

Enterprise Promotion Policy on the Development of Small Scale Industries in Nigeria: An Assessment

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Abstract

The world's acclaimed potentialities of Small Scale Industries (SSIs) in developing the economy have been the experience of many countries of different economies. The study assesses the enterprise promotion policy programs influencing the development of small scale industries. Specifically, the study aims at identifying the programs for promoting small scale industries, appraising them in meeting the objectives, and examining the effects of these programs on business growth. The study was conducted in Lagos state where industries and commercial activities are highly concentrated. The dependent variable, development of small scale industries were measured according to manpower size, business structure, and technological development; while the independent variables, programs on enterprise promotion policy were operationalized and measured by statements using Likert scale method. The descriptive and inferential analyses of the data collected through questionnaire revealed that enterprise promotion programs were focused on fostering small scale industries in terms of technical, extension, training, technology adaptation and commercialization, and information services. The level of awareness of these various programs was low and this had hindered their opportunity to avail of the services, thus affecting the enterprises' growth and development.

Keywords: Enterprise promotion policy, Small scale industries, Nigeria

Introduction

The industrial sector has occupied a prominent position in Nigeria's economic development programs and policies since the country attained independence in 1960. The country's industrial policies have become the dynamic tools for stimulating and regulating the industrial development process. It details the objectives and strategies for optimally attaining the goals of manufacturing taking into consideration the resource endowment of the country in terms of labor, land, capital, and entrepreneurship. In 1980, the Federal Ministry of Industry articulated the first industrial policy of Nigeria which was updated in 1989 and had impacted positively on industrial development. From thereon, several policy changes had taken place arising from the global and domestic economic changes. In order to articulate the policy changes and adequately address the problems of the manufacturing sector with a view to repositioning it to meet the challenges of the 21st century, there was a review of the policies of which according to the Minister of Industry is of great importance and has been accorded high priority by the government and the citizenry.

In line with the provision of the industrial policy, the Small Scale Enterprises (SSEs) sub-sector has been identified for promotion to achieve the goals of self-reliance, poverty alleviation, food security, employment generation and rapid industrialization. In most developing countries, small industries have assumed a critical role in industrialization and economic development. On account of the low capital requirements of small enterprises, setting up small manufacturing enterprises is a means of stimulating local industry and initiatives, providing productive employment, utilizing indigenous resources, mobilizing domestic capital and ultimately increasing net national product and income. In other words, encouraging the establishment and growth of the Small Scale Industries (SSIs) has been given a paramount importance as one of the best approaches to stimulate economic growth that leads to employment generation and economic development. Small scale industries serve as sources of various inputs for the multinationals and sometimes compliment their efforts in the creation, distribution and satisfaction of the needs and wants of the society. They have been identified as the engine of growth, driver of the development process and a force in improving the living standards of the people.

A number of claims have been made in favor of the socio-economic contributions of small scale industries. They served as catalyst for the speedy recovery of the United States economy in the early 1980s by generating thousands

of new jobs for the cyclically unemployed (Fabayo, 1989). This had been also the experience of Japan (Hirschmeier, 1971, India (Nafzinger, 1971), Pakistan (Papanek, 1971), Taiwan, South Korea, Republic of China and Singapore (Fabayo, 1989). Similar experience was revealed in Latin America. In Brazil, Chile, Peru, and Argentina, small firms accounted for more than a half of the industrial workforce (World Bank, 1978). In Sierra Leone, small firms accounted for 95% of employment in industrial sector (Chuta and Leidholm, 1976), and nearly 92% of the total industrial workforce in Kenya was estimated to be generated by small firms (Ige, 1987).

Research Problem

The eventual collapsed in the world oil prices in 1980s that adversely affected the revenue generation from petroleum products in the country, necessitated the rethinking of industrial policy. As a result of the Third National Development Plan (1975-1980), the government has underlined the importance of small scale industries in the national economy. And in the Fourth National Development Plan (1981-1985), the government emphasized the need for self-reliance through internally regenerated self-sustaining growth based on indigenous natural and human resources.

In appreciation in the real need for developing SSEs, the government had instituted skills development through the establishment of entrepreneurship programs in various agencies and institutions. And the government having seen the potentials of this sector (industries) towards the national economic development had set up programs and established agencies primarily to encourage the people with little capital to start business with a view of improving their standard of living. In the process of developing small scale industries, there were various programs supporting the attainment of the main goal, entrepreneurial growth and development. This included the national Economic Reconstruction Fund (NERFUND), which was empowered to grant a long term financing to small and medium scale industries. Furthermore, programs were embarked upon on small scale promotion by the government and provision of assistance particularly support for marketing, finance and training, and several distributive system (Oguntoye, 1987).

However, despite government support towards the development of SSEs, many scholars had observed that the income and growth of SSEs were low. Several studies also revealed various problems causing the negligible growth of the industry. These problems were financial, infrastructure, marketing, shortage of raw materials, entrepreneurial and managerial abilities, among others. It was also observed that education, government regulations had been causing its slow growth. It was against this background that prompted this study to assess the effects of the enterprise promotion policy and its programs on the development of small scale industries with the aim to identifying these programs and the effects on the growth of the enterprises in terms of structure, manpower, and technological development.

Framework for Analysis

Small scale industries have played a major role in the economic development of most nations, particularly the developed nations. Graham (1999) in his study emphasized that a large part of many economies of the world comprise small scale industries. They constitute up to half to two thirds of business all over the world (Futeje, 2001). The importance of small scale industries in any of the developing economy can not be over looked and that is while government intervene to develop the sector of the economy. For SSIs serve as good sources of various inputs for the multinationals and sometimes complement their efforts in the creation, distribution and satisfaction of the needs and wants of the society. Robinson (2004) was of the opinion that despite all the development programs, and policies to promote the activities of small scale industries in the country, these industries still faced with numerous problems which include unstable macro-economic environment, that is the costly operating environment due to high inflation and import dependency, policy inconsistency, which is the double edge policies that make planning difficult, lack of infrastructure, lack of managerial facilities and enterprise support services, and lack of short and long term capital.

Universally, finance has been regarded as the main ingredient of any business growth and survival and shortage of funds has been the perennial problem of small scale industries. Others include unfavorable government regulation and policies such as low demand and patronage by government for small scale industries services and lack of necessary fiscal incentives. According to Ojo (1984), the sources of investment finance for small scale industries in Nigeria empirically showed that almost all the funds come from the personal savings (96%) with about 4 percent from the informal sector, and this was predicated by Niser (1983) showing that about 73 percent of the respondents obtained their funds from personal savings, while only about 27 percent obtained their funds from the formal financial institutions. Ojo (1989) found that the formal source of funds to small scale industries which include banks, financial institutions, government loan agencies and co-operative credit societies are of less importance than the

informal source of which includes owner savings or retained earnings, friends and relations, clubs 'Esusu' and money lenders, which constitute a major source of more than 60 percent of total sources of funds.

Moreover, Mambula (2004) asserted that SSIs development depends mostly on government industrial policies and programs. He further stated that unfavorable government policies, paucity of relevant raw materials had hindered the development of SSI. Mambula suggested that conducive business environment, adequate infrastructure, favorable industrial policy and programs are important to improve investment climate for SSI development and growth. These comments were articulated in the policy changes and adequately addressed the problems of the manufacturing with a view to repositioning it for the challenges of the 21st Century.

Consequently, the 2003 update of the Industrial Policy document has therefore addressed very critical issues of competitiveness, policy, finance, technology advancement, incentive industries, research and development, among others. The key elements of the objectives are:

- To place Nigeria among the ranks of industrially developed countries
- To encourage the private sector to play a pivotal role in the industrial development country
- To increase industrial output and linkages for both domestic and export market
- To increase value addition by creating a few niches of competitive advantages
- To increase capacities for entrepreneurship and technical skills in order to create direct and indirect employment opportunities
- To increase competitiveness of made-in-Nigeria products
- To facilitate inflow of foreign capital and technologies
- To encourage geographical dispersal of industries

In order to achieve these lined objectives, Industrial Development Centres (IDCS) were created and are responsible for the provision of managerial support services to micro, small, and medium enterprises in their respective jurisdiction. In order for the IDCs to discharge its activities, they have been provided with training workshops on various trade wood, metal work, electrical and leather work, automobile and ceramics. Services offered by IDCs include:

1. Technical – Managerial Consultancy Services:
 - Guidance and counseling on investments opportunities to prospective promoters
 - Preparation of pre-investment proposals and feasibility studies
 - Management consultancy services on production management Book-accounting and cost analysis, marketing and sales promotion, personal management, industrial relations etc.
2. Extension Services:
 - Project implementation including installation and commissioning of plants
 - Repair and maintenance of plants and equipment
 - Project monitoring and extension services involving in-plant problem and on-the-spot techno-managerial assistance.
3. Training Services:
 - Entrepreneurship and management training workshops
 - Skill acquisition/upgrading and transfer of technology training on new processes, systems, industrial proto-type etc. for sustainable livelihood production and quality assurance
4. Technology Adaptation and Commercialization:
 - Adaptation of appropriate technologies and processes for extension and commercialization by SMEs
 - Sourcing of new applications for utilization of locally available raw materials in SMEs
 - Innovation and proto-type development for machine, components and products
5. Information Services:
 - Data collection, documentation and dissemination on SME development technology, raw materials, markets, investment, etc.

Moreover, the government being fully aware of the predicament of SSI particularly in funding, established various policies and schemes, specialized financial institutions to provide financial assistance to the sector. Such schemes and financial institutions include, Small Scale Industrial Credit Scheme (SSICS) Nigeria Industrial Development Bank (NIDB), National Economic Reconstruction Fund (NERFUND) Industrial Development Centers (IDC), Small and Medium Industry Equity Investment Scheme (SMIEIS), Family Support Programme (FSP), Family Economic Development Programme (FEDP), People Bank of Nigeria (PBN), among others. In the year 2003, the government created Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) which was empowered with the task of establishing industrial and business parks in all the states of the federation including the Federal Capital. This was to enhance productivity through shared facilities, which will reduce the cost of production for small and medium enterprises

Methodology

The study was carried out in densely, industrial, institutional and commercial city of Lagos, Nigeria. Lagos is regarded as the economic center of the southwestern region of the country. This metropolitan area was purposively selected due to heavy business transactions and operations that are taking place. The study applied a systematic random sampling technique to select a sample size of 150 small scale enterprises out of 1,750 SSIs. A pre-tested structured questionnaire was administered and an unstructured interview was similarly conducted to support the questionnaire. The instrument was divided into two sections, socio-economic characteristics and industrial programs. The industry development as dependent variable was characterized according to business form of ownership, manpower size, business structure, technological development and capitalization. These were measured using nominal and interval scales. The independent variables, enterprise promotion programs on management, marketing, technology and finance were measured using Likert scale. The independent variable finance was characterized into various financial programs involvement of the entrepreneurs and as program beneficiaries. A focus group discussion was held with some entrepreneurs to elicit deeper views necessary to consider in developing questions on the issues relevant to the study. All the information gathered between 1989 and 2005.

The data gathered were analyzed by adopting both descriptive and inferential statistical. All the variables were described and highlighted using frequency distribution, percentages and mean scores. The relationship between industrial programs and development of small scale industries as well as the relationships of other variables postulated to have relationships with each other were analyzed using Pearson correlation.

Results and Discussion

The data in Table 1 showed the demographic variables where 81 percent of the respondents were males and 19 percent were females. This can be attributed to the culture of male dominance of the business arena. Majority (65%) of the respondents were between the age of 36 and 45 years, while 23 percent were between 46 and 55 years. About 60 percent attended secondary school and 33 percent had tertiary education.

Status of Small Scale Industries

The status of SSIs was characterized into business form of ownership, manpower size, technological development and capitalization. The variance between the initial status of the enterprise and post-industrial policy review status was measured. In 16 years after the revised industrial policy aiming at ensuring the long-term permanent resolution of the problems impeding industrial development in the country, the results in Table 2 show that all respondents started their businesses as sole proprietors and that only 3 percent of them had changed to partnership and 98 percent retained the sole proprietorship form of business ownership. It was also revealed that all of them started with manpower below 10 workers and 11 percent had an increase of manpower between 11 and 20, while only 2 percent had an increase between 21 and 30 workers.

Technological development results in Table 2 show that initially, 93 percent of the respondents were using traditional production and after the revised industrial policy, there were 49 percent of them who remained in traditional production. While 7 percent were initially engaged in semi-mechanized production, there was an increased of 44 percent who employed semi-mechanized operation.

Majority (75%) of the respondents at the initial stage of the business had a total capital of below N50,000 which is equivalent to \$3333 at 15 naira to a US dollar, while after 16 years, majority (32%) had between N351,000 and N450,000 which is equivalent to \$3462 at N130.00 to \$1. The difference between the initial and the current capitalization in US dollar value is negligible which means the enterprise growth is very slow. However, if the

capital structure will not be viewed in terms of naira depreciation, there was an increase of 37 percent as shown in Table 3.

Programs Involvement of SSIs

The results in Table 4 show the involvement of the entrepreneurs as beneficiaries of various financial programs in promoting SSIs. These financial programs were set up by the government to foster and promote the development and growth of SSIs and to assist them in achieving their objectives. The results on the level of their awareness and involvement were not very encouraging. The mean scores of the eleven programs responding to the financial needs of SSIs ranged from low to very low scores. It means that their involvement either as beneficiary or being aware of the financial programs is low (average mean score = 1.844). This poor level of the respondents' awareness and involvement on the government programs will hinder the achievement of the government promotion policy on growth and development of small scale industries in the country. It has been observed that the limitation of capital investment hinders the growth of small industries specifically in the purchase of equipment because of insufficient credit facilities. This problem does not mean a problem of capital to start a venture but a problem of capital for business expansion. This is depicted in Table 3 showing how the enterprises thrived despite turbulent business environment for 16 years.

Similarly, the results in Table 5 show a low grand mean score (1.484) of the enterprise promotion programs on respondents' awareness and involvement on technical, management, marketing, and finance assistances from the various agencies of the government implementing the industrial policies. It has been documented that management skills are significant in running an enterprise and that the major reason for business failures is poor management or no management at all. For enterprises to survive, management know-how is imperative. Similarly, technological capability is most often the secret behind the growth of major industrial economies of the world. Therefore, the assistance on indigenous research, local sourcing of raw materials, and developing domestic technological capacity would strengthen the capacity of SSIs.

The study further revealed the correlation ($r=0.226$) between the financial programs and government assistance ($r=0.203$) on small scale industries' growth in terms of capitalization, technological development, and manpower size at .05 level of significance. Nine percent was revealed to have been contributed by the enterprise promotion programs to the growth of the industry. In other words, effective implementation of the programs would mean high growth of small scale enterprises.

Summary and Conclusion

The study concludes that support from the government through industrial policies is veritable specifically the enterprise promotion policy. The potentials of small scale industries were demonstrated by their survival, although with slow growth in terms manpower size, capitalization and technological advancement. Their impacts on economic development should have been felt by the people if the industrial policies, enterprise promotions programs in particular had been effectively implemented. The programs were sound in fostering SSIs, however, majority of the entrepreneurs were not aware nor found themselves involved in them. The study further concludes there is a correlation between enterprise growth in manpower, technological development and capitalization and enterprise promotion programs. Having seen the potentials of SSIs in economic development, there exist a need to intensify the campaign on the programs and create strategies for SSIs visibility and involvement. Business service providers could be encouraged to enhance business capacity, and economic related policies should also be reviewed. Government should closely monitor the implementation of various programs in order to achieve its primary goals. Government should also provide an enabling environment for sustainable economic growth.

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Table 1: Distributions of respondents by demographic characteristics

Age	F	%
Below 25 years	00	0.0
26-35 years	13	8.7
36-45 years	98	65.3
46-55 years	35	23.3
Above 56 years	04	2.7
Total	150	100.0
Sex		
Male	122	81.3
Female	28	18.7
Total	150	100.0
Education		
Secondary	90	60.0
Modern	09	0.6
Tertiary	50	33.3
Others	01	0.7
Total	150	100

Source: Field study 2005

Table 2: Distribution of respondents by enterprise status

	Initial		Current	
	F	%	F	%
Manpower				
Below 10 workers	150	100.0	130	87.0
11-20 workers	0	0.0	17	11.0
21-30 workers	0	0.0	03	02.0
Total	150	100.0	150	100.0
Business ownership				
Sole proprietorship	150	100	147	98.0
Partnership	0	0	3	02.0
Corporation	0			
Total	150	100	150	100
Technological development				
Traditional	139	93.0	74	49.0
Semi-mechanized	11	07.0	76	51.0
Full mechanized	0	0.0	0	0.0
Automation	0	0.0	0	0.0
Total	150	100	150	100

Source: Field study 2005**Table 3: Distribution of respondents by capitalization**

Current level of Capitalization				
	Initial		Current	
	F	%	F	%
Below N50,000	113	75.3	0	0.0
N51, 000-N150, 000	37	24.7	6	4.0
N151, 000-N250, 000	0	0	10	6.7
N251, 000-N350, 000	0	0	23	15.3
N351, 000-N450, 000	0	0	48	32.0
N451, 000-N550, 000	0	0	43	28.7
N551, 000-N650, 000	0	0	18	12.0
Above N651, 000	0	0	2	1.3
Total	150	100	150	100

Source: Field study 2005**Table 4: Distribution of respondents by involvement on financial programs**

Financial Programs	Very High		High		Average		Low		Very low		Means score
	5		4		3		2		1		
	F	%	F	%	F	%	F	%	F	%	
NIDB	0	-	24	8.6	90	32.4	100	35.9	64	23.	1.853
NERFUND	0	-	12	4.9	42	17.1	118	47.9	74	30.1	1.640
IDC	0	-	4	2.0	39	19.7	78	39.4	77	38.9	1.320
BSC	0	-	12	4.8	39	15.7	124	49.8	74	29.7	1.660
SSCIS	0	-	-		45	19.2	108	46.2	81	34.6	1.560
FEAP	0	-	56	16.8	153	45.8	80	23.9	45	13.5	2.227
PBN	0	-	60	17.2	162	46.6	90	25.9	36	10.3	2.320
BLP	0	-	72	20.2	159	44.7	92	25.8	33	9.3	2.373
FSP	0	-	52	15.8	150	45.5	102	30.9	26	7.9	2.200
SMEDAN	0	-	-		48	20.3	108	45.8	80	33.9	1.573
SAMEIS	0	-	-		42	17.9	112	74.7	80	47.9	1.560
Grand Total											1.844

Source: Survey 2005

Score: Very High = High (5) Mean = 3.0±1.5811
 Much = Above average (4) High = 4.5811
 Average = Average (3) Average = 3.0000
 Low = Below average (2) Low = 1.4189
 Very = Low (1)

Table 5: Distribution of respondents by involvement on various assistance to SSI growth

Programs	Very Much		Much		Average		Low		Very low		Mean Score
	5		4		3		2		1		
	F	%	F	%	F	%	F	%	F	%	
Fin. Assistance	-	-	4	1.8	12	5.3	128	56.9	81	36	1.50
Manpower development	-	-	44	16.2	48	17.6	114	41.9	66	24.3	1.813
Staff Training	-	-	24	9.7	21	8.6	128	52.0	73	29.7	1.640
Increase Market	-	-	4	1.6	39	16.0	128	52.7	72	29.8	1.620
Technical assistance	-		4	1.6	33	13.4	71	57.7	67	27.2	1.167
Technological development	-		24	9.6	33	13.4	59	47.4	74	29.7	1.267
Availability of Raw materials	-		20	7.2	63	22.7	70	50.5	54	19.5	1.380
Grand Mean Score											1.484

Source survey 2005

Score: Very High = (5) Mean = 3.0±1.5811
 Much = (4) High = 4.5811
 Average = (3) Average = 3.0000
 Low = (2) Low = 1.4189
 Very = (1)