneurial activities. While several policies are directed at some kinds of businesses, others affect entrepreneurs directly.

A perfect example of such a situation in Nigeria is the fact that agro-allied businesses often get tax exemptions during the first five years of operation (Ngerebo and Masa, 2012; Odusola, 2006).

Some businesses also get subsidized taxes while other businesses enjoy full tax exemption for a given period. In addition, several policies implemented in Nigeria to discourage the importation of manufactured goods such as rice, palm oil, fish, and the like, often protect local industries and boost entrepreneurial activities.

### **2.21.1. Effect of government policies on SMEs**

Governments often dictate and implement several rules and regulations guiding businesses. New and existing businesses would have to structure their businesses to adapt to the government policies, rules, regulations, and changes that occur.

Market regulations and economic policies established by Government have a lot of influence on the business profitability and competitiveness. Business owners within the Nigerian market must comply with regulations put in place by local, state, and federal governments. The government arms can implement policies capable of changing the social and economic behaviour in the business world.

For instance, the government can ask businesses that use carbon-based fuels to pay taxes and then give subsidies for businesses that operate with renewable energy. Such a policy will make businesses embrace a change in their energy source and use.

The government can also improve or frustrate a sector based on the way they impose levies, taxes, and duties. For example, when a government imposes duties or taxes on a particular sector, investors often lose interest and reduce their investments in that sector. On the other hand, duty and tax exemptions are given to a particular sector improves investment in that sector and could make the sector grow.

While a high tax rate on imported goods could encourage local production of these goods, high taxation on raw materials would negatively affect domestic production.

The effects of government policies on the economies of developed countries have been expressed and reflected in several bodies of work. For instance, in the United Kingdom, Government Policies positively affected Cadbury in the mid-1850s when the government reduced taxes on imported cocoa beans (Fitzgerald, 2005; Cadbury World, 2014). With the tax reduction, production costs were reduced, and the chocolate products that used to be restricted to a few persons who could afford them became more affordable and available to a larger population.

In an aim to discourage the production and consumption of adulterated foods and beverages at the time, the U.K Parliament also made some rules that improved Cadbury's unadulterated cocoa products. This policy brought about a breakthrough for Cadbury, with

the passage of the Adulteration of Foods Acts in 1872 and 1875 (Fitzgerald, 2005). This incident gave Cadbury a large amount of free publicity, which led to a dramatic increase in sales. Because of this, Cadbury broke the French monopoly as producers in the British market.

According to research by the Global Entrepreneurship and Development Institute (2014), the USA is a world leader that supports its entrepreneurs in areas such as business formation, business growth, and expansion. The USA uses venture capital to finance new businesses. This financial capital is given to the businesses in the early stage and is also directed at start-up companies with high-risk potential.

After the United States, countries like Canada and Australia are ranked second and third, and their economies rank because the governments understand the massive positive impact of entrepreneurship on economic growth. As such, they make consistent and deliberate efforts to promote entrepreneurial activities in their countries.

Government policies we will be looking into in the course of this study, include taxes, trade regulations, registration process, and labor laws. These policies affect entrepreneurship directly, and as well SMEs react to these policies either negatively or positively.

Labour laws like the federal minimum wage in Nigeria, duration of service, restrictions, mandated benefits, safety regulations, and other such layoffs affect production costs. When trade regulations are effective and fair, they promote and improve entrepreneurial activities. Trade regulations affect foreign exchange, domestic trade, and international trade (Aliyu, 2010; Ezedinma, 2008). Invariably, they affect entrepreneurial activities either positively or negatively.

Removing bottlenecks in the process of business registration and making start-up capital available enhances business activities (Bowale and Akinlo, 2012; Agboli and Ukaegbu, 2006; Babajide, 2012; Abereijo, Adegbite, Ilori, Adeniyi, and Aderemi, 2009; Fatai, 2011).

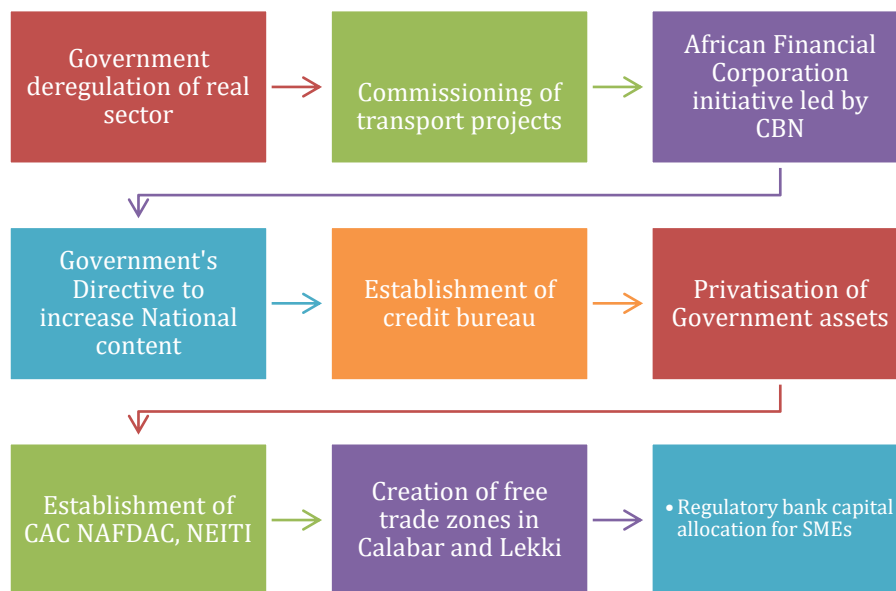
### 2.21.2. Current Government initiatives aimed at improving business growth in Nigeria

The federal government of Nigeria in the past years has embarked on several policies and projects to improve the growth of small and medium scale businesses across the country. For instance, the Central Bank of Nigeria has begun giving out more loans to SMEs and entrepreneurs, especially those in the field of agriculture.

The government has also commissioned several road and water transportation projects across the country, making it easy for entrepreneurs to purchase, distribute, and sell their products from one location to the other.

The federal government has also restricted the importation of several products to improve local productions, which gives a boost to SMEs and their finances.

The corporate affairs commission (CAC) National Agency for Food and Drug Administration and control, and other agencies also have policies and practices aimed at making business more profitable in the Nigerian environment.



**Figure 22: Government initiatives aimed at improving business growth in Nigeria. (Aliyu, 2010; Ezedinma, 2008).**

## **2.22. COMPARING GOVERNMENT POLICIES AND SMES IN NIGERIA AND SOUTH AFRICA**

The Corporate Affairs Commission (CAC) in Nigeria has several articles for entrepreneurs looking to register their business under Part B of the Companies and Allied Matters Act referred to as *Business Name Registration*. A registered business name can either be incorporated trustees, incorporated companies, or a general company. Owing to the nature of the massive informal sector in Nigeria, the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) entered a partnership with the CAC to fast track business registration for Micro, Small, and Medium Enterprises (MSMEs), and they will do this without the help of a lawyer. You find SMEDAN's desk representative at CAC offices in every State in Nigeria. The CAC would also send staff to handle things like resource person jobs during SMEDAN's Entrepreneurship Training Programmes (ETPs). They go there to inform and educate prospective and existing business owners on issues relating to business registration.

Registered businesses enjoy several benefits accruing to legal entities, including access to credits. However, several MSMEs in Nigeria have not registered their businesses, so they miss out on these benefits.

Also, irrespective of efforts by the government to improve business participation through swift reduction, and reduced cost, many businesses in Nigeria are still outside the circle of formally registered business (*SMEDAN Online*: <https://smedan.gov.ng/>).

One reason why many entrepreneurs don't register their businesses is that a business is expected to pay tax once it is registered in Nigeria. Since many SMEs exist outside the formal sector, many entrepreneurs can easily evade taxes in Nigeria, especially because of the poor tax structure. (Otusanya, 2010; Abiola and Asiweh, 2012; Adebisi and Gbegi, 2013).

Several studies have highlighted some of the loopholes in government policies and entrepreneurship development in Nigeria. According to Agboli and Ukaegbu (2006), these holes have somewhat aided the ease of establishing and growing businesses, especially SMEs.



However, in South Africa, company registration can be very difficult and tiresome for new entrepreneurs or SME owners.

In 2011, The Companies and Intellectual Property Commission (CIPC) was replaced by the Companies and Intellectual Property Registration Office (CIPRO) to handle business registration in the country.

Businesses in South Africa are categorized as profit or non-profit organizations. The profit-making organizations take the form of public companies, private companies, or MSMEs.

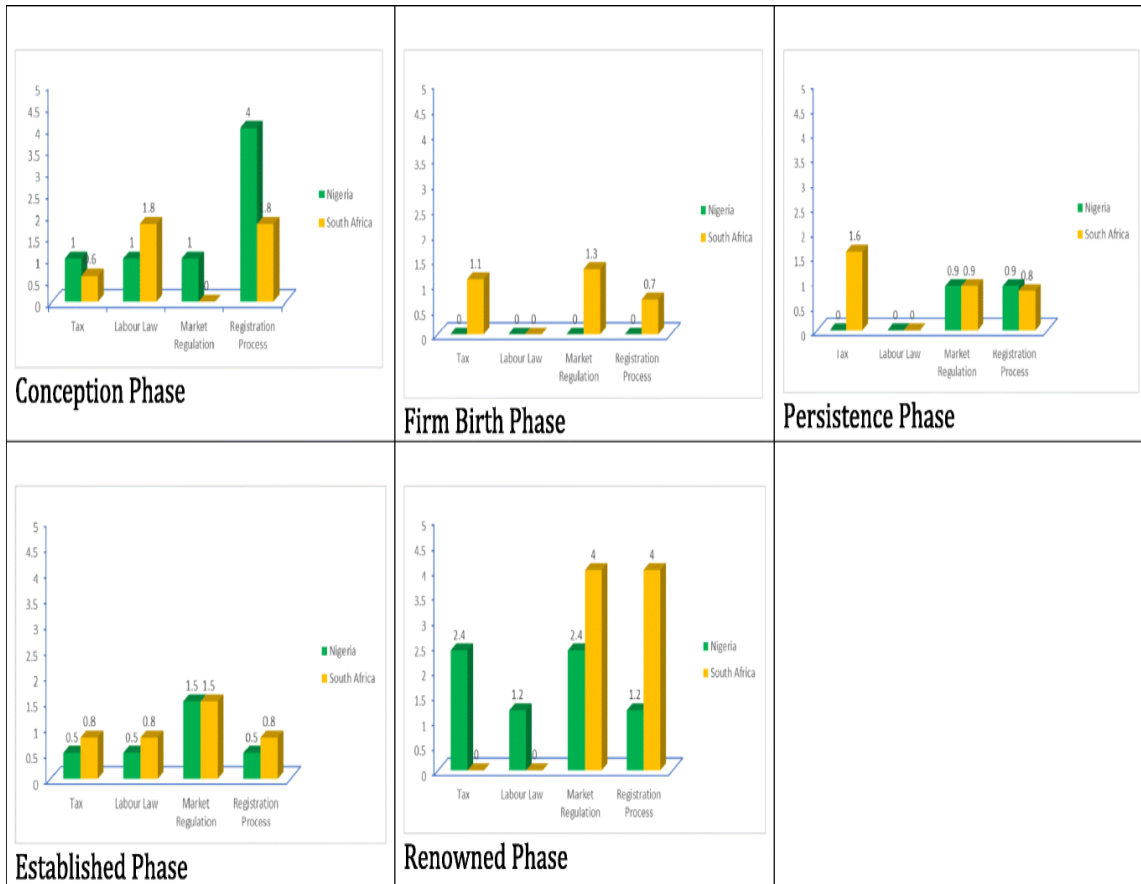
Similarly, with Nigeria, when a business is registered in South Africa, they are automatically registered as taxpayers. New firms must register with the local SARS offices and get their income tax reference number.

Once a business is started up, the entrepreneur must handle everything about the business registration for 60 days. This mandatory registration and its organized process make it nearly impossible for businesses in South Africa to evade taxes.

Small businesses in South Africa with turnovers of up to R1 million every year have enhanced tax payment procedures where they pay taxes like VAT, turnover tax, and employees' tax twice a year instead of once a year, to make it more affordable and less taxing for business owners (*Online: <https://www.smesouthafrica.co.za/The-basics-of-registering-a-new-small-business/>*).

Studies by Olawale & Garwe, (2010) and Mbonyane & Ladzani, (2011) show that these mandatory conditions count as one of the challenges facing SME start-up and growth South Africa. However, we cannot ignore the benefits of compliance with business registration that SMEs enjoy, including protection of business name, financial assistance, tax deductions, and increase in staff capacity.

Below is a graph comparing Government Policies and Entrepreneurship Phases in Nigeria and South Africa.



**Figure 23: Government Policies That Enhance Entrepreneurship Phases in Nigeria and South Africa (Olawale & Garwe, 2010).**

The green bars represent the frequencies at which government policies improve businesses in several entrepreneurship phases in Nigeria.

The yellow bars show the frequencies at which government policies improve and affect businesses in several entrepreneurship phases in South Africa.

### **2.23. GROWING ENTREPRENEURS AND SMES ACROSS NIGERIA AND SEVERAL COUNTRIES**

This section of our study will be outlining and comparing entrepreneurs and SMEs across several countries in the African continent to see how business growth has increased, the realities of SMEs across several countries.

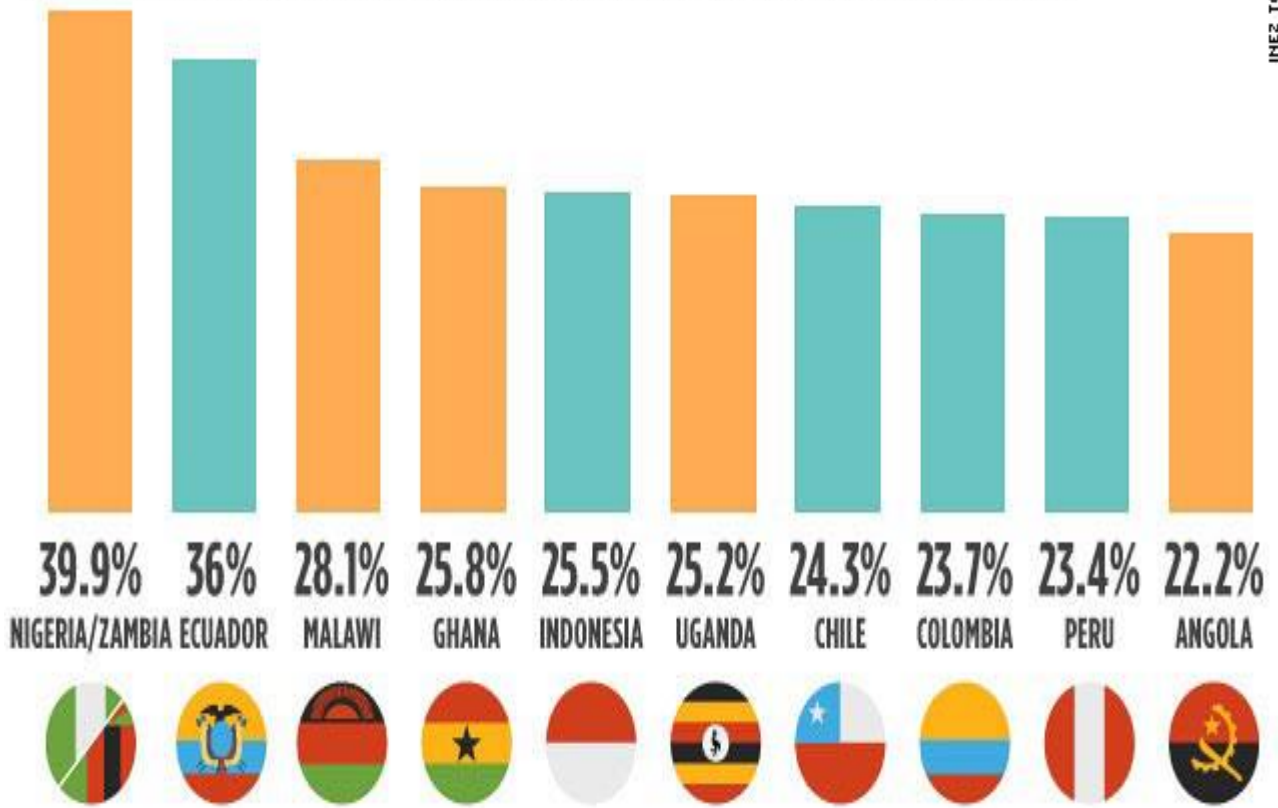
Researchers have observed a wave of growth in SMEs and a large number of entrepreneurs across the African continent. These entrepreneurs are taking risks and surmounting obstacles to give life to their business ideas.

With a confident attitude, these entrepreneurs are navigating several challenges and pursuing the opportunities existing in their countries, especially at a time when African countries are enjoying promising levels of economic growth. (CNN African Start-up Survey [2014](#)).

In the words of Mike Herrington, the executive director of [Global Entrepreneurship Monitor](#) (GEM), the entrepreneurial landscape in sub-Saharan Africa is excellent. He posits that it is on the increase because Africa has finally started emerging and the economies are beginning to boom. Several countries are also beginning to increase entrepreneurial activities and move into entrepreneurship driven by opportunity, rather than necessity.

According to the GEM annual report [2013](#) which took a look at the state of entrepreneurship across the globe, sub-Saharan Africa is the region with the highest number of entrepreneurs involved in early-stage entrepreneurship, and Nigeria and Zambia are leading the world rankings.

Total early stage Entrepreneurial Activity (TEA): Top 10 countries with the highest percentage of adults who are either starting a business or have run it for less than 3.5 years



*\*All data based on adults aged 18-64*

**Figure 24: State of Entrepreneurship across the globe (GEM Annual global business report, 2013).**

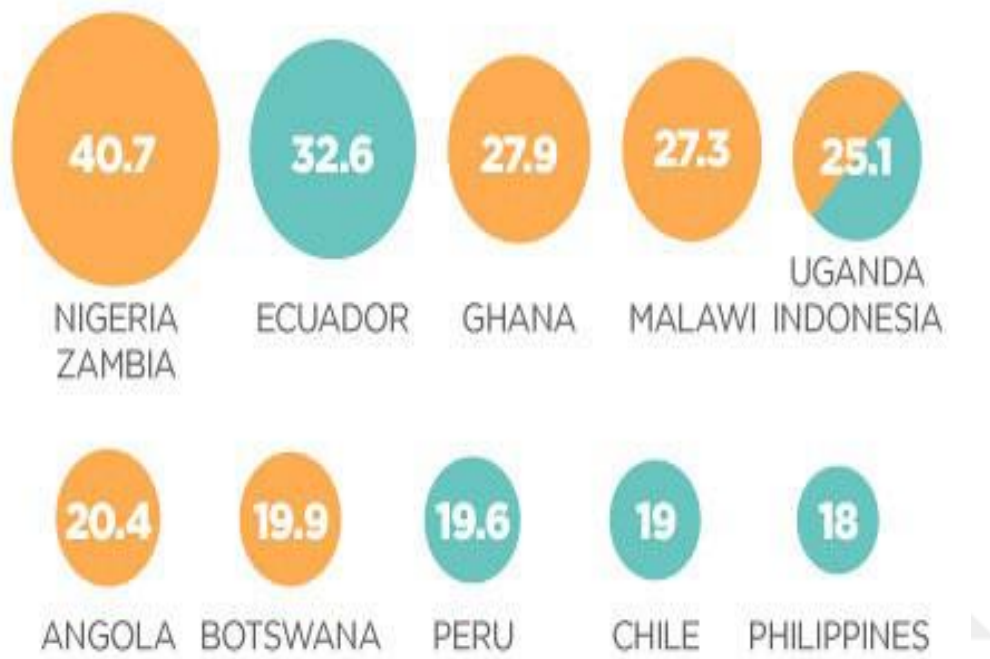
**2.23.1. More African Females are leading the SMEs across the world**

Findings from the GEM annual report also show that Africa is leading the world in the areas of women setting up SMEs. These findings nearly equate to the number of male and female entrepreneurs across these countries.

In countries like Nigeria, Ghana, Nigeria, and Zambia, female entrepreneurs outnumber men as can be seen in the figure below.

## GLOBAL FEMALE ENTREPRENEURSHIP

Percentage of female adults who are either a nascent entrepreneur or owner-manager of a new business



**Figure 25: Global Female Entrepreneurship (Entrepreneurship Monitor 2013 Global Report).**

The findings from the GEM annual report show that the African continent has a massively higher proportion of female entrepreneurs than other regions in the world. Nigeria and Zambia both have 40.7% of female entrepreneurs, making them take the lead ahead of other countries. Ecuador follows closely with 32.6% while Malawi follows with 27.3%

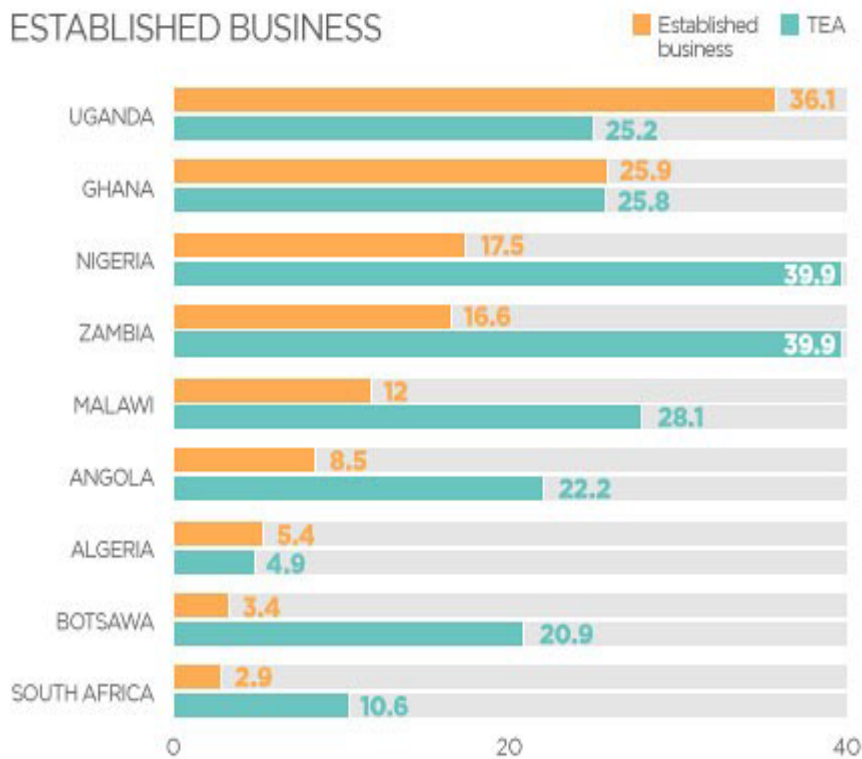
When compared to other countries in the same time frame, the United States has 10.4% female entrepreneurs, while the UK has 5.5% females. France and Norway lag with 31. % and (3.6%) respectively.

The reason for this, according to Herrington, is that African women need to earn an extra income so that they can afford to send their children to school.

### 2.23.2. Established Businesses across Africa

While the high number of male and female entrepreneurs seems promising, we have been able to establish that not every start-up survives till maturity level because of many challenges, and many businesses go under. Sadly, the impressive start-up figures don't amount to sustainable start-ups that grow and provide employment to the teeming young and unemployed population in these countries.

Economies are divided into several practices and characteristics that drive businesses. factor-driven economies focus on low-skilled labor and national resources. However, efficiency-driven economies increase production quality by developing more efficient manufacturing processes. Innovation-driven economies engage in producing new products by combining a high-skilled workforce, research, and sophisticated technologies.



**Figure 25: Established businesses across Africa (Global Entrepreneurship Monitor 2013 Global Report).**

When creating the chart above, GEM grouped the countries into geographic regions and also according to their development stage, made up of innovation-driven, factor-driven, and innovation-driven, each implying an increasing level of sophistication and development in the country's economic operation.

Many African countries covered in the survey all into the factor-driven stage, where early-stage entrepreneurial activity rates are a lot higher than the numbers of entrepreneurs managing established businesses.

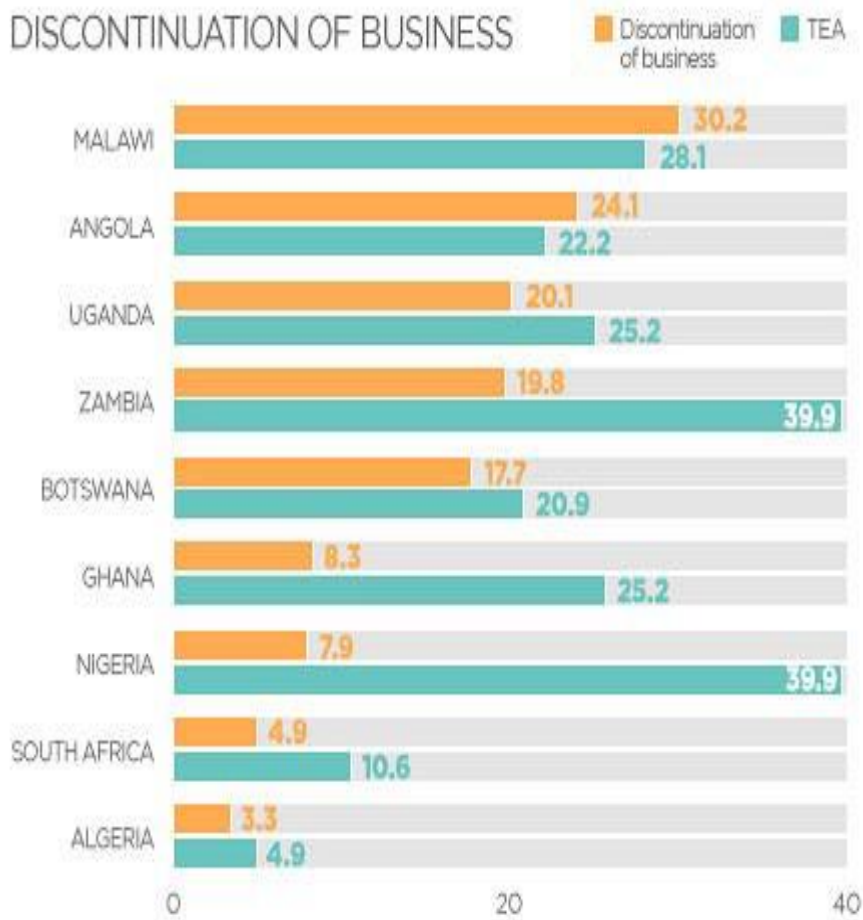
Therefore, we can conclude that a high entrepreneurship rate does not necessarily equate to employment and job creation. Hence, countries with low GDP per capita have a higher entrepreneurial rate than others. The reason for this is because large corporations and multinationals are not employing people or offering them formal employment.

### **2.23.3. Discontinuation of business by SMEs in Nigeria and other African countries**

We have established that the high number of start-ups in Nigeria and other foreign countries does not equate to established SMEs, which are businesses that stay strong until three and a half years after their start-up.

According to GEM (2013), the rate of business discontinuance decreases as economic development increases and vice versa. Owing to this fact, you find that many entrepreneurs in countries like Angola and Malawi are abandoning their businesses and endeavors after being unable to make profits and stay afloat.

According to Herrington and GEM, other factors contributing to SME discontinuance include lack of access to funds, absence of market research, and lack of education. This is often the case with factor-driven economies.



**Figure 26: Discontinuation of business across Africa (Global Entrepreneurship Monitor 2013 Global Report).**

#### **2.24. DISPOSITION OF ENTREPRENEURS TO CHALLENGING SITUATIONS AND FAILURE**

We have highlighted several factors hindering the growth and survival of SMEs in Africa in the course of this study, including lack of financial backing, poor government support and policies, and bureaucracy.

However, entrepreneurs, like we noted before are highly motivated, and many SME owners don't allow these constraints to deter them from trying their hands at a business, even if they fail many times.

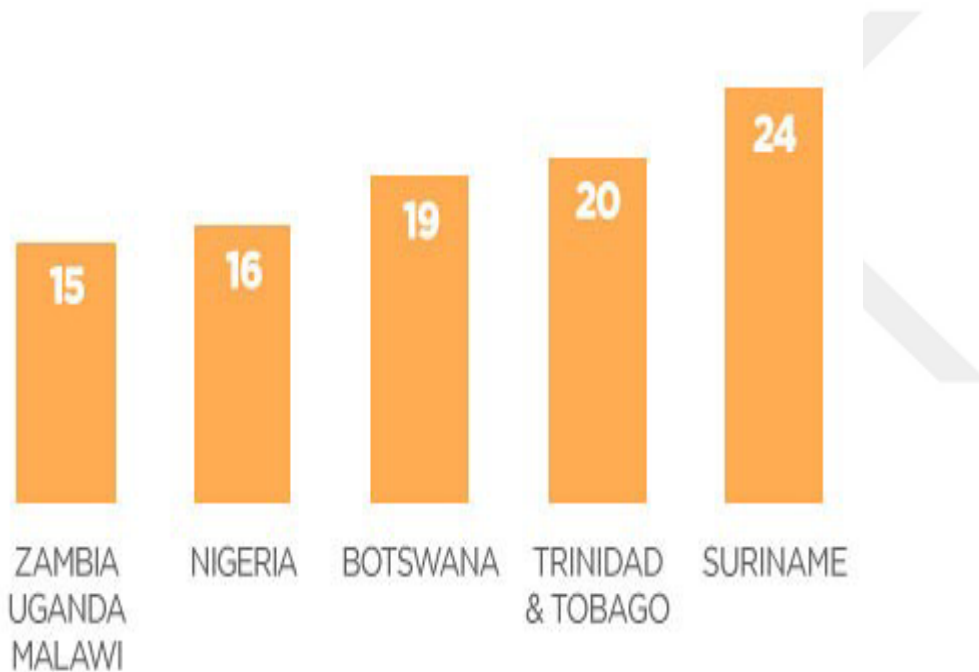


It is a fact that entrepreneurs are optimistic by nature. However, you might never find SME owners as motivated towards success as those in Africa.

The entrepreneurs in Africa have the lowest levels of "fear of failure," when compared to other continents in the world.

## FEAR OF FAILURE

Percentage of adults with positive perceived opportunities who indicate that fear of failure would prevent them from setting up a business



**Figure 27: Fear of Failure amongst entrepreneurs in Africa (Global Entrepreneurship Monitor 2013 Global Report).**

Suriname has the highest number of entrepreneurs who fear failure, but they only make up 24% of business owners who say that fear could stop them from starting a business or making the best of business opportunities.

Nigerian entrepreneurs have a 16% fear of failure, while other countries like Uganda, Zambia, and Malawi have the lowest figures of 15%. Even in developed counties like the

United States, 31% of entrepreneurs have a fear of failure, while in the UK, 36.4% of entrepreneurs will hold back on starting a business due to the fear of failure.

### 2.24.1. Entrepreneur Perception of Opportunities and Capabilities across Africa

The same survey by GEM shows that African entrepreneurs are more confident than their counterparts across the world. They are confident that the market around them holds opportunities for them to launch a successful business, and they are confident in their skills and ability to start a business.

**PERCEIVED OPPORTUNITIES**  
Percentage of adults who see good opportunities to start a firm in the area where they live



**PERCEIVED CAPABILITIES**  
Percentage of adults who believe they have the required skills and knowledge to start a business



**Figure 28: Entrepreneur Perception of Opportunities and Capabilities across Africa** (Global Entrepreneurship Monitor 2013 Global Report).

Entrepreneurs in Malawi have the highest level of assurance in their ability to start a business. Africa countries including Nigeria, Uganda, Malawi, Zambia, and Ghana are the countries with the highest perception of opportunities in their environment.

With the above qualities, alongside favorable government policies, better education, infrastructure, and a drive to move entrepreneurs forward, the continent could be facing some promising future.

## **2.25. EASE OF DOING BUSINESS RANKINGS IN NIGERIA AND OTHER COUNTRIES (2020)**

Ease of doing business is a culmination of several policies, regulations, and practices that makes it easy to run business activities within a nation or state. Across several countries, regulation exists to protect businessmen, workers, and investments against loss or challenges. However, inadequate regulation within countries can frustrate entrepreneurial activity and business growth, which negatively affects the ease of doing business.

For instance, you spend more than 200 hours to complete the export border requirements for maritime transportation in Ivory Coast and Cameroon, and Côte d'Ivoire. However, you can conclude the same process in 10 hours in Singapore. In Gabon, you can spend more than \$1600 on border compliance costs for sea export while you would spend about \$300 in Mauritius.

Taxing, multiple, and stressful rules can chase businesses away from the formal sector and away from regulators and tax collectors. Such businesses would rather go into the informal sector where they would be free from such rules or even leave the country and look for a destination where doing business is easier.

Foreign investors are bound to avoid economies and countries with stringent rules, as they prevent such economies from flourishing.

Such red tape not only prevents investors and entrepreneurs but also holds back an economy and negatively affects the ability of such an economy to grow and achieve sustainability over time. On the other hand, economic freedom to do business brings about economic development, helps the private sector to thrive, and also eliminates poverty, while achieving individual and national prosperity.

The World Bank's Doing Business 2020 made an overview of regulations across 190 economies in 12 business regulatory areas. It assessed the business environment, focusing

on ten indicators to estimate the ease of doing business score over 12 months ending on the 30<sup>th</sup> of April 2019.

The study looked into the laws affecting a business from inception phase throughout until maturity and even the stage of winding-down.

Areas like setting up a business, handling construction permits, access to electricity, property registration, access to credit, protection of minority investors, taxes, trading cross-border trade, contract enforcement, and resolution of insolvency were studied and assessed.



**Figure 29: World Bank 2020 Report; Areas Measured in World Bank's Ease of Doing Business.**

### 2.25.1 Best Places to Do Business

According to findings by the World Bank, the top 10 best places to do business across the world include, New Zealand (ranking 86.8 out of 100), Singapore (ranking 86.2 of 100), Hong Kong SAR, China (with a rank of 85.3 out of), Denmark (ranking 85.3 out of 100), the Republic of Korea (ranking 84 out of 100), the United States (with a rank of 84 out of 100), Georgia (ranking 83.7 out of 100), the United Kingdom (83.5 out of 100), Norway (ranking 82.6 out of 100), and Sweden (ranking 82 out of 100).



**Figure 30: Ease of Doing Business Report (World Bank Doing Business, 2020).**

World economies with the highest scores on the ease of doing business ranking have several features in common, including and especially the widespread use of electronic systems. The top 20 economies all incorporate online processes in their business,

including electronic tax-filing platforms, and online property transfer procedures. 11 out of such economies also leverage electronic procedures for construction permitting.

Generally, all the 20 top performers have sound business regulations and a very high degree of transparency.

### 2.25.2. Most improved economies to do business;

World Bank's Doing Business survey also considered which economies in the world improved the most. The 2020 survey found the 10 economies that improved the most in their ease of doing the business score to include Arabia, Bahrain, China, India, Kuwait, Nigeria, Pakistan, Saudi Arabia, Tajikistan, and Togo.

**TABLE 0.2** The 10 economies improving the most across three or more areas measured by *Doing Business* in 2018–19

Economy	Ease of doing business rank	Change in ease of doing business score	Reforms making it easier to do business									
			Starting a business	Dealing with construction permits	Getting electricity	Registering property	Getting credit	Protecting minority investors	Paying taxes	Trading across borders	Enforcing contracts	Resolving insolvency
Saudi Arabia	62	7.7	✓	✓	✓		✓	✓		✓	✓	✓
Jordan	75	7.6					✓		✓			✓
Togo	97	7.0	✓	✓	✓	✓	✓					
Bahrain	43	5.9		✓	✓	✓	✓	✓	✓	✓	✓	✓
Tajikistan	106	5.7	✓				✓			✓		
Pakistan	108	5.6	✓	✓	✓	✓			✓	✓		
Kuwait	83	4.7	✓	✓	✓	✓	✓	✓		✓		
China	31	4.0	✓	✓	✓			✓	✓	✓	✓	✓
India	63	3.5	✓	✓						✓		✓
Nigeria	131	3.4	✓	✓	✓	✓				✓	✓	

Source: *Doing Business* database.

**Figure 31: Most improved economies for doing business. (World Bank Doing Business, 2020).**

The authorities in Saudi Arabia set up a one-stop-shop for company incorporation and also expunged the requirement for married women to make more documentation available when they apply for a national identity card.

The country also simplified and merged its pre-and post-registration processes.

Jordan made its first appearance on the list of top reformers as the nation made three reforms. They strengthened the access to credit in the country by setting up a new secured transaction law. They also amended the insolvency law and launched a singular, modern collateral registry based on the notice. Jordan also improved the ease of paying taxes with the implementation of electronic filing and payment for labor taxes and other mandatory payments.

Togo made the rank amongst the 10 most improved economies with five reforms made to its business regulations. This is the second time in a row Togo ranked among the top 10 most improved economies on the ease of doing business in the world. It is also the third time in five years. Authorities in Togo abolished the notarization requirement for company documents, making it take less time to register a company. The government simplified the process for getting obtaining a construction permit, making it easy for people to connect to the electrical grid. It also improved the processes of getting credit and registering property.

Bahrain improved on the ease of getting electricity. Entrepreneurs now find it cheaper and faster to connect to the grid. The power supply is more reliable as well.

Pakistan improved the process of registering property by making it easier and faster to register a deed. The country also boosted the transparency of the land administration system

Tajikistan launched a modern, unified, and notice-based collateral agency, making it easier to get credit.

Kuwait strengthened protection for minority investors by providing a 21-day notice for general assembly meetings;

China implemented a preferential tax treatment on SME income tax rates, making tax payments easier.

India cut the time, documentation, and cost associated with trading across borders.

Nigeria made it easier to enforce contracts by improving the quality of judicial processes.

### **2.25.3. Analysis of Reforms across every region**

A total of 115 economies implemented 294 business regulatory reforms, which improved the ease of doing business in those nations.

The Middle East and North Africa had the best records in implementing business-facilitating reforms, as they enforced 57 regulatory changes. Economies of the Gulf region also saw the birth of 35 reforms ensuring that four economies in the region made the least of the 10 most improved economies globally. Getting a construction permit within the Gulf region is 28 days faster than Organisation for Economic Co-operation and Development (OECD) high-income countries. Areas like electricity and handling construction permits are a part of the active reform efforts in this region. However, securing credit remains the most difficult in the Middle East and North Africa, and harder than other regions in the world. This region also has harsh barriers to female entrepreneurs.

Survey findings show that Europe and Central Asia made much progress on their already strong business climates as they implemented 56 reforms. Within this region lay two of the world's top 20 countries with the ease of doing business, with Georgia ranking 7th and North Macedonia in 17<sup>th</sup> place. The region had nine reforms in the area of tax payments. About 22 economies within this region have approved electronic filing of taxes since World Bank's Doing Business research began in this area.

The region also implemented six reforms in the area of enforcing contracts. The cost and ease of registering property and transferring property in this region are lower than the average in high-income economies.

Economies in South Asian economies maintained their pace in the area of regulatory reforms, earning India and Pakistan places among the topmost improved economies in the world. India implemented four reforms, covering the ease of getting construction



permits, while Pakistan implemented six reforms, including improvements in access to electricity.

Sri Lanka, Afghanistan, the Maldives, and Bhutan, didn't make any regulatory changes, even though it takes almost twice the time to settle a commercial dispute in the region than other OECD high-income economies.

The World Bank Reports analyze that although many economies in East Asia and the Pacific region have improved in doing business, the pace of reforms has reduced in the previous years. Overall, only 12 out of 25 economies implemented reforms. Regardless, five East Asia and the Pacific economies reached the list of top 25 global performers, including Singapore, China, Hong Kong SAR, Thailand, China, Malaysia, and Taiwan.

Caribbean economies implemented 19 reforms, with 11 of 16 economies implementing reforms that facilitate business, with a primary focus on starting a business, improving electricity, tax payments, and contract enforcement.

Latin America was far beyond other regions in the world when it comes to improving domestic SMEs to do business. No economy in Latin America has made the 10 top list of improving economies in the past two years. Also, you won't find any Latin American economy making the top 50 rankings on the economies to do business globally.

Mexico, ranking 60th remains the top-ranked country in the region, but the country did not introduce any major improvement in its business climate. Regardless, Colombia has implemented 37 reforms since 2005, leading in reform efforts in the region. With a global ranking of 67<sup>th</sup>, the economy implemented three major reforms in 12 months leading to May 2019.

All the findings of the World Bank's Doing Business 2020 report show that positive reforms are being implemented in nearly all economies in the world, to make business easier, supporting entrepreneurship to flourish, and boosting economic activities to their full potential.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1. Research Design**

In a bid to satisfy the objectives of this Thesis, this research took on a mixed research design. While it is primarily structured to take on the Quantitative Survey research design, it also makes use of the qualitative research design, seeing as the research instrument; the questionnaire also sports open-ended questions.

#### **3.2. Sources of Data**

The facts and data used in this dissertation are gotten principally through the structured questionnaire. Data collection was done using a questionnaire that was administered to the respondents. The questionnaire used is divided into two areas, with the first devoted to soliciting demographic data of the respondents. The second area of the questionnaire consisted of 5-point Likert scale items seeking to determine the extent of respondents' agreement and disagreement to items specified for the study regarding the factors that affect the growth of their businesses. Secondary data was sourced from other sources as various issues of the Central Bank of Nigeria (CBN), Small and Medium Enterprises Development Agency of Nigeria (SMEDAN), Nigerian Bureau Statistics (NBS), etc.

#### **3.3. Research Population and Sampling**

The research population used in this dissertation comprised all the SMEs within the Lagos metropolis. The study is focused on 8,395 SMEs in Lagos according to the Nigerian Bureau of Statistics (2019). However, it would be practically impossible to solicit responses from all members of the population, hence, a study sample of 380 (Three Hundred and Eighty) SMEs is drawn from the research population, using the Taro Yamane formula for sample size. The simple random sampling technique was put to use in making up the study sample.

$$\text{Sample Size: } n = \frac{N}{1+N(e^2)}$$

Population of study = N

Constant (1) = K

Margin of error = e

Sample size = n

(Yamane, 1973).

### 3.4. The Technique of Data Analysis

Data collected using the structured questionnaire was analyzed using the Multiple Regression analysis methods.

### 3.5. Model Specification

Outlining a comprehensive impact of economic factors and their variables on the overall performance of SMEs in Nigeria, required the use of the following specified regression equation model, which was established and tested:

$$\text{SME} = f(\text{BC/GDP}, \text{OPEN}) \dots\dots\dots (1)$$

The econometric specification for the model is:

$$\text{SME} = \gamma_0 + \gamma_1 \text{BC} + \gamma_2 \text{OPEN} + \gamma_3 \text{INTR} + \varepsilon \quad (2)$$

Where:

SME = Output of Small and Medium Scale Enterprises to GDP.

BC = Bank Credit to SMEs to GDP

OPEN = trade openness = Import+ Export/GDP.

$\gamma_1 - \gamma_3$  = Estimated Parameters  $\varepsilon$  = Stochastic error terms

It is worthy to note that bank credit, trade openness, and interest rates were used to represent the factors influencing SMEs, while on the other hand, the output of SMEs to GDP was brought to bear in deciphering SMEs ' performance.

## **CHAPTER FOUR**

### **DATA ANALYSIS AND RESULTS**

#### **4.1. Introduction**

This segment presents the properties of the information utilized for this research project, to comprehend the factors just as the appropriateness for this study. It will help with drawing a derivation test of the formulated hypothesis.

##### **\*Presentation of Data**

##### **\*Demographic Data**

The sets of graphical tables below describe the demographic distribution of the respondents for the research. The sample for the study amounted to Three Hundred and Eighty (380) Small and Medium Enterprises (SMEs) in Nigeria. Facts and Data were sought from these 380 SMEs through the use of structured questionnaires. These questionnaires were filled and the data analyzed using the Statistical Package for the Social Sciences (SPSS). Of the Three Hundred and Eighty Questionnaires distributed, all were returned, leaving a total number of 380 questionnaires to be analyzed.

**Table 1: Profile of Respondents**

<b>VARIABLES</b>	<b>CATEGORIES</b>	<b>FREQUENCY</b>	<b>PERCENTAGE</b>	<b>Valid Percentage</b>
<b>Gender</b>	<b>Male</b>	<b>200</b>	<b>52.63%</b>	<b>52.63%</b>
	<b>Female</b>	<b>180</b>	<b>47.37%</b>	<b>47.37%</b>
	<b>Total</b>	<b>380</b>	<b>100.0%</b>	<b>100%</b>
<b>Age</b>	<b>Below 20 years</b>	<b>30</b>	<b>7.89%</b>	<b>7.89%</b>
	<b>20 -29 years</b>	<b>130</b>	<b>34.21%</b>	<b>34.21%</b>
	<b>30 - 49 years</b>	<b>120</b>	<b>31.58%</b>	<b>31.58%</b>
	<b>50 and above</b>	<b>100</b>	<b>26.32%</b>	
	<b>Total</b>	<b>380</b>	<b>100.0%</b>	<b>100%</b>
<b>Educational qualification</b>	<b>OND/NCE</b>	<b>100</b>	<b>26.32%</b>	<b>26.32%</b>
	<b>HND/BSC</b>	<b>50</b>	<b>13.16%</b>	<b>13.16%</b>
	<b>PGD/MSC</b>	<b>100</b>	<b>26.32%</b>	<b>26.32%</b>
	<b>PHD</b>	<b>30</b>	<b>7.89%</b>	<b>7.89%</b>
	<b>Others</b>	<b>100</b>	<b>26.32%</b>	<b>26.32%</b>
	<b>Total</b>	<b>380</b>	<b>100.0%</b>	<b>100%</b>
<b>Marital Status</b>	<b>Single</b>	<b>130</b>	<b>34.21%</b>	<b>34.21%</b>
	<b>Married</b>	<b>200</b>	<b>52.63%</b>	<b>52.63%</b>
	<b>Divorced</b>	<b>50</b>	<b>13.16%</b>	<b>13.16%</b>
	<b>prefer not to say</b>	<b>0</b>	<b>0%</b>	<b>0%</b>
	<b>Total</b>	<b>380</b>	<b>100.0%</b>	<b>100%</b>

In the table above, it was observed concerning the gender respondents that, 52.63% of the respondents were male, while 47.37% of the research respondents were female. This shows that the respondents were well represented in terms of gender.

A further look at the next table cell in the table shows that 7.49% of the respondents were below 20 years, 34.21% were found to be in the age bracket of 20 – 29 years, with 31.58% to be between 30 – 39 years and, the remaining 26.32% of the population were 50 years and above.

Still, on the table above, it is seen that 26.32% of the research respondents hold an OND/NCE Certificate, HND and BSC degree holders comprise 13.16% of the respondents, while PGD/MSc and Ph.D. degree holders were 26.32% and 7.89% of the respondents respectively, and the remaining 26.32% of the respondents were holding other certificates.

From the last variable on the table which is ‘marital status, it is being observed that 34.21% of the respondents were single, 52.63% of them were married, and 13.16% were divorced.

#### **4.2.2. Validity and Reliability Test**

This segment presents the properties of the information utilized for this research project, to comprehend the factors just as the appropriateness for this study. It will help with drawing derivation test of the formulated hypothesis.

#### **4.2.3. Validity and Reliability Test of Research Instrument**

A validity test is seeking to determine whether or not a research instrument employed reflects or effectively measures what it intends or claim to measure. Therefore, validity testing is used to test the completeness, appropriateness and, usefulness of the author’s research tools.

According to Stephanie (2015), “validity coefficients range from zero to 0.5, where 0 is a weak validity and 0.5 is moderate validity”. She went further to state that “the possible range of the validity coefficient is the same as other correlation coefficients (0 to 1)” hence, this represents a strong validity. This means that the validity total correlation is significant. Although she warned that this tend not be sufficient enough. Therefore, the researcher also conducted a reliability test.

The output from the rest as shown in (appendix B) depicts that there is a strong correlation between the research variables, tested at 95% confidence interval.

Although some of the variables were fairly statistically insignificant. Hence, the Author proceeds to test for reliability.

**Table 1a:** The table below show the reliability test output of the research instrument.

**Reliability Statistics**

Cronbach's Alpha	No. of Items
.758	9

**Source:** SPSS, Authors Compilation, (2021).

The reliability test in the table is indicated by the Cronbach’s Alpha coefficients. Konting et al (2009), gave a range of acceptable value interpretation for the Cronbach’s Alpha; and from the interpretation given the report from this study reliability output indicate that the research instruments are “good and acceptable”, having a Cronbach’s Alpha of **0.758**.

<b>Cronbach’s Alpha</b>	<b>Interpretation</b>
0.91 – 1	Excellent
0.81 – 0.90	Good
0.71 – 0.80	Good and Acceptable
0.61 – 0.70	Acceptable
0.01 – 0.60	Non-Acceptable.

**Table 1b: Cronbach’s Alpha Interpretation** (Konting et al 2009).

**Table 1c: Validity and Correlation Statistics**

		Correlations									
		recodeQQ 1	recodeQ 2	Q3	Q4	Q5	recodeQ 6	Q7	Q8	Q9	Sum Total
recodeQQ 1	Pearson Correlation	1	.294	.226	.226	-.169	.294	.226	.226	-.169	.552 <sup>+</sup>
	Sig. (2-tailed)		.209	.338	.338	.477	.209	.338	.338	.477	.012
	N	20	20	20	20	20	20	20	20	20	20
recodeQ2	Pearson Correlation	.294	1	.171	.385	-.123	1.000 <sup>**</sup>	.171	.385	-.123	.586 <sup>+</sup>
	Sig. (2-tailed)	.209		.471	.094	.605	.000	.471	.094	.605	.007
	N	20	20	20	20	20	20	20	20	20	20
Q3	Pearson Correlation	.226	.171	1	.780 <sup>**</sup>	.032	.171	1.000 <sup>**</sup>	.780 <sup>**</sup>	.032	.738 <sup>**</sup>
	Sig. (2-tailed)	.338	.471		.000	.895	.471	.000	.000	.895	.000
	N	20	20	20	20	20	20	20	20	20	20
Q4	Pearson Correlation	.226	.385	.780 <sup>**</sup>	1	.032	.385	.780 <sup>**</sup>	1.000 <sup>**</sup>	.032	.811 <sup>**</sup>
	Sig. (2-tailed)	.338	.094	.000		.895	.094	.000	.000	.895	.000
	N	20	20	20	20	20	20	20	20	20	20
Q5	Pearson Correlation	-.169	-.123	.032	.032	1	-.123	.032	.032	1.000 <sup>**</sup>	.263 <sup>+</sup>
	Sig. (2-tailed)	.477	.605	.895	.895		.605	.895	.895	.000	.063
	N	20	20	20	20	20	20	20	20	20	20
recodeQ6	Pearson Correlation	.294	1.000 <sup>**</sup>	.171	.385	-.123	1	.171	.385	-.123	.586 <sup>+</sup>
	Sig. (2-tailed)	.209	.000	.471	.094	.605		.471	.094	.605	.007
	N	20	20	20	20	20	20	20	20	20	20
Q7	Pearson Correlation	.226	.171	1.000 <sup>**</sup>	.780 <sup>**</sup>	.032	.171	1	.780 <sup>**</sup>	.032	.738 <sup>**</sup>
	Sig. (2-tailed)	.338	.471	.000	.000	.895	.471		.000	.895	.000
	N	20	20	20	20	20	20	20	20	20	20
Q8	Pearson Correlation	.226	.385	.780 <sup>**</sup>	1.000 <sup>**</sup>	.032	.385	.780 <sup>**</sup>	1	.032	.811 <sup>**</sup>
	Sig. (2-tailed)	.338	.094	.000	.000	.895	.094	.000		.895	.000
	N	20	20	20	20	20	20	20	20	20	20
Q9	Pearson Correlation	-.169	-.123	.032	.032	1.000 <sup>**</sup>	-.123	.032	.032	1	.263 <sup>+</sup>
	Sig. (2-tailed)	.477	.605	.895	.895	.000	.605	.895	.895		.063
	N	20	20	20	20	20	20	20	20	20	20



	N	20	20	20	20	20	20	20	20	20	20
Sum	Pearson	.552 <sup>+</sup>	.586 <sup>**</sup>	.738 <sup>**</sup>	.811 <sup>**</sup>	.263 <sup>+</sup>	.586 <sup>**</sup>	.738 <sup>**</sup>	.811 <sup>**</sup>	.263 <sup>+</sup>	1
Total	Correlation										
	Sig. (2-tailed)	.012	.007	.000	.000	.063	.007	.000	.000	.063	
	N	20	20	20	20	20	20	20	20	20	20

+ Correlation is significant at the 0.10 level (2-tailed).

\*. Correlation is significant at the 0.05 level (2-tailed).

\*\* Correlation is significant at the 0.01 level (2-tailed).



**Table 2: Industry**

	Frequency	Percent	Valid Percent	Cumulative Percent
Consumer Goods	279	73.4	73.4	73.4
Raw Materials	101	26.6	26.6	100.0
Total	380	100.0	100.0	

**Table 3: Type of Business**

	Frequency	Percent	Valid Percent	Cumulative Percent
Sole Proprietorship	136	35.8	35.8	35.8
Partnership	244	64.2	64.2	100.0
Total	380	100.0	100.0	

**Table 4: Years of Enterprise being in Existence**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 5 Years	219	57.6	57.6	57.6
	5-10 Years	149	39.2	39.2	96.8
	11-15 Years	12	3.2	3.2	100.0
	Total	380	100.0	100.0	

**Table 5: Number of Employees**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below 10	248	65.3	65.3	65.3
	11-49	129	33.9	33.9	99.2
	50-199	3	.8	.8	100.0
	Total	380	100.0	100.0	

**Table 6: Capital Base**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Below 5 Million Naira	296	77.9	77.9	77.9
6-50 Million Naira	82	21.6	21.6	99.5
51-100 Million	2	.5	.5	100.0
Total	380	100.0	100.0	

**Table 7: The Descriptive Statistics of Variables**

**Statistics**

		SME PERFORMAN CE	BANK CREDIT	TRADE OPENNESS	INTEREST RATE
N	Valid	380	380	380	380
	Missing	0	0	0	0
Mean		1.5850	2.23070	1.94578	2.24035
Median		1.333333	2.00000	2.0000	2.33333
Mode		1.00000	2.00000	1.8000	2.66666
Std. Deviation		.604449	.510509	.322110	.546954
Variance		.365	.261	.104	.299
Skewness		1.041	.918	.596	-.130
Std. Error of Skewness	of	.125	.125	.125	.125
Kurtosis		.746	1.234	.379	-1.091
Std. Error of Kurtosis		.250	.250	.250	.250

**Source: SPSS (2021).**

The above table revealed that all the variables analyzed, have a very positive mean value with interest rate having the peak value. Additional examination of the table above reveals that the median of the variables is quite similar to the mean value, this suggests that the variables are balanced. The maximum and minimum value for the variables ranges from

positive to positive for all cases. It was also discovered that the interest rate also has the highest standard deviation among the variables whereas the unpredictability of others is relatively low. One can also safely deduce from the above table that the variables are positively skewed.

### 4.3. TEST OF HYPOTHESIS

**Table 8: Regression Analysis**

	Coefficient	Std. Error	t-Statistic	Prob.
Intercept	-1.58676	0.19634	-8.08164	0.03882
Bank Credit	0.27809	0.04670	5.95472	0.00598
Trade Openness	0.97356	0.07395	13.16356	0.24681
Interest Rate	-0.29331	0.04347	-6.74688	0.01572
R	0.64734			
R-squared	0.51905			
Adjusted R-squared	0.51441			
F-Statistics	90.40697			
Prob. (F-Statistics)	0.000000			
Durbin-Watson stat	1.398			

**Source: SPSS, Authors Compilation, (2021).**

The table above shows the short-run equilibrium coefficient of the variables considered in this study. It was discovered that interest rate has a negative effect on SMEs performance while Bank Credit will bring about a positive effect on SMEs performance. The P-value shows that bank credit and interest rate are statistically significant at 5%. Hence bank credit and interest rate at this level support SMEs performance in Nigeria. However, the analysis shows that Trade Openness is not significant to SMEs performance in Nigeria.

From the analysis, a period lag of bank credit has a positive effect on SMEs performance while interest rate hurts SMEs performance which is statistically significant at the acceptable level of significance, however, Trade openness is found to be not significant to the performance of SMEs in Nigeria. This infers that loans from banks should encourage amplified performance in the SMEs output.

The R-squared from the analysis shows that the various explanatory variables explain 51% of changes in the dependent variable. This infers that about 49% variation in the independent variable is attributed to have been affected by other variables not considered in this study while the F-statistics shows that the result of Bank Credit and Interest is statistically significant as the probability value of F-statistics is less than 5%. Thus, this research rejects the null hypothesis which states that Bank credit has no overall significant effect on SMEs performance in Nigeria, as well as the null hypothesis that states that Interest rate has no overall significant effect on SMEs performance in Nigeria.

However, results show Trade openness is not significant at 5%, hence, the null hypothesis which says trade openness has no overall significant effect on SMEs performance in Nigeria, is accepted. This is in line with Sanjo and Ibrahim (2017), who, in their study of the Effect of International Business on SMEs growth in a competitive environment, using Nigeria as a case study, discovered that trade openness bears no significance to SMEs performance in Nigeria.

Also supporting this stance is Ijirshar, V. U. (2019) in the research work, "*Impact of Trade Openness on Economic Growth among ECOWAS Countries: 1975-2017*". Results of this study show that trade openness is not substantial to the development and performance of SMEs in Nigeria. His argument is premised on the fact that the main export

of the Nigerian economy is crude oil, of which the price of the product and the quantity sold is at the exclusive purview of the international market.





## RECOMMENDATIONS

Based on the findings of this study, it's recommended that there be immediate restructuring as well as the revamping of the SME sector in Nigeria. This also goes alongside promulgating and implementing several SME-friendly policies that will ensure these wealth generators operate with as much ease as possible. Implementation of these friendly policies would greatly raise the productivity level of these SMEs, an effect that would trickle down the economy as the Nigerian economy has its backbone as the SMEs especially in the form of employment generation (PWC, 2020).

Also, data from the respondents suggest hurdles in accessing Bank credit as well as Government-backed business loans. Therefore, vigorous implementation and operation of a SMEs Credit Initiative should be created to increase credit providers' exposure to long-term debt issued by small firm managers, in areas such as the development of business plans, feasibility studies, Monitoring and analysis of projects, accounting, performance evaluation, etc.

The study also recommends that the Nigerian government at all levels must make available a supporting atmosphere for entrepreneurs to excel especially as it concerns competing in the global marketplace.

Here are some areas the government should look into to improve SMEs in Nigeria and make them as profitable as in other developed countries such as South Africa, the United States, and the United Kingdom.

- Establish a framework and funding Mechanism to improve local business growth and expansion
- Improve existing institutions like NAFDAC, CAC, NIPRID, etc. to support SMEs that rely on these organizations for support.
- Improve business coordination across several regions in Nigeria
- Set up several the foundations for Innovation, and Competitiveness as seen in other countries for better business productivity. It should comprise the CBN, Ministries of Trade, Finance, SMEDAN, and NPC.

- Bring in representatives from the private sector into business industries, including notable businessmen and individuals based on merit. countries like the United Kingdom, Malaysia, Hong Kong, and India have such agencies and they improve business participation
- Improve the knowledge of the business sector by carrying out studies and surveys of SMEs
- Organize fora from time to time and discuss with SME owners to understand their needs, challenges, and changing business environment.
- Achieve massive growth in the SME sector by enabling the economy with the necessary tools, policies, and funding

### **Recommendation for businesspersons**

Also, businesspersons should be taught the significance of economic trends as it tends to promote rapid innovation, expose them to a new range of products as well as introduce them to new economies.

Entrepreneurs should monitor changing trends in the business environment to ensure that they take note of opportunities, improve on their weaknesses, and overcome the challenges that they will face several times.

### **Recommendation for Nigerians**

Finally, with the seeming taste for “everything foreign” amongst Nigerians, there should be an active government-backed exercise to encourage Nigerians to patronize locally made products and services, doing this would ensure the continuous progress and advancement of Nigeria’s economy and stimulate production as well as encourage entrepreneurship and reduce the dependence on the seemingly unavailable white-collar jobs.

## REFERENCES

- Abereijo, I. O., Adegbite, S. A., Ilori, M. O., Adeniyi, A. A., & Aderemi, H. A. (2009). Technological innovation sources and institutional supports for manufacturing small and medium enterprises in Nigeria. *Journal of Technology Management & Innovation*, 4(2), 82–89.
- Abiola, J., & Asiweh, M. (2012). Impact of tax administration on government revenue in a developing economy-a case study of Nigeria. *International Journal of Business and Social Science*, 3(8).
- Adebisi, J. F., & Gbegi, D. O. (2013). Effect of tax avoidance and tax evasion on personal income tax administration in Nigeria. *American Journal of Humanities and Social Sciences*, 1(3), 125–134.
- Agboli, M., & Ukaegbu, C. C. (2006). Business environment and entrepreneurial activity in Nigeria: Implications for industrial development. *The Journal of Modern African Studies*, 44(1), 1–30.
- Aliyu, S. U. R. (2010). Exchange rate volatility and export trade in Nigeria: An empirical investigation. *Applied Financial Economics*, 20(13), 1071–1084.
- Andreassi, H. (2003). *Innovation in small and medium enterprises*. International Journal of Entrepreneurship and Innovation Management. Vol3, No1-2.
- Audretsch, D. B., Grilo, I., & Thurik, A. R. (2007). Explaining entrepreneurship and the role of policy: A framework. In *The handbook of research on entrepreneurship policy* (pp. 1–17). Edward Elgar Publishing
- Agbu (2006). Globalization and the Nigeria's economy. *Nigeria Journal of International Affairs* 32(1), pp. 32-45.
- Aluko, S. (2004). *Background to Globalization and Africa's Economic Development*. Nigeria Economic Society.
- Babajide, A. (2012). Effects of microfinance on micro and small enterprises (MSEs) growth in Nigeria. *Asian Economic and Financial Review*, 2(3), 463.
- Banji Oyelaran-Oyeyinka (2020) Financial System Strategy. International Conference *SME: Issues, Challenges and Prospects*
- Bowale, E. I., & Akinlo, A. (2012). Determinants of small and medium scale enterprises (SMEs) performance and poverty alleviation in developing countries: Evidence from south-West Nigeria. *European Journal of Humanities and Social Sciences*, 17(1), 848–863.
- Bosma, N., & Levie, J. (2010). Global entrepreneurship monitor, 2009 global Report (pp. 8–16).

- Cadbury World (2014). History of Cadbury. Retrieved from [www.englishteststore.com](http://www.englishteststore.com) and <https://www.cadbury.co.uk/our-story>
- Central Bank of Nigeria (2004), Progress report on SMIEIS as of April. Central Bank of Nigeria 2009, Geographical distribution of SMIEIS Investment, June. Central Bank of Nigeria (2009), Sectoral Distribution of SMIEIS Investment, June.
- CNN African Start-up Survey (2014) Retrieved from (<http://edition.cnn.com/2014/05/13/business/numbers-showing-africa-entrepreneurial-spirit/index.html>)
- Ehlers, M.B. (2000). *Residential – based business as alternative location – decision for SMMEs*, DComm Dissertation, University of Pretoria, South Africa.
- Elizabeth, A., & James, A. F. (2006). The Effect of Globalization on the Performance of Small and Medium Sized Enterprises in the United States: Does Owners' Race/Ethnicity Matter? *AEA Papers and Proceedings*, 97 (2), pp. 368-372.
- Emezue, S. (2017). *Prospects and Challenges of SMEs in 21st Century Africa*. Thesis in the Department of Applied Science, University of Centre.
- Ezedinma, C. (2008). Impact of trade on domestic rice production and the challenge of self-sufficiency in Nigeria. *Rice Policy and Food Security in sub-Saharan Africa*, 141.
- Fatai, A. (2011). Small and medium scale enterprises in Nigeria: The problems and Prospects Retrieved September 6 from [www.thecje.com/journal/index.php/economicsjournal/article/.../8](http://www.thecje.com/journal/index.php/economicsjournal/article/.../8).
- Fitzgerald, R. (2005). Products, firms and consumption: Cadbury and the development of marketing, 1900–1939. *Business History*, 47(4), 511–531.
- Federal Government of Nigeria (2008). Nigeria Governance and Development. *Report of the New Partnership for Africa's Development*.
- Godfrey Obioma (2010, August 25). *Foreign fund managers spot gold in Nigeria*, others. BUSINESSDAY Newspaper pp 1, 4
- Global Entrepreneurship Development Index (2014). Entrepreneurship index. Retrieved 8<sup>th</sup> September, 2017 from <https://thegedi.org/research/gedi-index/>
- Global Entrepreneurship Monitor Report (2013) Global Entrepreneurship Research Association, London Business School, Regents Park, London Nw1 4sa, Uk from <https://www.gemconsortium.org/>
- Hallberg, S. (2000). "A Market-Oriented Strategy for Small and Medium Scale Enterprises", International Finance Corporation Discussion Paper, 40, April.

- Hill, C. (2009). *International Business: Competing in the Global Marketplace*. New York: McGraw-Hill/Irwin
- Hitt, M.A., Ireland, R.D., & Hoskisson (2001). *Strategic Management: Competitiveness and Globalization*. USA, South-West College Publishing.
- Ijirshar, Victor U (2019). Impact of Trade Openness on Economic Growth Among ECOWAS Countries: 1975-2017. *CBN Journal of Applied Statistics*, Volume 10. Pp. 75-96.
- Makinde, Grace & Babatunde, Akinlabi & Ajike, Emmanuel. (2015). Strategic Planning: Effect On Performance of Small and Medium Enterprises In Lagos, Nigeria. *International Journal of Management Studies, Statistics and Applied Economics*. 5. 77-94.
- Mbonyane, B., & Ladzani, W. (2011). Factors that hinder the growth of small businesses in south African townships. *European Business Review*, 23(6), 550–560.
- Ngerebo, T. A., & Masa, A. (2012). Appraisal of tax system in Nigeria (a case study of value added tax). *Research Journal in Organizational Psychology and Educational Studies*, 1(6), 338–344.
- Nieman, G., Hough, J. & Nieuwenhuizen, C. (2003). *Entrepreneurship: A South African Perspective*. South Africa. Paarl Print.
- Nigeria Stock Exchange (2004). Fact Book.
- OECD (2004). *Promoting entrepreneurship and innovative SMEs in a Global Economy: Towards a more Responsible and Inclusive Globalization*. Report of 2nd OCED Conference of Ministers Responsible for Small and Medium Sized Enterprise (SMEs) in Istanbul, Turkey.
- Olawale, F., & Garwe, D. (2010). Obstacles to the growth of new SMEs in South Africa: A principal component analysis approach. *African Journal of Business Management*, 4(5), 729–738.
- Olayode (2006): Globalization, Sustainable Development and State Capacity in Africa. *Nigeria Journal of International Affairs* 32(1), pp. 324-342.
- Onyeaghala, O. H., & Anele, C.A. (2014). Globalization: Effects on Small-Scale Business Development in Nigeria. *International Journal of Economic, Commerce and Management*, UK. II, (5), pp. 1-17
- Orunmoluyi, T. P (2000). *Globalization: A Millennium Challenge for Nigeria Banks*. The Economics. New Age Publisher, Lagos
- Otusanya, O. J. (2010). *An investigation of tax evasion, tax avoidance and corruption in Nigeria*. The University of Essex: Doctoral dissertation.

- Oviatt, B. M., & McDougall, P. P. (2005). Defining international entrepreneurship and modelling the speed of internationalization. *Entrepreneurship Theory & Practice*, 29(5), 537–553.
- Oyedele, O., Kareem, T., Akanbi, F., (2016). Globalization and Small and Medium Enterprises Development in Nigeria: Evidence from Lagos, Nigeria IIARD *International Journal of Economics and Business Management* ISSN 2489-0065 Vol. 2 No.4 2016
- Sajuyigbe, A., Alabi, E., Adewale, A. (2016). Globalization and its Effects on the Performance of Small Scale Businesses in Nigeria. *International Journal of Finance and Management in Practice*, Volume 4, Number 1, June 2016 18 ISSN: 2360-7459
- Sanjo, O. M. and Ibrahim, M. O. (2017). The Effect of International Business on SMES Growth in Nigeria. *Journal of Competitiveness*,9(3): 67–80.
- Sanusi, J.O. (2003), “Overview of Government’s Efforts in the Development of SME’s and the Emergence of Small and Medium Scale Industries Equity Investment Scheme (SMIEIS)”, Paper presented at the National Summit on SMIEIS organized by the Banker’s Committee and Lagos Chamber of Commerce and Industry (LCCI), Lagos, Nigeria, 10th June.
- Small and Medium Enterprises Development Agency of Nigeria (SMEDAN), National Policy on Micro, Small and Medium Enterprises (MSME), Abuja, Nigeria.
- Sonia, J., & Rajee, k. (2009). Globalization and its Impact on Small Scale Industries in India. *PCMA Journal of Business*, 1(2), pp. 135-146.
- Spadaccini, M. (2005). *What is a Close Corporation?* (online: [www.entrepreneur.com/article/0.4621,321701,00.html](http://www.entrepreneur.com/article/0.4621,321701,00.html)). Available 12 November 2005.
- Udechukwu, (2003), “Survey of Small and Medium Scale Industries and Their Potentials in Nigeria” In CBN Seminar On Small and Medium Industries Equity Investments Scheme, Maritime.
- Udoku Ethel-RoseB. (2003). A survey of the Management and Financial Problems of Small Scale enterprises in Imo state. *Journal of Business and Social Sciences (JBSS)*, 11, 227-234
- Williams, S. (2006). Small and medium enterprise department, country Mapping, Nigeria.
- World Bank Group (2001), “Microfinance and Small and Medium-Sized Enterprises”, [www.worldbank.org/worldBank/microfinance](http://www.worldbank.org/worldBank/microfinance)
- World Bank (2020) Doing Business 2020 Report –*Sustaining the pace of reforms* Retrieved online (<https://www.worldbank.org/en/news/feature/2019/10/24/doing-business-2020-sustaining-the-pace-of-reforms>)
- Zimmerer & Scarborough, 2002. *Essentials of Entrepreneurship and Small Business Management*. New Jersey.

**APPENDIX A**  
**SURVEY QUESTIONNAIRE COVER PAGE**

**TOPIC: EXAMINING FACTORS THAT INFLUENCE THE SUCCESS AND FAILURE OF SMEs IN NIGERIA**

**(A CASE STUDY OF THE LAGOS METROPOLIS)**

---

I, (name) humbly crave your indulgence to answer several questions in this confidential questionnaire

Your business was randomly selected amongst several Small and Medium Enterprises in Lagos for a survey that will provide a basis for a Master's thesis seeking to understand the factors that influence the success and failure of small and medium businesses in Nigeria

Your business experience in the current global competitive market will help to identify the factors that lead to business success and failure. The findings gotten from this study will be used to recommend solutions to the issues that cause Small and Medium Businesses in Nigeria to struggle or fail.

Please answer the questions on the other page of this questionnaire as honestly as possible, because the information gotten will be used to represent businesses in Nigeria, their nature, and challenges.

.

Thank You for Your Time, Cooperation, and Contribution to the success of this Research!

Yours sincerely.

# QUESTIONNAIRE

## SECTION A: DEMOGRAPHIC INFORMATION

1. Gender
  - (a.) Male [ ] (b.) Female [ ]
2. Age
  - (a.) Below 20 years [ ] (b.) 20-30 years [ ] (c.) 30- 50 years [ ] (d.) 50 years and above.
3. Academic Qualification
  - (a.) OND/NCE [ ] (b.) HND/B.Sc. [ ] (c.) PGD/M.Sc. [ ] (d.) PhD [ ] (e.) Others [ ]
4. Marital Status
  - (a.) Single [ ] (b.) Married [ ] (c.) Divorced [ ] (d.) prefer not to say [ ]

## SECTION B: INDUSTRY AND MANAGEMENT INFORMATION

- 1. What industry does your business belong to?**
  - (a) Consumer Goods
  - (b) Raw Material
- 2. What type of Business Management do you operate?**
  - (a) Sole Proprietorship
  - (b) Partnership
  - (c) Corporation
  - (d) Limited Liability
- 3. How many years has your business been in existence?**
  - (a) Less than 5 years
  - (b) 5—10 years



(c) More than 15 years

**4. How many Employees work in your organization?**

(a) Below 10

(b) 11 to 49

(c) 50 to 199

**5. What is your company's capital base?**

(a) Below 5 million naira

(b) 6 to 50 million naira

(c) 51 to 100 million naira

(d) 100 million naira and above

**SECTION C:** The following questions seek to provide answers to the degree of acceptance or rejection of the accompanying measures. The options range from Strongly Agree to Strongly Disagree.

**Answer Key:**

Strongly Agree – SA

Agree – A

Undecided – U

Disagree – D

Strongly Disagree – SD

S/ N		SA	A	U	D	SD
1	Digital media has helped broaden my customer base					
2	I can export my products effectively					
3	Exporting my products has affected my turnover positively					
4	Similar imported products are competing with my products					
5	I can access bank credit to run my business					
6	The interest rates are favourable					
7	Business loans from the government are accessible					
8	Raw materials for my business are accessed from outside Nigeria					
9	I source production equipment from outside Nigeria					