Evaluation of Survival Strategies of Small and Medium Enterprises in Benue State, Nigeria

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Abstract
The contributions of small business enterprises to any economy globally cannot be overemphasized. They are considered as the engine of growth and development of countries; for their contributions to the manufacturing subsector, diversification of output, and reduction of unemployment are immeasurable. Above all, their quick adoption and adaptation of technologies and reduced capital intensiveness provide an effective means of mitigating rural-urban migration. The main objective of this paper is to evaluate the survival strategies that will ensure sustained growth of small and medium enterprises in Nigeria. Primary data were applied in carrying out this research work. Chi square method was employed to analyze the data. The results reveal that creativity is a strategy for the survival of small business enterprises in Nigeria. The results also indicate that high risk taking is a strategy for the survival of SMEs in Nigeria. Lastly, the results also show that, areas of opportunities for business are a panacea for the survival of SMEs in Nigeria. It is recommended among others that prospective entrepreneurs should only go into business after taking a realistic view of their strengths and weaknesses and drawing up a well thought out business plan. Also, Government should provide infrastructures necessary to encourage and promote the growth and development of SMEs in Nigeria.

Key words
Engine of growth, national development, survival strategies, entrepreneurial mindset

1. Introduction
Small and medium enterprises (SMEs) have continued to be a popular phrase in the business world, and thus occupy a place of pride in virtually every country. This is because of the significant role SMEs play as the mainstay of the economic activities in terms of employment generation, national growth, poverty reduction and economic development of global economies including Nigeria. In towns and cities, these businesses employ large percentage of the population. According to Kadi (2012) cited in Peterise (2003), SMEs both in the formal and informal sectors employ over 60% of the labor force in Nigeria. More so, 70% to 80% of daily necessities in the country are not high tech products, but basic materials produced with little or no automation. Records have shown that SMEs have in many countries provided the mechanism for stimulating private ownership and entrepreneurial skills, enhancing greater employment opportunities per unit of capital invested and aiding the development of local technology (Sule, 1986; World Bank, 1995).

Supporting the view above, Ajose (2010) states that SMEs are the pivot of economic growth and first point of contact for the business world. SMEs help to mobilize savings for investment and promote the use of local raw materials. They help diversify economic activity and make significant contribution to exports and trade. SMEs are also important for poverty reduction as they tend to employ poor and low income workers and sometimes they are the source of employment in rural areas and poor regions. Furthermore, by producing intermediate products for use in large enterprises, SMEs contribute to the strengthening of industrial linkages. These explain the increased interest which developing countries have shown in the promotion of SMEs since the 1970s (Ekpenyong and Nyong, 1992). According to Bonga (2010), many economies have lagged behind in the promotion of SMEs and have missed the benefits they bring in a nation.
Rather, nations have been supporting large scale projects and large companies, which is a good policy but not enough for maximum development of the nations.

SMEs spring up in towns and cities almost on a daily basis. No sooner are they established that they fold up mostly within the first few years of operation. What is responsible for this? Several problems limit the growth, survival and hence effective contribution of SMEs to the economic growth of Nigeria. Lack of conducive and enabling macroeconomic policy environment among other problems remains the drawback to the survival, development and growth of SMEs (Obitayo, 2001).

Appreciation of the most important role of SMEs to the economy, their low survival capacity and need to enhance the entrepreneurial mindset of Nigerians, encouraged successive Nigerian governments since independence in 1960, to intervene in providing subsidies and other support services for SMEs. The growing concern about unemployment among the youths, especially of graduates of Universities and other tertiary institutions, and diminishing growth potentials in the economy have further drawn increased attention on the need to ensure the survival and growth of SMEs.

The general agreement that has come out is that government should work together with the private sector in creating an adequate enabling environment. Anyanwu (2001:12) posits that, ‘programmes of assistance, especially in the areas of finance, extension and advisory services, training and infrastructural facilities have been designed by governments for the development of the sector. Financing programmes have attracted more attention than others because every enterprise will require funds for its capitalization, working capital rehabilitation needs, as well as for the creation of new investments. Access to finance by businesses has therefore, been of prime interest to policy makers in both the public and private sectors’.

Inevitable in the discussion of SMEs is the question of what constitutes a small business enterprise (SBE). Each country tends to derive its own definition based on the role SMEs are expected to play in that economy and the programmes of assistance designed to achieve that goal. Varying definitions among countries may arise from differences in industrial organization at different levels of economic development and differences in economic development in parts of the same country (Sule, 1986). For example, a firm that can be regarded as micro or small in an economically advanced country like the United States of America or Japan, given their high level of capital intensity and advanced technology, may be classified as medium or even large in a developing country like Nigeria. Definitions also change overtime, owing to changes in price level, advances in technology or other considerations. Even in the same country, different institutions may adapt different definitions, depending on their policy focus.

The criteria that have been used in the definitions include capital investment (fixed assets), annual turnover, gross output and employment. Capital investment and turnover are widely employed because they are easy to measure. However, the impact of price inflation on their values makes it necessary to review them from time to time. Baumber and Lawyer (1979) suggest that qualitative criteria can be used in defining or identifying a small business. This includes the nature of the firm’s ownership and the area of operation. Each of the mentioned yardsticks has its advantages and disadvantages. But according to Sirapolis (1977), the yardstick that uses the number of employees has more in its favor than the others. Among other things, it is free of inflationary forces. It is also easy to understand and more over, employment data are not only easy to collect, but are more realistic and accurate. Besides, the number of employees allows comparison between businesses of the same industry group.

2. Conceptual exposition and review of related literature

2.1. Nature and meaning of small and medium enterprises

Small business covers a variety of enterprises. It encompasses sole proprietorship or entrepreneurship, family businesses and partnerships, and may be incorporated or unincorporated. The term also includes such professionals as Accountants, Lawyers, Doctors, Engineers, and Architects, who are self employed. Others are repairmen and roadside auto- servicemen known generally as “roadside mechanics” in Nigeria.

The term small business like many other terms in the social sciences, defies a precise definition. Ekpeyong and Nyong (1992) noted that, there is hardly any unique, universally accepted definition of SMEs because of the subjective classification of business into small and large scale. Egbuogu (2003) noted that definitions of SMEs vary between countries and between continents. According to Carpenter (2003), the major criteria in the definition could include various combinations of the following: Number of employees,
financial strength, sales value, relative size, initial capital outlay and types of industry. For Inang and Ukong (1992), size of capital investment (fixed assets), value of annual turnover (gross output) and number of paid employees, are the prominent indicators in most definitions.

In countries such as the United States of America, Britain and Canada, small and medium business is defined in terms of annual turnover and number of paid employees. In Britain for instance, a small and medium business is defined as that business with an annual turnover of £2 million or less with fewer than 200 paid employees. Akabueze (2002); SMEIS (2002); Sanusi (2003); Udechukwu (2003); and Sanusi (2004), stressed that, the Nigerian concepts of SMEs are also divergent but the Central Bank of Nigeria (CBN) agrees with the Small and Medium Industries and Equity Investment Scheme (SMEIS) in the definition of SME as any enterprise with maximum asset base not less than N200 million (equivalent of $1.43million) excluding land and working capital, and with the number of staff employed not less than 10 (otherwise will be a cottage or micro enterprise) and not more than 300.

According to Baumback (1992), attempts have been made by the small business administration to define a small business in terms of:

1. Employment; that is, number of employees.
2. Asset value; this includes the total cash, inventory, land, machinery, and other resources held by a business.
3. Annual sales volume or sales revenue.
4. Owners equity; that is the total investment made by the owners or shareholders excluding creditors’ contributions.

All have proven unsatisfactory in some respect. This has stemmed largely from diverse character of varying industries. A firm in one industry may loom large relative to its competitors, yet be small in employment, assets, and sales relative to firms in other industries; or vice versa. In some circumstances the firm may be small on basis of employment and large in assets and sales, or vice versa. Additionally, size standards expressed in monetary terms such as sales and assets value need to be raised frequently in times of inflation to reflect changes in the value of sales and assets.

Balunywa (2010) affirmed that the number of employees may not be a good indicator, especially where labor intensive is a policy approach to industrialization. However, that is not to say that in some cases, trading organization cannot transact big business, but yet employ few employees. In that case, capital employed may be used as indicator for defining small and medium scale enterprises.

Baumback (1992) therefore, suggests that qualitative criteria can also be used in identifying or defining a small business. Characteristically, a small business is one that is:

1. Actively managed by its owners.
2. Highly personalized.
3. Largely local in its area of operations.
4. Of relatively small size within the industry.
5. Largely dependent on internal sources of capital to finance growth.

A small business is any business in which the owner/manager is able to recall the first names of his or her employees. Perhaps the most workable definition of a small business is the one put forward by the committee for economic development (1947). They suggest that a small business should be characterized by at least two of the following features:

1. Management is independent. Usually the managers are also the owners.
2. Capital is supplied and ownership is held by an individual or a small group.
3. The area of operation is usually localized. Workers and owners live in the same community. However, the markets need not be local.
4. The size of the firm is small relative to the industries. In other words, the firms within the industry must be small when compared with the biggest units in the field.
5. This definition also has its shortcomings. Although independence is a feature of all small businesses, it is not generally always so. Many small ventures are not entirely independent of some form of control by supporting family members or close associates, and at times by outside creditors or franchisers.

Some of the features seem to contradict themselves. For instance, suppose an individual sets up a business, provides it with enough capital and the business happens to be the largest in its field of operations;
do we term it a small business or a large business? Certainly, to term it a small business will contradict the second feature just as to term it a big business would do to the fourth characteristic. According to Stainhoff (1978:6-7), of the four characteristics, the fourth, that is, relative size, is probably most important. Any firm can be considered small when its sales volume, total employees, capital investment, and so forth, are much smaller than the corresponding figures for the largest firms in the industry.

2.2. Problems of SMEs in Nigeria

In Nigeria, the factors working against the development and growth of SMEs are quite numerous among which are the following:

1. Financial Constraints: the problem of funding SMEs is not so much the sources of funds but the accessibility. Most of these enterprises cannot access loan on a long term and short term basis. According to Adepoju (2003), and Osamwonyi (2010), factors inhibiting funds accessibility by the SMEs are the stringent conditions set by financial institutions, the lack of adequate collateral and credit information, and the cost of accessing funds.

2. Lack of infrastructural facilities: lack of infrastructural facilities is a serious impediment to the performance of SMEs. The problem of infrastructure ranges from inadequate facilities like power supply, access road network, water supply and solid waste management. Businesses have to provide expensive parallel infrastructures. Of these problems, the problem of power supply has been the most critical in Nigeria. The epileptic power supply has seriously hindered the business environment in Nigeria. Consequently, most businesses have folded up or cannot operate as a result of erratic power supply. Hence according to Abiodun (n.d.) cited in Olarenwaju (2001), most banks have hidden under this umbrella to blame their inability to fund SMEs on the poor state of infrastructure, economic climate and low performance of public utility.

3. Poor management and low entrepreneurial skill base: lack of trained manpower and low managerial/entrepreneurial skill base constitute a serious clog in the survival of SMEs. Rogers (2002) noted that inefficiency in overall business management and poor record keeping is the bane of most SMEs. Technical problems/incompetence and lack of essential and required expertise in production, procurement, maintenance, marketing and finance have always led to funds misapplication, wrong and costly decision making.

4. Lack of strategic planning: regrettably, SMEs do not carry out proper strategic planning in their operation; however, sound planning is a necessary input to a sound decision making.

5. Poor marketing: entrepreneurs often blame their failure on inadequate sales. However, the real problem lies with ignorance of the need for marketing skills but not just inadequate sales. Quite often small business owners appear to be overly optimistic about sales. They don’t seem to know that the best of products still need stimulants to be able to move out of warehouses and out of retail stores. Many small businessmen in Nigeria see poor sales as isolated problem rather than a poorly developed and poorly coordinated marketing effort or lack of it.

6. Unplanned business ownership: very often, entrepreneurs go into business without taking a realistic view of their strengths and weaknesses, let alone giving a careful consideration to the economic trends or business conditions in that particular sector of activity. They don’t analyze their administrative adequacy. Business management is so much concerned with administration and administrative skills and managerial ability become more and more important as one moves on the administrative ladder. Many business owners in Nigeria rely on their skills and talents and engage in purchasing, pricing, advertising, budgeting, and performing personnel and other management functions. They apparently always neglect the need for experience and training; but as the business grows in size, they begin to realize the need for training in these areas. Unfortunately, such realization often comes late and the business is doomed.

7. Poor personnel management: the root of most employee problems in Nigeria is poor personnel management. Most proprietors are usually more concerned about production, sales and finance, to the detriment of personnel matters. They suspend personnel matters till crises set in. Such crises usually pose serious threats to the firm’s survival if they are not promptly looked into.

8. Deteriorating macroeconomic environment: the harsh macroeconomic environment in Nigeria has adversely affected the performance of small business enterprises and hostile to their survival and growth. Majority of small business enterprises are grappling with the problem of uncertainty created by the
macroeconomic instability and policy shifts. Government fiscal indiscipline impacts negatively on private investment and survival of small business enterprises as large public sector deficits fuel inflation, price variability, and exchange rate volatility.

3. Methodology of research

3.1. Area of the study

The area of study for this research is Makurdi, a major town in Benue State, Nigeria. It is the seat of government and one of the major commercial towns in Benue State. The Tiv people are the major indigenous inhabitants of the town. The town is traversed by River Benue, and has warm weather most of the year.

3.2. Research Design

This study adopts quantitative research design. Under the quantitative design, survey research method is employed for the study.

3.3. Sample and Sampling procedure

The study sampled 180 respondents from 30 small business enterprises using a random sampling technique. Random sampling is a probability sampling method that gives every case an equal chance of being selected for a study. The method ensures that all cases have equal chances for selection.

3.4. Technique of Data Collection

The study adopts questionnaire approach in the collection of data.

3.4.1. Questionnaire

In the process of administering questionnaires, the researcher engaged and trained a research assistant who helped him in the distribution of the questionnaire forms. After the completion of the training, the researcher and his assistant did the distribution. The forms were distributed for a maximum of three (3) days. Respondents were required to complete their questionnaires instantly while those who were busy were given a grace period of one (1) day for completion. The researcher and his assistant, after the expiry of the grace period, went round and collected the completed questionnaires for computation and analysis.

3.5. Hypotheses tested

1. Ho: Creativity is not a strategy for the survival of small and medium enterprises in Benue State.
2. Ho: High risk taking is not responsible for the survival of small and medium enterprises in Benue State.
3. Ho: The identification of areas of opportunity for business operation is not a strategy for the survival of small and medium enterprises in Benue State.

3.6. Method of data analysis

The analysis of data for the study was done using simple percentages and analytical tables for the survey while test of hypotheses involved the application of chi-square using the statistical package for social sciences (SPSS version 16.0).

4. Findings and Discussions

Table 1. Socio-demographic characteristics of respondents

<table>
<thead>
<tr>
<th>Demographics</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age</td>
<td></td>
<td></td>
</tr>
<tr>
<td>20-29</td>
<td>18</td>
<td>10.00</td>
</tr>
<tr>
<td>30-39</td>
<td>20</td>
<td>11.11</td>
</tr>
<tr>
<td>40-49</td>
<td>74</td>
<td>41.11</td>
</tr>
<tr>
<td>50-59</td>
<td>46</td>
<td>25.56</td>
</tr>
</tbody>
</table>
Table 1 above presents socio-demographic characteristics of respondents in relation to age, sex, marital status, educational level and business status. The Table shows that majority of the respondents fall within the age range of 40-49 with 41.11 percent while those in the range of 20-29 are the least with 10 percent. Further, respondents in the age range of 30-39 have 11.11 percent; that between 50-59 years have 25.56 percent while respondents in the age bracket of 60 and above have 12.22 percent. With regards to sex distribution, males are the majority with 65 percent while females with 35 percent are the minority. On marital status, married respondents constitute the bulk of the study with 67.78 percent while respondents who are single have 27.78 percent. Divorced respondents are the least with 4.44 percent. With respect to educational level, respondents with secondary level education have the highest percentage of 42.78, while those with tertiary education have the least with 7.22 percent. Further, respondents with primary education have 12.78 percent while those with no schooling have 37.22 percent. Lastly, in consideration of business status, trading has highest percentage of 52.78, while others are least with 3.33 percent. Furthermore, processing has 35 percent while fabricating has 8.89 percent.

Table 2. Chi-square results of relationship between Small and Medium Enterprises (SMEs) and creativity

<table>
<thead>
<tr>
<th>SMEs Survival</th>
<th>Creativity</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Creativity</td>
<td>75 (66.96)</td>
<td>37 (33.04)</td>
</tr>
<tr>
<td>Non creativity</td>
<td>21 (30.88)</td>
<td>47 (69.12)</td>
</tr>
<tr>
<td>Total</td>
<td>96</td>
<td>84</td>
</tr>
</tbody>
</table>

(Figures in parenthesis are percentages)

$X^2$ Calculated $= 21.102$

$X^2$ Tabulated $= 16.438$

Degree of Freedom $= 1$

The null hypothesis which states that creativity is not a strategy for the survival of SMEs in Benue State is rejected because the $X^2$ calculated value (21.102) is greater than the $X^2$ Tabulated value (16.438).

Table 3. Chi-square results of relationship between SMEs and high risk taking

<table>
<thead>
<tr>
<th>SMEs Survival</th>
<th>High Risk Taking</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>High</td>
<td>Low</td>
</tr>
<tr>
<td>High Risk</td>
<td>91 (74.59)</td>
<td>31 (25.41)</td>
</tr>
</tbody>
</table>
(Figures in parenthesis are percentages)
\[ X^2 \text{ Calculated} = 26.380 \]
\[ X^2 \text{ Tabulated} = 24.859 \]
Degree of Freedom = 1

The null hypothesis which states that high risk taking is not responsible for the survival of SMEs in Benue State is rejected because the \( X^2 \) calculated value (26.380) is more than the \( X^2 \) Tabulated value (24.859).

### Table 4. Chi-square results of relationship between SMEs and identification of areas of opportunities

<table>
<thead>
<tr>
<th>SMEs Survival</th>
<th>Investment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Opportunity Identification</td>
<td>115 (87.12)</td>
<td>17 (12.88)</td>
</tr>
<tr>
<td>Non Identification</td>
<td>29 (60.42)</td>
<td>19 (39.58)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>144</strong></td>
<td><strong>36</strong></td>
</tr>
</tbody>
</table>

(Figures in parenthesis are percentages)
\[ X^2 \text{ Calculated} = 45.570 \]
\[ X^2 \text{ Tabulated} = 22.560 \]
Degree of Freedom = 1

The null hypothesis which states that identification of areas of opportunities for business operations is not a strategy for the survival of SMEs in Benue State is rejected because the \( X^2 \) calculated value (45.570) is significantly more than the \( X^2 \) Tabulated value (22.560).

#### 4.1. Discussion of Findings

The findings from the study show that creativity is a strategy for the survival of SMEs in Benue State because the \( X^2 \) calculated value (21.102) is greater than the \( X^2 \) tabulated value (16.438) as depicted in table 2 above. Furthermore, it was found that high risk taking is largely an important strategy for the survival of SMEs in Benue State. This is because the \( X^2 \) calculated value (26.380) is more than the \( X^2 \) tabulated value (24.859) as shown in table 3 above. Finally, findings revealed that identification of areas of opportunities for business operations is a strategy for the survival of SMEs in Benue State because the \( X^2 \) calculated value (45.570) is significantly more than the \( X^2 \) tabulated value (22.560) as reflected in table 4 above.

#### 5. Conclusion and Recommendations

Based on the findings of the study, it is therefore concluded that SMEs in Nigeria can thrive by employing such survival strategies as creativity, high risk taking, and identification of areas of business opportunities amongst several others.

There is no doubt that SMEs can be veritable tools of economic growth and development in Nigeria, just as they have been in Asia and America. If Nigeria is to effectively address the development problems of unemployment and poverty, SMEs in agriculture and manufacturing must be accorded adequate and appropriate priority. They constitute the larger and effective arrowhead of private participation and ownership of the economy. Tackling the twin problems of unemployment and poverty will be a sin qua non in addressing youth vices in Nigeria.

Following from the conclusion above, the following recommendations are therefore made:

1. The financial base of SMEs should be broadened by government helping to integrate the operations of the formal financial institutions with that of informal financial agents. The banks should rely on the informal agents for loan repayment by the SMEs since they have inbuilt control to ensure full repayment of loans when they become matured.
2. Seminars and workshops should be organized regularly by Government, Chambers of Commerce and other nongovernmental organizations to create forum for interaction of SMEs owners/managers with others and thereby improving on their management capabilities.

3. Government should provide necessary infrastructures in order to encourage and promote rural industrialization.

4. SMEs operators should strive to develop their competences in managing and sustaining their businesses by constantly engaging in capacity building, training, research and development.

5. SMEs owners/managers should be encouraged to maintain adequate and proper financial records; which is a vital tool for good management and sound decision making.

6. SMEs operators should device effective marketing strategies such as creative personal selling, customer oriented product lines or services, adroit advertising and good business location; which all enhance smooth and profitable business operations.

7. SMEs owners/managers should develop good personnel management policy. The success of an enterprise greatly depends on the owner’s relationship with his employees. The hiring policy in SMEs should not be based on non-business considerations, such as friendship and family relations.

8. Planned business ownership. Entrepreneurs should only go into business after taking a realistic view of their strengths and weaknesses. They should analyze their administrative adequacy and avoid rushing into any business for the mere fact that there are no job opportunities for them; and that other people who are already in such businesses are succeeding.

9. Government should create a stable macroeconomic environment. Macroeconomic stability is desirable because it is characterized by low inflation, stable and investment friendly interest and exchange rates. It aids planning and enables businesses to make reasonable forecast on costs, turnover and returns on investment.

References


