

**SMALL SCALE ENTERPRISES AND ITS IMPACT ON ECONOMIC GROWTH IN  
ADO-EKITI, EKITI STATE.**

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**CERTIFICATION**

This is to certification that this project was carried out by BELLO ADEOLA MODUPE with the matriculation number SOC/13/1290 under the faculty of social Science, Department of Sociology, Federal university Oye-Ekiti, Nigeria.



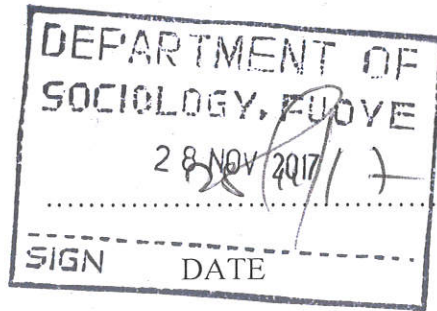
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## DEDICATION

This project writing is dedicated to Almighty God, the Author and the Finisher of our faith, who as speared my life to this moment and granted me perfect health to be able to get to this stage of my academic pursuit. I also dedicate it to my lovely parent Mr. And Mrs. BELLO, may you live long to eat the fruit of your labour (AMEN).

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## ABTSRACT

*The research study is based on the impact of small scale enterprise on the economic growth in Nigeria using small scale business owners in Ado-Ekiti as a case study. This research also covers the effect of taxation, government policies, infrastructures and finances to small scale businesses on the case study "Ado Ekiti" in Nigeria.*

*The data for this research was based on the survey on field work which involves collection of data on factors responsible for the impact of small scale businesses on economic growth of Nigeria using written questionnaires. The survey research design was adopted to obtain data from 150 respondent comprising of traders, artisans, production, factories and other small scale enterprise which were selected using conclusive sampling design. Data for this study was analysed using Statistical Package for Social Science (SPSS) and chi-square at 0.05 level of significance was used to test the hypothesis.*

*The findings was reviewed that there is a positive significant relationship between SMEs on economic development of Nigeria.*

*The study concludes that the access to capital funding and infrastructure can boost the performance of a SMEs in Ado-Ekiti and Nigeria at large.*

## CHAPTER ONE

### INTRODUCTION

#### 1:1 BACKGROUND TO THE STUDY

Small and medium scale enterprises (SMEs) which can also be called small businesses are generally regarded as the engine of economic growth and equitable development in developing the economy. They are labor intensive, capital saving and capable of helping create most of the one billion new jobs the world will need by the end of the century. They are also perceived as the key to Nigeria's economic growth, poverty alleviation and employment generation Ahiauzu .A (2010). Therefore, what are small and medium scale enterprises?

Small businesses are privately owned corporations, partnerships, or sole proprietorships that have fewer employees and/or less annual revenue than a regular-sized business or corporation Ahmed S. (2006). What businesses are defined as "small" in terms of being able to apply for government support and qualify for preferential tax policy varies depending on the country and industry. Small businesses range from fifteen employees under the Australian Fair Work Act 2009, fifty employees according to the definition used by the European Union, and fewer than five hundred employees, to qualify for many U.S. Small Business Administration programs. While small businesses can also be classified according to other methods, such as annual revenues, shipments, sales, assets, or by annual gross or net revenue or net profits, the number of employees is one of the most widely used measures.

Small businesses in many countries include service or retail operations such as convenience stores, small grocery stores, bakeries or delicatessens, hairdressers or tradespeople (e.g., carpenters, electricians), restaurants, guest houses, photographers, very small-scale manufacturing, and Internet-related businesses such as web design and computer programming.

Some professionals operate as small businesses, such as lawyers, accountants, dentists and medical doctors (although these professionals can also work for large organizations or companies) Ariyo D (2008)

Small businesses vary a great deal in terms of size, revenues and regulatory authorization, both within a country and from country to country. Some small businesses, such as a home accounting business, may only require a business license. On the other hand, other small businesses, such as day cares, retirement homes and restaurants serving liquor are more heavily regulated, and may require inspection and certification from various government authorities Ahmed S.A (2006)

The production of goods and services in the most efficient manner has continued to be the only viable and reliable option for development, growth and survival of any economy. SMEs have been fully recognized by government and development experts as the main engine of economic growth and a major factor by extension in promoting the realization of the financial systems strategy 2020. This is because the development of this sub-sector is an essential element in the growth strategy, not only in contributing to improved standard of living; they also bring substantial local capital formation and achieve high level of productivity and capacity. Medium Scale Enterprises which invariably have better prospects for developing domestic economy thereby generating the required goods and services that will propel the economy towards development (Oni and Daniya, 2012).

It is based on this premise that Ojo.O. (2009), argued that one of the responses to the challenges of development in developing countries particularly, in Nigeria, is the encouragement of entrepreneurial development scheme. Despite the abundant natural resources, the country still finds it very difficult to discover her developmental bearing since independence. Quality and adequate infrastructural provision has remained a night-mare, the real sector among others have

witnessed downward performance while unemployment rate is on the increase. Most of the poor and unemployed Nigerians in order to better their lots have resorted to the establishment of their own businesses. Consequently, Entrepreneurship is fast becoming a household name in Nigeria. This is as a result of the fact that the so called white collar jobs that people clamor for are no longer there. Even, the touted sectors (Banks and companies) known to be the largest employer of labor are on the down-turn following the consolidation crisis and fraudulent practices of the high and mighty in the banking sector. The companies of course are folding up as a result of erratic power supply, insecurity and persistent increase in interest rate which has led to high cost of production and undermines profit making potentials of companies operating in Nigeria. As a result of banking sector practices and continuous folding up of companies, a lot of Nigerians are thrown into unemployment which inevitably detriment the economic situation of the country.

## THE HISTORY OF ENTREPRENEURSHIP OR SMALL-SCALE BUSINESS IN NIGERIA

### THE EARLY STAGE

Entrepreneurship started when people produced more products than they needed, as such, they had to exchange these surpluses. For instance, if a blacksmith produced more hoes than he needed, he exchanges the surplus he had with what he had not but needed; maybe he needed some yams or goat etc. he would look for someone who needed his products to exchange with. By this way, producers came to realize that they can concentrate in their areas of production to produce more and then exchange with what they needed. So, through this exchange of products, entrepreneurship started Prayash (2014). A typical Nigerian entrepreneur is a self-made man who might be said to have strong will to succeed, he might engage the services of others like; friends, mates, in-laws etc. to help him in his work or production.

Through this way, Nigerians in the olden days were engaged in entrepreneurship. Early entrepreneurship is characterized with production or manufacturing in which case the producer most often started with a small capital, most of it from his own savings. Early entrepreneurship started with trade by barter even before the advent of any form of money <https://oanjaf.wordpress.com> (2013).

## THE MODERN STAGE

Modern entrepreneurship in Nigeria started with the coming of the colonial masters, who brought in their wears and made Nigerians their middle men. In this way, modern entrepreneurship was conceived. Most of the modern entrepreneurs were engaged in retail trade or sole proprietorship.

One of the major factors that have in many ways discouraged this flow of entrepreneurship development in Nigeria is the value system brought about by formal education. For many decades, formal education has been the preserve of the privilege. With formal education people had the opportunity of being employed in the civil service, because in those days the economy was large enough to absorb into the prestigious occupation all Nigerians their goods. As such, the system made Nigerians to be dependent on the colonial masters.

Again, the contrast between Nigerian and foreign entrepreneurs during the colonial era was very detrimental and the competitive business strategy of the foreign entrepreneurs was ruinous and against moral standards established by society. They did not adhere to the theory of "live and let's live". For instance, the United African Company (UAC) that was responsible for a substantial percentage of the import and export trade of Nigeria, had the policy of dealing directly with producers and refused to make use of the services of Nigerian entrepreneurs Gabriel (2014). The refusal of the expatriates to utilize the services of local businessmen inhibited their expansion and acquisition of necessary skills and attitude. Because of this, many eventually

folded up. Those that folded up built up resentment against business which became very demoralizing to other prospective entrepreneurs. As a result, the flow of entrepreneurship in the country was slowed down. But, with more people being educated and the fact that government could no longer employ most school leavers, economic programs to encourage individuals to go into private business and be self-reliant were initiated.

Such economic policy programs that are geared towards self-reliance for individuals are programs as Open Apprenticeship Scheme, Graduate Employment Programs etc. and other policies that encourage or make it easy for entrepreneurs to acquire the needed funds Gabriel(2014) e.g.; Peoples Bank of Nigeria, Funds for Small-Scale Industries(FUSSI), co-operative societies etc. were established to assist entrepreneurs in Nigeria.

## 1.2 STATEMENT OF PROBLEM

Most SMEs in Nigeria die within their first five years of existence, a smaller percentage goes into extinction between the sixth and tenth year while only about five to ten percent survive, thrive and grow to maturity. Many factors have been identified contributing to this premature death of SMEs. Key among them include: insufficient capital, irregular power supply, infrastructural inadequacies (water, roads etc.), lack of focus, inadequate market research, over-concentration on one or two markets for finished products, lack of succession plan, inexperience, lack of proper book keeping, lack of proper records or lack of any records at all, inability to separate business and family or personal finances, lack of business strategy, inability to distinguish between revenue and profit, inability to procure the right plant and machinery, inability to engage or employ the right caliber of staff, cut-throat competition. Some other problem facing small scale enterprises in Ado-Ekiti is also multiply taxation from the government. Small scale enterprise is everywhere in every sector and are seen in every

community. However, Nigeria has witness proliferation of small business aimed at increasing industrial output and subsequent economic growth and development.

### 1.3 RESEARCH QUESTIONS

From the above statement of problems, the following research questions were formulated;

- i. Is there a positive correlation between a small-scale enterprise and economy development?
- ii. Does poor financing constitute a major challenge in the performance of SMEs in Ado-Ekiti City?
- iii. Do inadequate social infrastructures constitute a major challenge in the performance of SMEs in Ado-Ekiti City?
- iv. Does multiple taxation constitute a major challenge in the performance of SMEs in Ado-Ekiti City?

### 1.4 RESEARCH OBJECTIVES

- i. To determine if there is a positive correlation between a small-scale enterprise and economy development?
- ii. To ascertain whether poor financing constitute a major challenge in the performance of SMEs in Ado-Ekiti City?
- iii. To determine if inadequate social infrastructures constitute a major challenge in the performance of SMEs in Ado-Ekiti City?
- iv. To ascertain if multiple taxation constitutes a major challenge in the performance of SMEs in Ado-Ekiti City?

## 1.5 STATEMENT OF RESEARCH HYPOTHESIS

In order to confirm the impact of SMEs development and the impact to the economic growth in Ekiti state and fully appreciate their respective relevant significance, the following hypotheses is postulated:

H0: There is no significance relationship between SMEs development and economic growth in Ekiti state

H1: There is significant relationship between SMEs development and economic growth in Ekiti state.

## 1.6 SIGNIFICANCE OF THE STUDY

The study will be beneficial to small scale or medium enterprise development; as such Ekiti state can utilize the findings of the research as a basis for policy formulation as regard to small scale business development. The study will also contribute to the existing knowledge on small scale enterprise development.

It is also worthy to note that the study can be used as a basis for further research, as the research can be used as a spring board for further research as well as a good reference material to students undertaking similar research.

## 1.7 SCOPE OF THE STUDY

The study is restricted to small scale or medium enterprise of business men and women in Ado-Ekiti city, Ekiti state Nigeria.

## 1.8 De- LIMITATION OF THE STUDY

The study is limited to Ado-Ekiti city, as it will be difficult to cover the whole city due to the duration of this study.

For the fact that a survey study was used as the research design as well as the questionnaire as



the research instrument, it is not certain if the same result would be obtained if other designs and instruments were used. Besides, another limitation is that the respondents could have either over exaggerated or understate their responses while scoring the items in the questionnaire. Also, the nonchalant attitude of some of the respondents could affect the validity of their response to the questionnaire. Also, another limitation of this study is the challenge on finances which would bring about some difficulties in this research.

## 1.9 DEFINITIONS OF TERMS

***Entrepreneurship***: is an innovative act, which includes endowing existing resources for new wealth – producing capacity.

***Enterprise***; an organization, especially a business, a difficult and important plan, especially one that will earn money.

**Economic Growth**; an increase in the amount of goods and services produced per head of the population over a period of time.

***SMEs; Small and Medium Scale Enterprise***. We are told that there is no generally accepted definition of a "small" business, and that most persons who use the term do so without having in mind any specific definition of size. One can, of course, classify business firms by such quantitative criteria as the number of employees, total assets, or total sales, and then designate certain size classes as representing small business, of course, classify business firms by such quantitative criteria as the number of employees, total assets, or total sales, and then designate certain size classes as representing small business.

***PAP; Poverty Alleviation Program***. Most of the programs are designed to target rural poverty as prevalence of poverty is high in rural areas also due to geographical and infrastructure limitations.

**EDP; Enterprise Development Program.** It helps build applications which are specific to an organization or business during its planning stages and can also model how organizations work, business performance, business idea development, planning and conducting business.

**IDC; Industrial Development Centers.** The industrial development centers (IDCs) are established to provide extension service to small scale industries in areas such as technical appraisal of loan application, training of entrepreneurs, management assistance, product development, production planning and control as well as other extension services.

**CBN; Central Bank of Nigeria.** The central bank of Nigeria has since 1970 been instrumental to the promotion and development of industries particularly in the small scale sub-sector. The CBN credit guidelines required that commercial merchant bank allocate a minimum stipulated credit, to the sector classified as preferred, including the small-scale industries.

**SMEDN; Small Medium Enterprises Development of Nigeria.** This is the major structure designed to provide institutional support for SME, overseeing and monitoring the development of SME in Nigeria.

**NERFUND; National Economy Re-Construction Fund.** The main aim of NERFUND is the provision of small and medium funds to long term funds to wholly Nigerian owned small scale industries. It provides funds for eligible industries under the scheme.

**NDE; National Directorate of Employment.** The NDE is another channel through which government has promoted and initiated the development of SME to generate programs for self-employment.

## CHAPTER TWO

### LITERATURE REVIEW

#### 2.1 CONCEPT OF SMALL AND MEDIUM ENTERPRISE

Small and medium enterprises (SMEs) are considered the backbone of economic growth in all countries. They play an important role in Nigerian's economic growth, as they constitute 97.2% of the companies in Nigeria. They also contribute to national development by positively influencing the distribution of income in both functional and nominal terms. Nigeria is a country blessed with human, mineral and natural resources, making her a viable hub for various business activities as well as investments, thus making her the toast of every entrepreneur and investor all over the world.

##### 2.1.2 IMPACT OF SMEs ON ECONOMIC GROWTH

We are told that there is no generally accepted definition of a "small" business, and that most persons who use the term do so without having in mind any specific definition of size. One can, of course, classify business firms by such quantitative criteria as the number of employees, total assets, or total sales, and then designate certain size classes as representing small business. The importance of SMEs in the development of the country has been summarized in Nigeria third national development plan 1975-1980 as the generation of employment opportunities, stimulation of indigenous entrepreneurship, facilitation of effective mobilization of local resources including capital and skill as well as reduction in regional disparities (Rahanaty, 2009) For example, for purposes of financial aid from the Small Business Administration, a manufacturing firm is designated as "small" if it has fewer than 250 employees, while in the Federal Reserve business loan surveys, total assets have been used as the criterion for classifying borrowers as "small." Yet, these designations are at best arbitrary, and they usually cannot be

applied uniformly to firms in all industry groups. Qualitative criteria can also be used in attempting to define and identify a small business.

Nigeria is naturally endowed with entrepreneurship opportunities; however, the realization of the full potential of these opportunities has been dampened by the adoption of inappropriate industrialization policies at different times. Discovery has also shown that the expected role contribution by the large-scale enterprise to the economy in terms of improvement in the GDP, employment generation, increasing local value added, technological development among others are been resolved by SMEs (Nwoye 2010). Several policy interventions that were aimed at stimulating entrepreneurship development via small and medium scale enterprises promotion, based on technology transfer strategy, have failed to achieve the desired goals as it led to the most indigenous entrepreneurs becoming distribution agents of imported products as opposed to building in-country entrepreneurial capacity for manufacturing, mechanized agriculture and expert services (Thaddeus, 2012).

Small scale business is the cornerstone of the economy (Popoola, 2014). Entrepreneurship is an activity that involves the discovery, evaluation and exploitation of opportunities to introduce new goods and services, ways of organizing, markets, processes, and raw material (International Journal of Development and Economic Sustainability Vol.3, No. 2, pp.49-65, May 2015)

Moreover, studies by UNIDO-Nigeria, 2012 show that Micro, Small and Medium Enterprises (MSMEs) has the propensity to drive the Nigerian Economy, and data reveal that there are currently over 17 million MSMEs employing over 31 million Nigerians. MSMEs account for over 80% of enterprises that employ about 75 % of the Nigeria's total workforce, and therefore formulating and effectively implementing MSMEs friendly policies represents innovative ways of building the capacity to engage in entrepreneurial activities and creating job opportunities

thus, playing a central and invaluable role in helping Nigeria realize its quantity advantage. In addition, the 2012 Global Entrepreneurship Monitor (GEM) has empirically identified Nigeria as one of the most entrepreneurial countries in the world. The study showed that 35 out of every 100 Nigerians (over a third) are engaged in some kind of entrepreneurial activity or the other. It is therefore imperative at this point in time to critically evaluate not just the principles of entrepreneurship but the practice and its crucial role in fostering economic growth and development in a developing economy like Nigeria.

The hypothesis that entrepreneurship is linked to economic growth finds its most immediate foundation in simple intuition, common sense and pure economic observation: activities to convert ideas into economic opportunities lie at the very heart of entrepreneurship. Entrepreneurship is a source of innovation and change, and as such spurs improvements in productivity and economic competitiveness (UNCTAD, 2004)

Nigeria's GDP growth rate of between 6 – 8 percent in the last ten years shows the country is one of the fastest growing economies in the world. The implication is that any good business established is capable of generating unusual and above average returns. It is one of the few countries with the highest returns on investment anywhere in the world- money, market, capital market, mutual funds, real estate and property, entrepreneurship, etc. (Popoola, 2014).

Furthermore, for entrepreneurs to play an appropriate role, the role of the state remains important; if not more so than before. Strong states, as regulators and gatekeepers, play a particularly vital role. In the absence of appropriate 'rules of the game', entrepreneurship may result in undesirable social outcomes, including corruption, crime, speculation and financial crises, and may worsen the vulnerabilities of people during natural disasters (UN Report, 2011).

What we know about entrepreneurship suggests a drastic or revolutionary change, but does it promote wealth creation, job opportunities. Although there is quite a lot of researches and studies on the link between entrepreneurship and economic growth and development, there is still the need to assess the case of the Nigerian economy. The real question is what is the International Journal of Development and Economic Sustainability Contribution of micro, small and medium enterprises (MSMEs) to the nation's Gross Domestic Product or more importantly how has the multiplicity of MSMEs bettered the living standard of the over 170 million Nigerians. Against this background, the main objective of this study includes the following: to evaluate the concept and principles of entrepreneurship, to assess the practice of entrepreneurship development in Nigeria, to examine the role of entrepreneurship in Nigeria's economic growth and development.

### 2.1.3 THE RELATIONSHIP BETWEEN SMALL SCALE ENTRPRISE AND ECONOMIC GROWTH OR DEVELOPMENT

It is widely believed that entrepreneurship is beneficial for economic growth and development. Entrepreneurship has been remarkably resurgent over the past three decades in countries that achieved substantial poverty reduction (Naude, 2013). In the 1980s-stag inflation and high unemployment caused a renewed interest in supply side economics and in factors determining growth. Having considered the concepts of entrepreneurship, economic growth and economic development individually, ascertaining the link between the two concepts would not be unachievable.

Schumpeterian entrepreneur seeks to create new profit opportunities. These opportunities can result from productivity increases, in which case, their relationship to economic growth appears quite clearly

In addition, Asc (2006) and Ahiauzu (2010) assert that there is a positive relationship between entrepreneurship and economic growth while Henderson (2007) explained that entrepreneurship is increasingly being recognized as a primary engine of economic growth. By combining existing resources with innovative ideas, entrepreneurs add value through the commercialization of new products, the creation of new jobs, and the building of new firms. The Global Economic Monitor (GEM) indicates that nations with higher levels of entrepreneurial activity enjoy strong economic growth. In short, entrepreneurs are the link between new ideas and economic growth.

The Nigerian economy suffers distortions by inflation, high interest rates and exchange rate instability culminating in cost escalation. Statistic has it that, the moving average inflation for 2004 was 19.15% whilst the 12 month or period to period inflation was 12% (June 2003 – July 2004) and 13% (August 2005 – August 2004).

#### 2.1.4 FINANCE FOR SMALL AND MEDUIM SCALE ENTERPRISES

It is generally accepted by both the practitioners and academicians that SMEs serve as catalysts for the economic growth of the economy of any nation. However, the SMEs are faced with many challenges. In Nigeria, one of the major challenges faced by SMEs is that of capital to finance their operations (Fatai, 2009).

Every business organization need finance and where the finance is inadequate the business development will be slow. Just like big businesses SMEs get their finance from a number of sources. According to Akingunola (2011) the major sources of financing SMEs can be classified as debt and equity. The capital structure of a business firm refers to the composition of long-term sources of funds, viz long-term debt-debenture, preference share and equity shares. The finance literature recognizes the importance of equity in business operations. Akingunola (2011) outlined the sources to include: Debt Sources of Finance, Owner's Capital / Equity Sources of Finance,

Funds from Specialized Financial Institution and Finance from Venture Capitalist. According to Owualah (2014) and Adelaja (n.d), seven major sources of funding are available to SMEs.

1. Personal resources.
2. Family and friends.
3. Partners or business associates.
4. Informal financial markets comprising, individuals and group, including pool fund groups and co-operative societies.
5. Banks (commercial and merchant). Specialised banks like Peoples bank of Nigeria (PBN) and community banks.
- 6 Specialized funding facilities e.g. NERFUND, the World Bank Loan Scheme for SMEs managed by CBN and the African Development Bank (ADB) loan scheme for export stimulation in the SME sector, SMIEIS etc.
- 7 Specialized financial institutions such as the Nigerian Bank for commerce and Industry (NBCI), Nigerian Industrial Development Bank (NIDB) and the Nigerian Agricultural and co-operative Bank (NACB).

In Nigeria the difficult economic environment, absence of the appropriate managerial skills and lack of access to modern technology by the SMEs have all contributed to the commercial banks reluctance to finance the sub-sector. The result of this reluctance is the steady decline in financing of SMEs in the country over the years. The CBN (2010) statistics show that commercial banks advances to SMEs have been on the decline over the years. Commercial bank loans to SMEs as a percentage of total credits decreased from 48.79% in 1992 to 0.15% in 2010 (Luper, 2012). Similarly, merchant banks loans to SMEs as a percentage of total credits reduced from 31.2% in 1992 to 9.0% in 2000 (Achua, 2011).



Small businesses often face greater challenges in obtaining needed financing than larger businesses. Banks are reluctant to loan money to unestablished small businesses, leaving the entrepreneur to rely on credit cards or home equity loans for survival. They may not have the assets needed to collateralize a business loan.

#### 2.1.5 ROLE OF INFRASTRUCTURE ON SMALL SCALE ENTERPRISE

The literature is replete with evidence that adequate infrastructure provision is a key element in the 'behind the border' agenda required for economic liberalization to achieve its intended objective of efficient resource allocation, enhancement of investment, increased productivity and export growth (Akinlo 2008; World Bank 2014). The performance of SMEs is predicated on the availability of infrastructure which impacts on their competitiveness as infrastructure services affect other factors of production. However, the high set-up costs, long gestation periods and the social nature of infrastructure pay-offs make it unattractive to private sector investment (Adenikinju 2005; World Bank 2014). But with the low budgetary allocation to public goods by the Nigerian government following the adoption of SAP and the series of the reforms thereafter negatively affected the quantity and quality of infrastructure provision and has necessitated manufacturing businesses in Nigeria to embark on self-provision, especially power for their production process (Owualah & Obokoh 2008).

Ayogu (2007) highlighted highways and roads, mass-transit and airport facilities, educational buildings, electricity, gas and water supply facilities and distributional systems, waste treatment facilities, correctional institutions, police, fire service and judiciary as factors that can impact on the development efforts of developing countries. He stated that some infrastructural facilities, such as power and water do not possess the characteristics of non-rivalry and non-exclusion. Core infrastructure comprises highways, water, electricity and telecommunications. Public

services provided by core infrastructure components may enter directly into private sector production and these components are expected to contribute most directly to private sector output. He concludes that infrastructure is important in different contexts and the level of its importance have not been fully appreciated by developing countries governments, in the sense that considerable resources have been expended on the provision of infrastructure with marginal success because of a lack of commitment and corruption.

In developing countries such as Nigeria, road and poor electricity supply are the twin major infrastructure problems confronting the business sector, including SMEs. In recent times, the introduction of the global system of the mobile communication helped in reducing to some extent the problem of communication in Nigeria, though at a great cost to subscribers. It has been observed that a typical Nigerian firm experiences power failure more than seven times per week without the benefit of prior warning (Adenikinju 2005). This imposes a huge cost on the SMEs arising from idle workers, spoiled materials, lost output, damaged equipment and costs of providing own electricity. The overall effect is the increase in business uncertainty, increase in operational costs, reduced competitiveness and lower return on investment. The growth potential of SMEs and even large-scale businesses has been seriously impaired by a lack of functional infrastructure (Cissokho & Seck 2013). The infrastructure problem has become so deplorable that even some MNCs are closing down their factories and shifting operations to other countries.

#### 2.1.6 TAXATION AND GOVERNMENT POLICIES ON SMALL SCALE ENTERPRISE

According to Tomlin (2008), economists argue that the resources smaller companies direct towards tax compliance are resources that could otherwise be used for reinvestment, facilitating future growth. Hence, there is a belief that taxes and a complex tax system put disproportionate pressure on smaller businesses. Small taxpayers under the regular system of taxation are

discriminated against, since the compliance requirements, cost of compliance and tax rate are the same for both small and large enterprises. Reducing the compliance costs and tax rate increases the small enterprises profit margin. It also increases the Government's tax revenue, since the simplified provisions for a micro enterprise historically reduce the size of the shadow economy and the number of non-complying registered taxpayers (Vasak, 2008). Furthermore, SMEs usually have to operate in an overbearing regulatory environment with the plethora of regulatory agencies, multiple taxes, cumbersome importation procedure and high port charges that constantly exert serious burden on their operations. Many SMEs have to deal with myriad of agencies at great cost. As stated earlier they are heterogeneous and these differences in size and structure may in turn carry differing obligations for record-keeping that affect the costs to the enterprises of complying with (and to the revenue authorities of administering) alternative possible tax obligations. Public corporations, for example, commonly have stronger accounting requirements than do sole proprietorships, and enterprises with employees may be subject to the full panoply of requirements associated with withholding labor income taxes and social contributions (International Tax Dialogue 2007).

#### THE IMPACT OF HIGH TAXES ON SMALL BUSINESS

High federal taxes can affect the size and strength of the small business population in several ways (International Tax Dialogue 2007)

- i. They can reduce the number of business births by discouraging those who might otherwise form new businesses.
- ii. They can slow down the rate at which small businesses are able to grow by making it more difficult for them to finance a rapid expansion.

iii. They can weaken the desire and the ability of small concerns to survive as independent enterprises by making the gains from a sale or merger look more attractive than the income to be derived from continued operation.

It can be argued from the experience of individual firms that high taxes have done all three of these things, but there are no data that indicate the extent of the impact in any of these directions. In addition to making it more difficult for small businesses to finance necessary growth, high taxes on business income are said to destroy the incentive for growth and efficiency

## 2.1.7 THE ROLE GOVERNMENT OF SMALL AND MEDIUM SCALE INDUSTRIES IN NIGERIA

The following are the role of government on small and medium scale enterprises (Hassan 2003)

### Industrial development centers (IDCs)

The industrial development centers (IDCs) are established to provide extension service to small scale industries in areas such as technical appraisal of loan application, training of entrepreneurs, management assistance, product development, production planning and control as well as other extension services. The first IDC was established in Owerri in 1962 by the then eastern Nigerian government and was later taken over by the federal government. Subsequently, in the second national development plan (1970-1075), the first government initiated the setting up of more IDCs at Zaria, Oshogbo, Maiduguri, Abeokuta, Sokoto, Benin-city, Uyo, Bauchi, Akure, Ilorin, Port Harcourt, Kano and Ikorodu.

### b. The Central Bank of Nigeria (CBN)

The central bank of Nigeria has since 1970 been instrumental to the promotion and development of industries particularly in the small scale sub-sector. The CBN credit guidelines required that commercial merchant bank allocate a minimum stipulated credit, to the sector classified as

preferred, including the small-scale industries. The CBN in 1971 – 1980 directed that at least 10% of the loans advanced to indigenous borrowers should be allocated to small scale industries. This was subsequently raised to 16% and minimum of 20% of total loans and advances from April 1980 and 1990 respectively.

c. The small and medium enterprises development of Nigeria (SMEDAN)

This is the major structure designed to provide institutional support for small and medium scale industries established in Nigeria in 2003.

Responsibilities of SMEDAN

Initiating and articulating ideas for SME's policy thrust

Overseeing, monitoring and co-coordinating the development of the SME sector.

Promoting and providing access to industrial infrastructure such as layouts.

Policy development.

d. The National Economic Re-Construction Fund (NERFUND)

The federal government through decree 2 of the 26th January 1989 established the national re-construction fund (NERFUND). The main focus of NERFUND is the provision of small and medium funds to long term funds to wholly Nigerian owned small-scale industries to manufacturing and agro-allied industries, mining, quarrying, industrial support services, equipment leasing and other projects. The NERFUND decree provides funds for eligible industries under the scheme.

e. The national directorate of Employment (NDE)

This was established in 1986, the NDE is another channel through which government has promoted and initiated the development of small scale industries. In January 1987, NDE launched a number of programs to generate self-employment. These were:

## Small scale industries (SSI)

Agriculture

Youth empowerment and vocational skills development

Special public works.

Below is the socio-economic contribution of small and medium scale industries in the growth process of the Nigerian economy.

### Stimulation of indigenous entrepreneurship

Social benefits of small and medium scale industries are derived from their stimulating influence on indigenous entrepreneurship and technology. Here, they provide opportunities for the expression of the latent entrepreneurial ambition, besides serving as a vehicle for the propagation and diffusion of innovative ideas both indigenous and foreign.

#### b. Employment creation

A very important rationale for promoting small and medium scale industries is their job creating potentials. This stems mostly from their labor intensive and consequently capital saving methods of operation.

#### c. Wealth distribution

They achieve this by providing paid employment or remunerative economic activities to a great number of rural and urban people on one hand and supplementing their income from the regular jobs on the other hand, small firms contribute significantly to the reduction of income disparities.

#### d. Utilization of local resources

Small scale industries can be said to be a greater local resource user than their larger counterparts. Their local resource utilization encompasses the use of local raw materials and discarded by products of large firms or primary output in their production process. Their

employment of local resources includes the opportunities afforded people with limited formal training or educating a large number of which can be found in developing nation.

e. Disposal of economic activities.

Small scale business constitutes a sector of the industrial sector offering easy entry to prospective entrepreneurs making low demand on capital intensity and not dependent on significant economies of scale of production and marketing for take-off survival. Rather there look for greater demands on the skills and the ingenuity of their owners.

f. Mobilization of Savings

Another important role of small scale and medium scale industries is that there helps in tapping idle financial resources, which ordinarily would not be brought into the banking mechanism.

## 2.2 THEORETICAL FRAME WORK

### CONFLICT THEORY (MARXIST)

In this context of Small Scale Enterprise, the theory which best explains this research study is Capitalism by Karl Marx. In Karl Marx's work the capitalist mode of production refers to the systems of organizing production and distribution within capitalist societies. Private money-making in various forms (renting, banking, merchant trade, production for profit, etc.)

Marx argued that capital existed incipiently on a small scale for centuries, in the form of merchant, renting and lending activities, and occasionally also as small-scale industry with some wage labor (Marx was also well aware that wage labor existed for centuries on a modest scale before the advent of capitalist industry).

### STRUCTURAL FUNCTIONALISM

Structural functionalism, or simply functionalism, is a framework for building theory that sees society as a complex system whose parts work together to promote solidarity and stability. This

approach looks at society through a macro-level orientation, which is a broad focus on the social structures that shape society as a whole, and believes that society has evolved like organisms.

This approach looks at both social structure and social functions. Functionalism addresses society as a whole in terms of the function of its constituent elements;

namely norms, customs, traditions, and institutions. Social institutions like the political, economic, religion, family, educational institutions work together to promote solidarity and stability in the society.

In my view of structural functionalism, the economic institution for example plays the role of developing the economy of the society but, the economy sector as its own sub sectors which also aim at impacting the economy such sub sectors like the small-scale enterprises. The small-scale enterprises, as research as shown have made a great impact in the growth of the economy in any society. Therefore, if the economic institution of the society is functioning well, it would also make impact on the other social institution of the society.

#### LEARNING MODEL

This research is based on the active learning model of Erickson and Pakeš which states that a firm explores its economic environment actively and invests to enhance its growth under competitive pressure from both within and outside the firm. The potential and actual growth changes over time in response to the outcomes of the firm's own investment and those of other actors in the same market learning, owners or managers of SMEs could raise their efficiency through formal education and training that increases their endowments while government may support their activities through the creation of the enabling environment.

Entrepreneurs or managers of SMEs with higher formal education, work experience, training and government assistance would therefore be expected to grow faster than those without these



qualities. This implies that SMEs in Nigeria have prospects of experiencing growth and contributing meaningfully to employment generation only when appropriate investments are made into them by all the stakeholders. This could best be achieved by government intervention through the provision of financial assistance, social infrastructures, capacity building of SME operators and favorable taxation policies.

## CHAPTER THREE

### METHODOLOGY

This chapter is designed to give detailed account of the procedures involved in carrying out the research, method by which correspondents are reached and also collection of data, and systematic and data analysis for drawing conclusions. Methodology serves as the engine room of every research work. It encompasses the type of data to be collected, source of data, area of study, population of study, sample size, samplings techniques, research instrument, research design, and validity and reliability and method of data analysis.

This methodology explains the means, modes, methods and techniques of data collection and how the data collected will be further analyzed and interpreted.

#### 3.1 RESEARCH DESIGN

Research design that would be used for this study is Conclusive Design. It is based on large representative samples, and the data obtained are subjected to quantitative analysis around the effects of small scale business on economic growth. Conclusive research where major objective is to obtain evidence regarding cause and effect i.e causal relationships. This research design helped to understand which variables are the cause (independent variable) and which variables are the effects (dependent variable).

#### 3.2 SAMPLE TECHNIQUE

Simple Random sampling would be used for this study. It is the basic sampling technique where we select a group of subjects for study from a larger group. Each individual is chosen entirely by chance of being included in the sample.

### 3.3 STUDY AREA

The area of study is Ado - Ekiti. Ado Ekiti is a city in southwest Nigeria, the state capital and headquarters of the Ekiti State. The population in 2006 was 308,621. The people of Ado Ekiti are mainly of the Ekiti sub-ethnic group of the Yoruba. Various commercial enterprises operate in Ado Ekiti. The city is the trade centre for a farming region where yams, cassava, grain, and tobacco are grown. Cotton is also grown for weaving. Ado- Ekiti as eight local government. Its geographical coordinates are 7° 38' 0" North, 5° 13' 0" East and its original name (with diacritics) is Ado-Ekiti.

### 3.4 STUDY POPULATION

The study population will consist of small scale enterprises and the simple random sampling would be employed the selection of the respondents.

### 3.5 SAMPLE SIZE

Due to the nature of the population and the purpose of this study, a sample size of 150 was selected. The population of the study is not very large so 150 of the people were selected from the population as the research respondents.

### 3.6 INSTRUMENT FOR DATA COLLECTION

Questionnaire will be used in collecting data, this is a device used for collecting specific information from the correspondents. It consists of questions related to purpose of the study and research questions or hypothesis to be tested. Questionnaire would be used as the research instrument, which has about 2 sections and about 29 questions. The questionnaire used was a semi structured questionnaire which encompasses both open ended and close ended questions. The questionnaire goes alongside with the research objectives as it examines the bio-data of the respondent, the respondents' view on, effect of small scale enterprise on the economy of Nigeria

### 3.7 METHOD OF DATA COLLECTION

Data will be collected from the sampled population whereby the respondents giving their consent before taking part in the study, so as to fulfill ethical consideration in social research. Certain motivational means would be employed like patronage of the small-scale enterprises and materials to boost the interest of the respondent while conducting the research.

In compliance with the ethical standards on research work involving human subjects, this study intends to protect the dignity and privacy of every individual who in the course of research work would be requested to provide valuable information about the subject of study. This study upheld the following principles:

Confidentiality- All responses giving by the respondents will be treated confidentially.

Non-maleficence- There is no risk of harm involved, the research will not cause any harm to those involved.

Voluntariness- It is based on the voluntary participation of the respondents; no one will be coerced to be a participant of the study.

### 3.8 METHOD OF DATA ANALYSIS

The collected data will be analyzed using the statistical package for social sciences (SPSS). The collected data will be coded for easy transcription and analyzed for easy understanding which will help to draw conclusion pertaining to the study.

## CHAPTER FOUR

### DATA PRESENTATION AND ANALYSIS

In this chapter, the results of the analysis of primary data gathered through questionnaire administration to various respondents were presented in tables showing frequencies and percentages. The result and interpretation of the research hypothesis earlier stated in chapter one of the research work were also presented. This chapter also deals with the discussion of research findings as they relate to the objectives of the study and providing answers to the research questions formulated in this study.

Out of a total of 150 copies of questionnaire distributed, 122 were returned while the remaining 28 were not returned. This gives a return rate of 81.3% for the study. Therefore, the study used the available numbers of primary data collected to for the purpose of the analysis and test of stated hypothesis.

#### 4.1 DATA PRESENTATION AND ANALYSIS

This section contains the presentation and analysis of responses to the questionnaire administered.

**Table 4.1: Demographic Characteristics of the Respondents**

Variables		Frequency	Percentage
Age	18-28 years	15	12.3
	29-38 years	25	20.5
	39-48 years	74	60.7
	49 years & above	8	6.6
	Total	122	100.0
Sex	Male	34	27.9
	Female	88	72.1
	Total	122	100.0
Occupation	Student	31	25.4
	Civil Servant	27	22.1
	Others	64	52.5
	Total	122	100.0
Marital status	Single	21	17.2
	Married	97	79.5
	Divorced	4	3.3
	Total	122	100.0
Religion	Christianity	102	83.6
	Islam	20	16.4
	Total	122	100.0
Ethnicity	Yoruba	77	63.1
	Ibo	25	20.5
	Hausa	18	14.8
	Others	2	1.6
	Total	122	100.0

Source: Researcher's Survey, 2017.

The Table 4.1 shows that 15 (12.3%) of the respondents are within the age range of 18-28 years, 25(20.5%) are between 29-38 years old, 74(60.7%) are 39-48 years old while 8(6.6%) of the respondents are 49 years and above. This indicates that highest respondents were in their active age group 39-48(60.7%) while the least were those aged >49 (6.6%). Also, the table shows that 34(27.9%) of the respondents were males while 88(72.1%) represent females respondents.

The table 4.1 shows that 31(25.4%) Respondents are students business owners, 27(22.1%) are Civil Servants while 64(52.5%) represents others. This table also indicates that 21 representing

17.2% of the Respondents are single, 97(79.5%) are married while 4(3.3%) of the Respondents are divorced.

It is presented on the table that 102 which account for 83.6% of the Respondents are Christians while the remaining 20(16.4%) are Muslims. This depicts that most of the Respondents practice Christianity. Finally, on the ethnic distribution of the Respondents, the result reveals that 77(63.1%) are Yoruba, 25(20.5%) are Ibo, 18(14.8%) are Hausa while the remaining 2(1.6%) represents other ethnic group.

### Section B: Small/Medium Scale Business and Economic Growth Data Analysis

Table 4.2 Are you into small/medium scale business?

	Frequency	Percentage
Yes	122	100.0

Source: Researcher's Survey, 2017.

Table 4.2 depicts that all the 122 respondents representing 100% are into small/medium scale businesses.

Table 4.3 Business Type

	Frequency	Percentage
Retailing	86	70.5
Wholesaling	19	15.6
Agriculture & Agro-Allied	12	9.8
Manufacturing	5	4.1
Total	122	100.0

Source: Researcher's Survey, 2017.

Table 4.3 shows that a large number of the respondents 86(70.5%) engaged in retail business, 19(15.6%) of the respondents are into wholesaling, 12(9.8%) are into Agric & Agro-Allied while 5(4.1%) of the total respondents engaged manufacturing.

Table 4.4 To what extent has your business been thriving

	Frequency	Percentage
Greta extent	90	73.8
Little extent	22	18.0
Low extent	6	4.9
Extremely low extent	4	3.3
Total	122	100.0

Source: Researcher's Survey, 2017.

Table 4.4 shows 90(73.8%) of the respondents affirmed that their business has been thriving greatly, 22(18.0%) respondents' business thrive in little extent, 6(4.9%) have low extent while 4(3.3%) of the businesses have extremely low extent.

Table 4.5 How long have you been in business

	Frequency	Percentage
0-2 years	8	6.6
2-4 years	22	18.0
4-6 years	82	67.2
6 years & above	10	8.2
Total	122	100.0

Source: Researcher's Survey, 2017.

Table 4.5 depicts that 8(6.6%) of the respondents have been in business for the past 2 years, 22(18%) businesses are within their 2-4 years, 82(67.2%) have been in existence for 4-6 years while 10(8.2%) have been in business for 6 years and above.

Table 4.6 Do you make profit

	Frequency	Percentage
I have not made any profit	4	3.3
I have made profit	112	91.8
I only break even	5	4.1
I have made loss	1	.8
Total	122	100.0

Source: Researcher's Survey, 2017.



Table 4.6 shows that 4 representing 3.3% of the respondents have not made any profit, a large number of the respondents 112(91.8%) attest that they made profit, 5(4.1%) have only break even while 1(0.8%) of the respondents have made loss.

Table 4.7: Has government been supportive enough in terms of policies

	Frequency	Percentage
No	80	65.6
Yes	42	34.4
Total	122	100.0

Source: Researcher's Survey, 2017.

Table 4.7 depicts that 80 which account for 65.6% of the respondents affirmed that government has not been supportive enough in terms of policies while the remaining 42 representing 34.4% agreed that government has been supportive.

Table 4.8 Do you think small/medium scale businesses can aid economic development?

	Frequency	Percentage
Strongly agree	75	61.5
Agree	26	21.3
Disagree	14	11.5
Strongly disagree	7	5.7
Total	122	100.0

Source: Researcher's Survey, 2017.

Table 4.8 shows the responses of the respondents regarding the question on whether small/medium scale business can aid economic growth and development. 75(61.5%) of the respondents strongly agree that SMEs can aid economic development, 26(21.3%) agreed with this assertion, 14(11.5%) disagreed while 7(5.7%) of the respondents strongly disagreed with the opinion that SMEs aids economic development.

Table 4.9 How did you get the start-up capital to finance your business?

	Frequency	Percentage
Commercial bank	38	31.1
Bank of Industry	2	1.6
Personal Saving	74	60.7
Family and Friends	8	6.6
Total	122	100.0

Source: Researcher's Survey, 2017.

Table 4.9 shows the responses of the respondents on how they got their start up capital. 38(31.1%) of the respondents got their capital through loan from commercial banks, 2(1.6%) from Bank of Industry, 74(60.7%) raised their capital through personal savings while 8(6.6%) of the respondents borrowed money from family and friends. This indicates that majority of the respondents raised their capital from internal source of finance (loan).

Table 4.10: What was the interest rate of this loan?

	Frequency	Percentage %
Interest free	79	64.8
5-10%	22	18.0
11-20%	18	14.8
20% & above	3	2.5
Total	122	100.0

Source: Researcher's Survey, 2017.

Table 4.10 shows whether respondents pay any interest on loan and what the interest percent range is. 79(64.8%) of the respondents pay no interest on their start-up capital, 22(18%) pays interest rate ranging from 5-10%, 18(14.8%) pay interest within the range of 11-20% while 3 representing 2.5% of the respondents pay interest rate of 20% and above.

Table 4.11: How often do you service this loan?

	Frequency	Percentage
Every month	38	88.3
Quarterly	5	11.7
Total	43	100.0

Source: Researcher's Survey, 2017.

Table 4.11 indicates how often the respondents service their loan. Out of 43 respondents that pay interest on loan, 38(31.1%) service their loan monthly while the remaining 5(4.1%) service theirs quarterly.

Table 4.12: Do you think financing has affected your business performance

	Frequency	Percentage
Yes	104	85.2
No	18	14.8
Total	122	100.0

Source: Researcher's Survey, 2017.

Table 4.12 shows the responses of the respondents on whether financing has affected their business performance. 104(85.2%) representing large number of the respondents agreed that financing has affected their business performance while 18(14.8%) disagreed with the assertion.

Table 4.13: If you have access to enough finance, would you diversify into other areas?

	Frequency	Percentage
Yes, I will	102	83.6
I am contented at this level	18	14.8
I can't say for now	2	1.6
Total	122	100.0

Source: Researcher's Survey, 2017.

Table 4.13 shows if respondents have access to enough finance will they diversify into other business areas. 102 representing 83.6% of the respondents affirm that if they have access to more finance, they will diversify, 18(14.8%) are contented with their current business position while 2(1.6%) of the respondents can never tell.

Table 4.14: What infrastructure do you use for your business?

	Frequency	Percentage
Electricity	63	51.6
Water	13	9.1
Transportation	48	39.3
Total	122	100.0

Source: Researcher's Survey, 2017.

Table 4.14 shows the type of infrastructural facilities the respondents use for their business operation. 63(51.6%) of the respondents use electricity, 13(9.1%) use water mostly while 48(39.3%) make use of transport facility in their operation.

Table 4.15 Do you have access to this infrastructure freely and sufficiently

	Frequency	Percentage
Yes	35	28.7
No	87	71.3
Total	122	100.0

Source: Researcher's Survey, 2017.

Table 4.15 shows if respondents have access to aforementioned infrastructural facilities freely and sufficiently. 35(28.7%) have access to these facilities freely and sufficiently while 87(71.3%) of the respondents do not.

Table 4.16: How has this affected your daily logistics and business performance?

	Frequency	Percentage
Negatively	87	71.3
Positively	35	28.7
Total	122	100.0

Source: Researcher's Survey, 2017.

Table 4.16 shows how inadequate infrastructural facilities have affected respondents' daily logistics and business performance. 87(71.3%) businesses have been affected negatively while 35(28.7%) are positively affected.

Table 4.17 Do you see inadequate social infrastructure has a challenge to small/medium scale enterprise?

	Frequency	Percentage
Yes	98	80.3
No	24	19.7
Total	122	100.0

Source: Researcher's Survey, 2017.

Table 4.17 shows if inadequate social infrastructural has a challenge on SMEs. 98(80.3%) affirmed that inadequate social infrastructural facilities has a challenge on SMEs while 42(19.7%) of the respondents disagreed.

Table 4.18 If Yes, why

	Frequency	Percentage
No response	4	4.08
Reduce demand for my products	32	32.6
Reduce my profit	29	29.6
Slow down my business growth	33	33.7
Total	98	100.0

Source: Researcher's Survey, 2017.

Table 4.18 shows the reasons why inadequate social infrastructural has been a challenge to small scale enterprises. 4(4.08%) of the respondents who affirm that inadequate infrastructural facilities place challenge on the businesses has no reason for that, 32(32.6%) affirmed that it reduce the demand for their products, 33(33.7.6%) affirmed that their profit reduced while 29 representing 29.6% of the respondent attest that it has slow down their business growth.

Table 4.19 If No, why

	Frequency	Percentage
No response	24	100.0
Total	24	100.0

Source: Researcher's Survey, 2017.

Table 4.19 shows that that 24 representing 100% of the respondents who acclaimed that inadequate social infrastructural facilities does not place challenge on business operation do not have reason for that.

Table 4.20 Do you pay tax or levy?

	Frequency	Percentage
Yes	81	66.4
No	41	33.6
Total	122	100.0

Source: Researcher's Survey, 2017.

Table 4.20 shows if respondents pay tax or levy. 81(66.4%) of the respondents pay tax or any form of levy while 41(33.6%) of the respondents do not.

Table 4.21: If yes, how often?

	Frequency	Percentage
Once in a while	4	4.9
Weekly	29	35.8
Monthly	48	59.3
Total	81	100.0

Source: Researcher's Survey, 2017.

Table 4.21 shows how often do respondents pay tax or levy. Out of 81 respondents that pay tax/levy, 4(4.9%) pay once in a while, 29(35.8%) pay weekly while the remaining 48(59.3%) do pay monthly.

Table 4.22: Do you pay to more than one collector?

	Frequency	Percentage
No	81	100.0
Total	81	100.0

Source: Researcher's Survey, 2017.

Table 4.22 shows if respondents pay tax or levy to more than one collector. The total 81 respondents representing 100% affirmed that they do not pay to more than one tax collector.

Table 4.23: Has payment of tax or levy affected your business performance in any way?

	Frequency	Percentage
Yes, it has	40	32.8
No, it hasn't	28	23.0
I make enough sales so I can pay	13	10.7
Total	81	66.4

Source: Researcher's Survey, 2017.

Table 4.23 shows if paying tax or levy has affected the respondents' business performance in any way. 40(32.8%) of the tax/levy payers affirmed that tax payment has affected their business, 28(23.0%) respondents are not affected, while 13(10.7%) of the respondents cannot really say if their business is affected due to tax payment because they make enough sales.

#### 4.2 TEST OF HYPOTHESIS

In order to provide solution to the research problem identified in this study, the hypothesis formulated in chapter one of this research will be tested using a non-parametric statistical testing tool called chi-square. In carrying out this test analysis, the researcher considered the data obtained from responses to twelfth (12<sup>th</sup>) question in the questionnaire administered. All positive responses (that is, strongly agree and agree) are in support of the question asked and are referred to as favorable responses and all negative responses (that is, strongly disagree and disagree) indicate that they do not agree with the question and are generally referred to as unfavorable responses.

#### Decision Rule

Reject the H<sub>0</sub> if the p-value is less than (<) 5% level of significance. Accept the H<sub>0</sub> if the p-value is greater than (>) 5% level of significance.

Table 4.24: Test statistics of the relationship between Small/Medium Scale Business and the Economic Growth in Ekiti State

Is there significant relationship between Small/Medium Scale Business and the Economic Growth in Ekiti State	Chi-Square	52.459
	df	1
	Asymp. Sig.	.000

Source: Researcher's Survey, 2017.

Table 4.24 represents the summary of chi-square result after employing SPSS version 20 for data analysis. From the table, the result indicates a chi-square value of 52.459, degree of freedom of 1 and p-value of 0.000, that is  $X^2(1) = 52.459$ ,  $p = 0.000$ . This implies that there is a strong and significant relationship between Small/Medium Scale Business and the Economic Growth in Ekiti State at 5% level of significance. In view of the above result therefore, it is evident to reject the null hypothesis  $H_0$  and accept the alternate hypothesis  $H_1$  which states there is significant relationship between Small/Medium Scale Business and the Economic Growth in Ekiti State.

#### 4.3. DISCUSSION OF THE RESEARCH FINDINGS

The study assessed small scale enterprise and its impact on economic growth in Nigeria using Ado Ekiti as case study. The study answered the research questions and tested the study hypothesis.

These results of the above are discussed below;

##### 4.3.1 Small-scale enterprise and economic development

From the result of the analysis, the researcher found a significant relationship between Small/Medium Scale Business and the Economic Growth in Ekiti State. The descriptive analysis



represented in table 4.13 above revealed that SMEs operation affect economic growth. Majority of the respondents strongly affirmed that SMEs can aid economic development.

In supportive of the descriptive analysis, the empirical analysis also revealed a significant relationship between SMEs and economic development. This is confirmed by the chi-square result in the table 4.29 above which depicts  $X^2(1) = 52.459$ , and p-value of 0.000. This is significant at 5% significance level.

#### 4.3.2 Finance, social infrastructural facilities, and multiple taxation and their challenges on the performance of SMEs in Ado-Ekiti

The result of the analysis in the above table 4.21 shows that inadequate infrastructural facilities place a major challenge on the success and operations of small/medium scale enterprises in Ekiti. In affirmation, 98 which account for 80.3% of the respondents support this with their various reasons like drop in sales revenue, fall in customer patronage and limitation to business growth and expansion. In regard to tax/levy payment, none of the respondents pay multiple tax which in turn has no effect on their business. Furthermore, the respondents have no access to sufficient funding in financing their business therefore; they found it difficult to expand their business scope.

In summary, the study confirmed that significant relationship exist between small/medium scale business and economic development. The next chapter would give a summary of the research, conclusion as well as recommendations for the study.

## CHAPTER FIVE

### SUMMARY, CONCLUSION AND RECOMMENDATION

#### 5.1 SUMMARY

The main aim of this study is to find out the impact of small scale enterprise on economic growth in Nigeria. However, this project has been classified into five (5) chapters. The first chapter deals with the introduction of the research topic, the background to the study, history of the research topic, research objectives and question significance of the study, the limitations and scope of the research study, statement of research hypothesis. The second chapter deals with the definition of concepts, theoretical and empirical framework. The literatures related to this research were reviewed particularly, the concept of economic growth and SMEs, empirical reviews and the clean surplus sociological theories which underpin this study. The theory connects the relationship between SMEs and economic growth. The third chapter deals with the research methodology, data sources, and estimation procedure used to analyze the result of the research work.

The fourth chapter presented the results of the analysis of primary data gathered through questionnaire administration. The result and interpretation of the research hypothesis were also presented. This chapter also deals with the discussion of research findings as they relate to the objectives of the study and providing answers to the research questions formulated in this study.

Finally, the fifth chapter presents the summary of the study, conclusions, major findings of the study and recommendation.

## MAJOR FINDINGS OF THE STUDY

The study assessed small scale enterprise and its impact on economic growth in Nigeria using Ado Ekiti as case study. The study answered the research questions and tested the study hypothesis.

From the result of the analysis, the researcher found a significant relationship between Small/Medium Scale Business and the Economic Growth in Ekiti State. The descriptive analysis represented in table 4.13 above revealed that SMEs operation affect economic growth. Majority of the respondents strongly affirmed that SMEs can aid economic development. In supportive of the descriptive analysis, the empirical analysis also revealed a significant relationship between SMEs and economic development.

The result of the analysis shows that inadequate infrastructural facilities place a major challenge on the success and operations of small/medium scale enterprises in Ekiti. In affirmation, 98 which account for 80.3% of the respondents support that inadequate infrastructural facilities place a major challenge on the success and operations of small/medium scale enterprises in Ekiti.

The respondents with their various reasons like drop in sales revenue, fall in customer patronage and limitation to business growth and expansion. In regard to tax/levy payment, none of the respondents pay multiple tax which in turn has no effect on their business. Furthermore, the respondents have no access to sufficient funding in financing their business therefore, they found it difficult to expand their business scope.

In summary, the study confirmed that significant relationship exist between small/medium scale business and economic development.

## 5.2 CONCLUSION

The findings of the result revealed that small and medium scale enterprises have a significant impact on the economic growth in Nigeria and limited access to finance and inadequate infrastructural facilities have posed a major challenge to developing small and medium scale enterprises in the State and Nation at large. It was also discovered that payment of tax or levy does not impact on the business performance in any way. It is a fact that small and medium scale enterprise is one of the strategies towards socioeconomic development of any society. In conclusion, therefore, small and medium scale enterprises should be encouraged and promoted in Nigeria so as to witness more socio-economic growth and development. Small and Medium Scale Enterprises which have better prospects for developing domestic economy, thereby generating the required goods and services that will propel the economy of Nigeria towards development. It is based on this premise that argued that one of the responses to the challenges of development in developing countries particularly, in Nigeria, is the encouragement of entrepreneurial development scheme. Despite the abundant natural resources, the country still finds it very difficult to discover her developmental bearing since independence. Quality and adequate infrastructural provision has remained a night-mare. Most of the poor and unemployed Nigerians in order to better their lots have resorted to the establishment of their own business. The potential and opportunities for SMEs in Nigeria to rebound and play the crucial role of been the engine of growth, development and industrialization, wealth creation, poverty reduction and employment creation are enormous.

## 5.3 RECOMMENDATIONS

Based on the results of the findings, the following recommendations were made:-

1. Government should provide more capital funding to the small and medium scale business owners who present viable business ideas in order to reduce the rate of unemployment in Nigeria;
2. The Nigeria banks should encourage the development of small and medium scale enterprises through reduction in thEe interest/charges on loan;
3. The government should also provide enabling environment in terms of constant power supply to encourage SMEs in Nigeria.

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APPENDIX

Questionnaire

Section A

Demography

- (1) Age: 18-28                      29-38                      39 – 48                      49 and above
- (2) Sex: Male                       Female
- (3) Occupation: Student  civil servant  Others
- (4) Marital Status: Single  Married  Divorced
- (5) Religion: Christianity  Islam  Others
- (6) Ethnic: Yoruba  Ibo  Hausa  Others

SECTION B

- (7) Are you into small/medium scale business?  
Yes  No
- (8) What type of small scale businesses  
(a) Retailing  
(b) Wholesaling  
(c) Agriculture and Agro-allied  
(d) Manufacturing
- (9) If yes, to what extent has your business been thriving?  
(a) Great extent  
(b) Little extent  
(c) Low extent  
(d) Extremely low extent
- (10) For how long have you been in business?  
(a) 0-2 years

- (b) 2-4 years
- (c) 4-6 years
- (6) 6 years and above

- (11) Do you make profits?
- (a) I have not made any profit
  - (b) I have made profit
  - (c) I only break even
  - (d) I have made loss

- (12) Has government been supportive enough in terms of policies?

Yes  No

- (13) Do you think small/medium scale businesses can aid economic development?

- (a) Strongly agree
- (b) Agree
- (c) Disagree
- (d) Strongly disagree

- (14) How did you get the start-up capital to finance your business?

- (a) Commercial bank
- (b) Bank of industry
- (c) Personal savings
- (d) Family and friends

- (15) What was the interest rate of this loan?

- (a) Interest free
- (b) 5-10%
- (c) 11-20%
- (e) 20% and above

- (16) How often do you service this loan?

- (a) Daily
- (b) Weekly

(c)Every month

(e)Quarterly

(17)Do you think financing has affected your business performance?

Yes  No

(18)If you have access to enough finance, would you diversify into other areas?

- (a)Yes, I will
- (b)I am contempt at this level
- (c)I can't say for now
- (d)No, I won't

(19)What infrastructure do you use for your business?

- (a)Electricity
- (b)Water
- (c)Transportation
- (d)Others, please specify.....

(20)Do you have access to this infrastructure freely and sufficiently?

Yes  No

(21)How has this affected your daily logistics and business performance?

Negatively      Positively

(22)Do you see inadequate social infrastructure as a challenge to small/medium scale enterprise?

Yes  NO

(23)If yes, why.....

(24)If No, why.....

(25)Do you pay tax or levy?

Yes  No

(26)If yes, how often?

(a)Once in a while

(b)Daily

(c)Weekly

(d)Monthly

(27)Do you pay to more than one collector?

Yes  No

(28)If yes, please state them.....  
.....

(29)Has payment of tax or levy affected your business performance in any way?

(a)Yes, it has

(b)No, it hasn't

(c)I make enough sales so I can pay