

## OBSTACLES TO THE DEVELOPMENT OF SMALL-SCALE BUSINESS ENTERPRISES: A CHALLENGE TO WEALTH CREATION IN NIGERIA

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### **Abstract:**

*This paper elicits some major obstacles to small-scale business enterprises which are currently a challenge to wealth creation in Nigeria. Therefore, the roots of wealth creation should grow from the effective utilization of human and material resources available in an economy that would eventually determine small-scale, medium-scale and large-scale business enterprises and industrialization. It adds that for a rapid growth of small-scale businesses in the Nigerian economy, all tiers of government would have to set the stage for a proper re-orientation and utilization of the human and material resources which the country is blessed with towards youth and adult empowerment. Problems like: wrong orientation of children from infancy, problems of winds of change in the environment, wide-scale corruption, competition from expatriate businesses, among others, should be minimized so as to create the enabling environment for wealth creation to develop, otherwise, the Nigerian economy would continue to be a consumer of foreign goods and their technologies to the detriment of youth and adult empowerment of the Nigerian workforce.*

### **INTRODUCTION**

Skill and wealth creation in Nigeria depend squarely on the effective utilization of human and material resources available at her disposal through small-scale, medium-scale and large-scale business enterprises and industrialization. The use of human resource for all grades of industrialization demands its education in science and training in Vocational and Technical skills. This is the reason why various grades of industries could open up naturally to actualize a greater fulfillment for the Nigerian youth and the nation. Nigeria's enormous resources of manpower can only become an asset in the modern world when trained in the various business education programmes, and when all forms of corruption have been duly eliminated in every department of economic activity, otherwise, the skill programmes will continue to be elusive to the attainment of a virile industrialization.

In this regard, Vocational and Technical education has been thought of, throughout the world, as a "wise business investment" both for the individual and the nation. In a sense, it concerns all occupations and all people because, in this modern world, science and technology are opening up new dimensions and extending the horizons of human activities. This is the reason why it requires the people to be properly educated so as to fit themselves neatly into gainful employment opportunities and self-employment generation in order to eliminate poverty, disease and unemployment problems from the land.

It is not easy to set up a small-scale business after graduation from any Vocational and Technical education programme. Yet, it forms the major business undertakings in all parts of the world, and Nigeria should not lag behind. Small-scale business constitutes a significant portion of commercial activities in major cities, towns and villages throughout Nigeria. In this regard, business education programmes can easily be streamlined into any form of small-scale business enterprise in Nigeria. This is the reason why Nigerian societies and individuals who are motivated by initiative and high expectations, choose how they

will attempt to achieve their own work in order to put their acquired skills into practice with the sole aim of making a sustainable profit. Small-scale businesses are the major employer of labour in any country, and Nigerian government at all levels, should utilize this single labour utilization by mustering the necessary political will to encourage it as is the case in the advanced world.

### **TEACHING OF SKILLS AND COMPETENCIES AS WEALTH CREATION IN NIGERIA**

Umunadi (2010) stressed that teachers within and outside the school system should possess adequate skills and competencies that will make them adaptable and productive so as to achieve wealth creation for nation building. The author maintained that competence as an expertise or an accuracy of carrying out a task is what creates a kind of wealth that promotes technological advancement, and would translate into the teaching and learning of students. Invariably, students are to replicate such skills gained as expertise, ability, dexterity and tactfulness in producing goods or services, thereby, promoting gainful employment after graduation.

In this regard, it is an organized sequence of actions, and a well established habit of doing technical work including displaying a flexible and systematic patterning that gives birth to wealth creation. This is the reason why skill exhibition and wealth creation will fail if stakeholders in education section fail to implement programmes of vocational and technical education through adequate funding.

### **DEFINITION OF SMALL-SCALE BUSINESS**

Olagunju (2008) explained that an enterprise is a concern or an organization that is set up by an individual or a group of individuals for a certain purpose. And the purpose may be to make profits from operations of the concern, hence such an enterprise will be a business one or the purpose may include promoting a social interest. In a nutshell, the business enterprise may be the initiative of an individual or it may be a government concern or a group of foreign investors. Fry, Stoner and Hattwick (2006) defined business as "any organization that strives for profits by providing goods and services that meet customer needs." Taylor (1978) and Orisanaiye (2000) opined that a firm is small if its management and ownership is independent and close knit, the business headquarters are localized, and the enterprise is small in relation to the size of the largest firms in its industry. They further stressed that a small-scale business entrepreneur or owner is "one who organized a business undertaking by absorbing risk, for the sake of profit." In this vein, Vocational and Technical Education beneficiaries are a keystone in Nigeria's free enterprise system because with their acquired saleable skills, they can discover new ideas and business opportunities, source for funds to establish a small-scale business, be able to organize the business in order to provide economic goods and services for the public.

Imianvan (2000), while utilizing Britain's definition of small-scale business, said that it "concerns a business with an annual turnover of two million pound sterling or with less than two hundred (200) paid employees." While the Industrial Research Unit (1972) of the Obafemi Awolowo University, Ile-Ife, defined small-scale business as "one whose total assets in equipment, plant and working capital are less than ₦250,000 (Two Hundred and Fifty Thousand Naira) and employing fewer than fifty full-time workers." The Nigerian Bank for Commerce and Industries (1989) viewed small-scale business to accommodate projects with capital investment as low as ₦5,000 and employing as few as three persons.

The Central Bank of Nigeria (1989) in its operational guidelines, defined small-scale business with reference to two financial institutions, the merchant bank and the commercial banks (for the lending purpose of merchant banks), a small-scale business is "one with a capital investment of not more than ₦200,000 (excluding the cost of land) or annual turnover of ₦500,000." However, for commercial banks, a small-scale business is: "one with maximum annual turnover not exceeding ₦500,000." Awolola (2000) also asserted that small-scale businesses have made significant contributions to any economy, and this is why there is no clear understanding of what small-scale businesses are. To some people, a small scale business is a firm with no more than a specific number of employees, such as five to ten. Others consider a business small if they are in a certain line of business such as: barbing salon, supermarket, etc.

On the other hand, there are as many ways to define small-scale business as there are people wanting to do so. This is because what is considered a small-scale business in one country may be labeled medium or large scale in another. This is the reason why it should be stressed that what makes a small-scale business varies from country to country. The United Nations Industrial Development Organization

(UNIDO, 1989) has established guidelines for classifying small-scale businesses, which states that a business is small, if it meets two or more of the following criteria:

1. Ownership and management are usually vested in the same individual(s) – that is, the management is not independent, and the managers are usually also the owners.
2. The small business controls a small share of the market and, therefore, constitutes a little quota in the large size market.
3. Capital is made available by the owner and policy decisions are in the hand of the individual or small groups of entrepreneurs.
4. The area of operation is localized and workers and owners concentrate in the local community. However, some do have branches in other towns but most of such branches serve as mere depots. The owner participates very actively in all decision-making on a day-to-day operational basis, with a high degree of rigid control.

Therefore, the above definitions signify that there is no agreement of definition. One basic fact is that, there is a universal chord that links all of them, and it is hinged on small capital outlay.

### **TYPES OF SMALL-SCALE BUSINESSES**

Fry, Stoner and Hattwick (2010) explained that in Nigeria's economy today, small-scale businesses are quite large, especially with the introduction of computer technology. Using the inputs of the repealed Nigeria's Enterprises Promotion Decree No. 3 of 1977 as a guide, especially as they concern product and services, the businesses in the schedules can be broadly classified as: product oriented industries, and service industries. The authors further opined that product oriented industries basically refer to business firms that are involved in the processing of raw materials and assembly of products. These industries use both local and imported raw materials as well as local and foreign technologies. Examples are: textile, food processing, pharmaceuticals, plastics, oil milling, toys, etc.

Awolola (200) explained that service industries refer to all firms or establishments that offer various services such as tourism, transportation, finance, banking and insurance, dry cleaning and laundry, hair dressing, baking, forwarding and clearing, communication, business centres, food bukateria services, Internet services, hotel and catering, oil milling, catering, etc. Ezeigwe (2000) further opined that there are three main categories of small-scale businesses that are established on the basis of the type of technology employed and the use of local raw material:

### **PROBLEMS OF SMALL-SCALE BUSINESS IN NIGERIA**

Ajibade (2000) and Imianvan (2000) identified the following factors as constituting the major problems of small-scale business in Nigeria:

- (a) Wrong Orientation of Children from Infancy,
- (b) Problems Caused by Business Owners,
- (c) Problems Caused by Winds of Change in the Environment,
- (d) Individual Business Influenced Problems,
- (e) Problems of Personnel Management.
- (f) Competition from Expatriate Businesses and Foreign-made Products, and
- (g) Wide-Scale Corruption

**(a) Wrong Orientation of Children from Infancy:** The orientation given to children from infancy is faulty because they are not taught how to be self-reliant through the use of the hands to sustain everyday living. Children have been made to believe that "book" knowledge is better than "hand-work" training. Starting from the home, many parents and guardians do not involve their children in domestic work which make use of the hands like: sweeping, washing of clothes/plates, clearing the grass, gardening, participating in minor house-repair works, etc. Hence, from the beginning of children's schooling, they are not taught how to use the hands but how to use only the brain and mind. This is the reason why Nigeria experiences mainly those children who were regarded as school drop out being in the business world. The wrong notion is carried into the 6-3-3-4 or 9-3-4 system as it makes those children who leave school after JSS 3 examination to be inferior to those who continue further. This has resulted in many children going further into SSS class instead of opting for a Vocational or Technical school, which is regarded as a weapon

that galvanizes the establishment of a small-scale business. It is when a child has a good blend of the hands, brain and mind that ensures an economical/employable situation. He/she is the person that would like to set up a small-scale business for a useful and purposeful living.

**(b) Problems Caused by Business Owners:** This segment concerns improper planning before a small-scale business takes off. Ajibade (2000) opined that planning is very essential for a successful business.

Another problem is poor educational background of many small-scale entrepreneurs. Many of them are illiterates or semi-illiterates who have nothing to do but start-off a business; hence, many of them also employ personnel who are not well trained so as to pay less wages and salaries.

Also, majority of small-scale entrepreneurs do not like to employ outside partners. They prefer to maintain a form of family business. This is the reason why they do not have proper accounting standards; hence, they always have poor record keeping. Money spending, therefore, depends on the whims and caprices of the entrepreneur. Acts of indiscipline on the part of business owners have made many small-scale businesses to fail. They divert loan taking for business into other unprofitable social activities like: marrying of many wives/keeping of concubines, donations to social clubs/progressive meetings, belonging to clandestine groups, aggressive use of drugs, etc.

Also, the attitude of "I can do it all" is the final nail that shortens the life span of a small-scale entrepreneur, because he/she is not accountable to anyone.

**(c) Problems Caused by Winds of Change in the Environment:** Symons and Adams (2003) explained that some problems could be caused by winds of change in the environment as follows:

**(i) Legal:** This can arise out of laws added to the statutory book by government like:

- \* the restrictions on cigarette advertising and beer consumption;
- \* observance of environmental sanitation days by some states in Nigeria, etc.

**(ii) Demographic:** This concerns the changing nature of the population both in terms of age and geographical location. Some examples of such changes are:

- \* shortage of qualified middle-level and competent graduates of Vocational and Technical education programmes to fill sensitive employment openings;
- \* the increasing high proportion of unemployed population;
- \* the depopulation of rural areas to the urban centres in Nigeria.

**(iii) Economic:** Nigeria has been experiencing economic recession. Small-scale businesses must prepare a strategy for coping with, and making an opportunity of such changes. Some specific economic changes which seem to be constant decimal in Nigeria are: the high rate of inflation; high interest rates and multiple taxation; unemployment, and the balance of trade.

**(iv) Political:** This concerns the present democratic set up which has given rise to uncertainty about possible changes of administration in both human and material resources. Small-scale businesses must know about uncertainties and changes brought about by: youth restiveness in the Niger-Delta; god-fatherism, election rigging, political thuggery, hired assassins, kidnappings, etc. in Nigeria's polity; including wide-scale corruption and lack of accountability to the people perpetrated by leaders in all sectors of the economy, etc.

**(v) Technological:** This aspect has no limit because technological change is considered both good and bad. Therefore, many small-scale businesses have to go with the tide. Examples of technological changes are innumerable, but some that have had a major impact on small-scale businesses are:

- \* large-scale inefficiency of power generation in Nigeria;
- \* the increased sophistication and power of computers;
- \* development of computer peripherals (CD-ROM, CD-TV, laser printers, optical discs, scanners, colour reprographic equipment, etc).
- \* improved communications equipment (fibre optics, car telephones, fax machines, electronic mail, satellites, cellular/GSM telephone networks);
- \* new materials (e.g., Kevlar; Gore-tex, etc.);
- \* microsurgery in medicine;
- \* CAD/CAM (Computer Aided Design/Computer Aided Manufacture).

**(vi) Infrastructural:** This is mainly concerned with changes in transport and communication network. Examples are: demolition of toll-gates in Nigeria, and construction of bye-passes;

(iii) poor road networks and drainage systems linking many towns and villages, including poor navigation waterways along Rivers Niger and Benue;

(iv) insufficient rail transportation systems, etc.

**(d) Individual Business Influenced Problems:** These concern capital outlay, lack of plant and equipment and lack of working capital

**(i) Capital Outlay:** It is difficult for a small-scale business to raise capital, that is, to have access to finance for a smooth take-off. At present, it is becoming more difficult because the initial capital required has become very small. For instance, a small-scale business which could have taken off with between ₦1,000 – ₦5,000 in the early nineties, will need between ₦10,000 and ₦30,000 now before it can plan to begin. Hence, the economic situation has also made it more difficult to obtain financial assistance from anywhere even from individuals.

**(ii) Lack of Plant and Equipment:** This is another core problem because it is not properly funded. Therefore, young graduates find it difficult to raise funds for purchasing the relevant tools, equipment or gadgets to start off.

**(iii) Lack of Working Capital:** A small-scale business has little or no access to working capital. There are some developed brilliant ideas which are important for the development of the sector, but they have no access to finance. As a result of lack of security for repayment, banks and other financial institutions are not ready to give loan to them because of low sales which also affects the availability of fund for loan repayment.

**(e) Problems of Personnel Management:** Small-scale businesses experience problems of personnel management as follows:

**(i) Inadequate Leadership Style:** Most entrepreneurs possess personality leadership, and therefore, become authoritarian. They always want their workers or followers to obey their commands without complaints, and pay small salaries to their workers.

**(ii) Lack of Adequate Personnel Policy:** In most organizations, personnel policy is a broad guideline for management action which are designed to promote coordination and uniformity in the conduct of business and employee behaviour; hence, they are used to achieve business goals and objectives. In this vein, many small scale businesses in Nigeria do not have adequate personnel policy; hence, each cause is dealt with indiscriminately and inconsistently according to the mood of the entrepreneurs. This is the reason why there are too much lapses like: absenteeism, indiscipline, benefits, rewards, safety, selection and interview procedures, etc.

**(iii) Lack of Quality Control in Selection Process of Employees:** Recruitment and selection procedures of staff in small scale businesses are based on “*Who you know basis.*” This means, friends, or family relations. This is why job analysis is not carried out before hiring; hence, basic selection process is not based on a match between job requirements, personal qualifications and competence.

**(iv) Poor Record Keeping:** Small scale business is carried out without adequate records. This could be traceable to either lack of qualified personnel, or not enough personnel.

**(v) Employee Health and Safety is Neglected:** Small-scale business owners are not concerned about employee health and safety. They are only concerned about task accomplishment.

**(vi) Lack of Motivation:** In this regard, the entrepreneur does not encourage any employee to put up a higher productivity. Instead, there will be direct and indirect dysfunctional behaviours.

**(vii) Lack of Counselling and Discipline:** In small scale business, there is no practical dispensation of counselling case when an employee does wrong. In most case, the owner would like to discipline him or her negatively, in order to know that he or she is the alpha and omega in the business.

**(viii) Lack of Proper Communication Process:** In most small-scale businesses, official line of communication is not followed. For instance, a far junior officer can go straight to the owner to make requests or complain. In some other cases, official matters could be discussed in family meetings. All these have great negative influence on decision-making processes of the entrepreneur.

**(f) Competition from Expatriate Businesses and Foreign-made Products:** This is another major problem for small-scale business in Nigeria. Agbonifoh, Ehiamentor, Inegbenebor and Iyayi (1999) explained that technological and other problems faced by indigenous entrepreneurs raise their cost of production, and lower the quality of their products. However, these products are sold in the same market place as those produced by technologically superior expatriate businesses, at home and overseas. Besides

this, since indigenous entrepreneurs do not possess an efficient sales, organization and creative thinking, they have difficulties marketing their products. Indigenous businesses also face stiff competition from fellow entrepreneurs. The entry of one entrepreneur into one line of business is an invitation to a swarm of others to go into the same field, especially if the technology and organization needed is simple. Examples are: business centres, cyber cafes, etc.

(g) **Corruption:** All leaders and the people should shun corruption including its many forms. Hornby (2006) explained that corruption is a dishonest or illegal behaviour that is very common with people in authority and business organizations. While Bailey (1986) opined that “the faith of men and nations is determined by the values which govern their decisions.” Majority of Nigerian leaders govern their decisions on the citizens from personal considerations. Bailey (1986) maintained that when personal considerations override that of the majority, it is a major part of greediness and self-centredness. This is the reason why different segments of Nigeria leaders have used it to exploit their followers including their environments. This is the reason why Akpochiafo (2002) opined that Nigeria’s prolonged economic and political turmoil could be attributed to the seven deadly habits and sins as enunciated by Mahatma Gandhi of India before he transited in 1947: They are: wealth without work, politics without principles, commerce without morality, knowledge without character, pleasure without conscience, science without humanity, and religion without sacrifice. Therefore, leaders, youths and adults should take bold steps to eliminate or counteract them. Many Nigerians want wealth without working for it, and this is the reason why some of them indulge in ritual murders, advanced fee fraud (419), prostitution, human trafficking, armed robbery, etc. They have knowledge without character; hence, many students join secret cults on campus, while some teachers practice sexual harassment, etc. They also practice politics by setting the constitution aside, and rig elections to impose a click-candidate; practice commerce without morality; hence, we have many cases of trading in expired drugs, sales of impure sachet water, non-iodized domestic salts, bromated bread or other adulterated goods, etc. Many religious leaders practice religion without sacrifice; hence, we now find churches, mosques, shrines, or temples as commercial zones. Many people also practice science without conscience; hence, guns are made or imported to assassinate their political rivals and opponents, etc. Some other Nigerians practice pleasure without conscience, and this is the reason why kids could be raped and adulterate kerosene or other petroleum products. In this regard, there should be an emergence of new positive cultures, values, unity, and the sacrifice of greediness for the progress of the masses.

## RECOMMENDATIONS

From the foregoing, therefore, here are some recommendations that would be able to ameliorate the problems

1. As charity begins at home, parents and guardians should: train their children with various house chores right from infancy, so that they could be able to coordinate the use of hands, body movement and brains for solving domestic problems. There is certainly a transfer of learning culture to achieving skills for wealth creation in small-scale business management.
2. All tiers of Nigerian government should endeavour to create an enabling environment for small-scale, medium-scale and industrialization to take place like: putting in place infrastructural activities (good electricity power supply, good road/rail net-works, water supply, and so on.
3. Nigerians should endeavour to shun all forms of corruption from their consciousness as they are known throughout the world as the greatest killers of any form of economic development including youth empowerment.
4. All tiers of Nigerian government should muster the political will to fund all levels of vocational and technical education programmes because they easily lend themselves to wealth creation through small-scale business development.
5. Government and other stakeholders should grant soft loans to graduates who have trained in saleable skills at all levels of education. It only requires the political will to start it through credible registration of such graduates.

## CONCLUSION

This paper has outlined some major obstacles which militate against small-scale business development and the challenge to wealth creation in Nigeria. It revealed that wealth creation depends largely on the

effective utilization of human and material resources that are available at her disposal. This is the reason why it requires the people to be properly educated with saleable skills so as to fit themselves neatly into gainful employment opportunities and small-scale business generation in order to eliminate poverty, disease and unemployment -+problems from Nigeria's economy.

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