

THE PROBLEMS OF SMALL SCALE ENTERPRISES IN OSUN STATE NIGERIA



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**A THESIS SUBMITTED TO THE DEPARTMENT OF SOCIOLOGY AND
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POSTGRADUATE THESIS

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DEDICATION

This dissertation is dedicated to the glory of God Almighty; the upholder of knowledge and wisdom. It is also dedicated to my parents Mr. and Mrs. Fowowe who taught me early in life. I love you.

OBAFEMI AWOLOWO UNIVERSITY

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ABSTRACT

The study identified the problems peculiar to small scale enterprises within the study area, determined the effect of government policy on small scale operation it also examined the impact of socio-cultural factors on SSEs. These were with a view to examining the effect of all these problems on the performance of Small Scale Enterprises in Ogun State.

Both primary and secondary data were employed for the study. Primary data was obtained from small scale enterprise operators in Ife Central, Olorunda and Ede South. Each of this local government were selected to represent Ogun East, Ogun Central and Ogun West respectively through simple random sampling technique. A pilot survey revealed that there were 1,190, 1152, and 694 tailors; 10, 9, 3 pure water producer; 11, 17, and 3 bakeries; 14, 16 and 4 block industries in the respective local government. A total of 10% of respondents in each of the respective local governments were selected making a total of 390 questionnaires administered. In-depth interviews were also conducted on two of each different small scale operators. Secondary data were obtained from archival search which consist of journals, articles magazines, books, the internet and special publication on problems of SSEs. Data from questionnaire were analyzed using descriptive (frequencies and percentages) and inferential statistics (chi-square) to obtain results. Data obtained from the interviews were subjected to content analysis.

Results indicated that poor financing affects the growth of SSEs 93.04 percent; it also revealed that inadequate infrastructures such as poor road and lack of good electricity constituted another major problem affecting SSEs 51.53 percent and 51.02 percent respectively. The study further showed that insecurity affected the growth of SSEs (62.31 percent). Also, government

policies, especially importation of foreign goods influence the growth of SSEs percent (69.21%). It was also found that taxation does not have negative effect on SSEs in study area and 76.41 percent of the respondents affirmed that taxation does not affect them. And socio-cultural factors such as time spent in place of worship, money spent on ceremonies were major challenges confronting SSEs in Ogun State. Furthermore, 70.28 percent and 71.32 percent of respondents went to place of worship often and spent on ceremonies respectively. Results further showed that poor financing significantly affects the growth of SSEs, ($\chi^2 = 25.5363$ $p < 0.05$), it also revealed that inadequate infrastructures such as poor road and lack of good electricity significantly constituted another major problem to SSEs ($\chi^2 = 17.8368$, $p < 0.05$) and ($\chi^2 = 32.0716$ $p < 0.05$) respectively. However the study further showed that insecurity significantly affected SSEs ($\chi^2 = 67.0757$ $p < 0.05$) while government policies, especially importation of foreign goods significantly influence the growth of SSEs ($\chi^2 = 53.7631$ $p < 0.05$). It was also found that there is no relationship between SSEs and taxation in the study area ($\chi^2 = 4.3982$ $p > 0.05$). And some socio-cultural factors (time spent in place of worship, money spent on ceremonies) were major challenges confronting SSEs in Ogun State. ($\chi^2 = 23.5214$ $p < 0.05$).

The study concluded that Small Scale Enterprises are facing array of problems such as social infrastructures, insecurity, lack of modern technology, high cost of maintaining machine, government policies and socio-cultural factors. All these problems have adverse effect on the performance of small scale enterprises in Ogun State.

CHAPTER ONE

INTRODUCTION

1.1 Background to the study

The growth of any economy (either industrialized or non-industrialized) depends largely on the organization of small scale industries. Evidences from developed countries suggest that small scale enterprises (SSEs) are used as catalyst for controlling the economy. The Nigerian experience indicates that small scale enterprises are too stagnant and less adventurous. However, small scale enterprises are the common form of business peculiar to developing societies. They vary from small scale to medium and large scale. These forms of business ventures can be managed by individuals, group of people or association, firms, industries and government with the aim of increasing output and maximizing profits. Scholars have indicated that SSE is a risky venture and the chances of survival is slim especially in the first five years (Onwubiko, 2011).

Evidences abound on the role of SSEs in economic growth and development of economies such as USA, Britain, Japan and Canada. Other economies perceive SSEs as a tool for overcoming nation's economic problems. Wolfenson (2005) posited that SSEs are the engine of economic growth and wheel that drives the vehicle of economic development through the job creation, revenue generation, poverty alleviation and wealth creation as well as providing a source of livelihood for majority of low income household. Onwubiko (2011) stated that, the potentials of SSEs have encouraged the Nigerian governments at various levels (local, state and federal levels) to focus on the development of Small Scale Enterprises.

However, despite the government's varying policies to enhance the capacity of small scale enterprises, small scale enterprises have fallen short of expectations. This has generated serious concerns and doubts as to whether SSEs can bring about economic growth and sustainability.

The concern is even more disturbing when comparing SSEs in Nigeria with other countries where SSEs have played a vital role in their economic transformation (Kayode, 2001). In Nigeria, small scale enterprises have performed below expectation. This low performance has further exacerbated poverty, hunger, unemployment and low standard of living of people it has caused tremendous havoc on our society because people will find alternative means of livelihood which could include criminal activities. The challenge of addressing the problem of hunger, poverty and unemployment is even more disturbing when considering the actualization of the vision 2020 goals by the Nigerian government. The target of any country with such vision is to be counted among the top 20 developed economies in the world by 2020. However, Ihua (2009) has declared that if Nigeria is to accomplish this target, core issues such as hunger, poverty and unemployment must be addressed and these can only be solved if the problems of SSEs are clearly tackled.

Scholars such as Hassan (2003) and Oajide (2012) have indicated that starting a business is a risky venture and that the chances of business owners making it in the first five years are very slim because of array of problems they are facing (Onwubiko, 2011). Many indigenous enterprises have collapsed due to lack of finance, inconsistent government policies, socio-cultural factors, inadequate infrastructure, and insecurity, lack of helping hands (apprentices) and lack of information. Nevertheless, the influence of business associations should not be neglected as this might be causing problems for business operators within the context (Muritala, Awolaja, and Bako, 2012).

Meanwhile all businesses function within a specific socio-cultural context, and all small scale operators have to develop an understanding of their socio-cultural settings in order to perform effectively. Socio-cultural problems have been causing anxiety among small scale businesses that have their root within the context. As a result Ojawa (2010) identified education,

religion, culture and social roles as issues that can hinder the progress of small scale enterprises. In some cases, high incidence of government regulatory agencies, taxes and levies by different levels of government have resulted into high cost of running small scale enterprises and small scale operators are not motivated by these factors. As Porter (2009) posited, these will enable small scale operators to relocate to an environment that is conducive for their business and will have adverse effects on gross domestic product. Therefore in order to look into all these problems, each state in Nigeria has to play their roles for the development of Nigerian economy. Ooba (2010) noted that SSEs are peculiar to people in south west Nigeria especially people reside in Lagos, Ogun, Oyo and Osun States.

The people of Osun State are mostly traders, artisans and farmers. The farmers produce food crops such as yam, maize, cassava and cocoyam. The artisans make hand-woven textiles, tie and dye clothes, leather work, calabash carving and mat-weaving. Over time the federal government has indicated its presence in the state through the citing of two major industries namely, the Steel Rolling Mills and the Nigerian Machine Tools both in Ojo. Other industries in the state include the Cocoa Products Industry at Ede and the Supreme Oil Industry at Ilesha. Other small industrial ventures are spread all over the State (Oyelola, 2007). The endowment of Osun State in the area of business is enormous and presents an array of small scale investments such as: bakeries, hairdressing, hospitality businesses, trading, photography,

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