

INTRODUCTION

1.1 BACKGROUND TO THE STUDY

Access to electricity and its accompanied high tariffs poses a greater challenge to SMEs growth and performance in lower income countries like Nigeria, as compared with those in higher income countries. This assertion is confirmed in a research by Scott et al (2014) which reveals that, the proportion of SMEs in high-income countries citing electricity as a major constraint is half of their counterparts in the Sub-Saharan African and Asia countries. Cost and time spent on acquiring electricity were also higher in the Less Developed Countries compared with that of High-Income Countries. However, this study is examining the effect of electricity on the performance of SMEs in Nigeria.

The effect of electricity power outage on SMEs in Nigeria posited that, the current electricity crises in the country were costing the SMEs over US \$686.4 million of annual sales. The SMEs continued to record a huge loss day by day as a result of poor electricity supply. These have been partly blamed on market and state failures, which have led to the poor electricity supply.

In the interim, a lot has equally been said with regards to the appalling state of Nigeria's epileptic power sector according to Akuru and Okoro (2009). Energy consumers do not get electricity supplied to them because the local utility companies do not get power transmitted to them from the electric grid. The managers of electric transmission are quick to accuse the generating stations of insufficient generating MW capacity. And as if trading of blame has become routine with each of these sectors, the generating stations either claim they do not get enough gas to power their plants or they turn around and claim that the transmission companies themselves cannot boast of a strong transmission backbone to transmit what is being generated.

Indeed, modern energy services can impact on the development of SMEs to a great extent. Issues that can affect the development of SMEs such as gross undercapitalization, decrepit infrastructural services, high start-up costs, corruption, and government indifference have been identified by Oboh (2002). A particular finding revealed the high cost of providing back-up energy (partly infrastructural) for SMEs which sometimes is as critical as three times the cost of publicly supplied electricity as discussed elsewhere (Adenikinju, 2003; Essien, 2001).

In Nigeria and perhaps generally, SMEs classification have been done on the basis of capital investment and employed labour force while other criteria could be the annual turnover or gross output as mentioned by Anyanwu (2001). Until very recently, energy was rarely cited as one of the problems militating against the performance of SMEs in Nigeria and elsewhere.

Several policies has been formulated by government at all levels (Federal, States and local government) in Nigeria to enhance growth and development of the SMEs as they contribute significantly to the GDP of the nation. This policies and objectives can only be realized when there is adequate power supply to the small

business. Currently in Nigeria, managers of small business spend huge sums in procuring generating sets, fuel and the maintenance of the generators to operate their business successfully. This has however skyrocketed the operational cost and reduced their performance.

1.2 STATEMENT OF THE PROBLEM

The numerical value of Nigeria's GDP as at 2004 (and by all standards, now, because there have been no noticeable improvements) is a consequence of its poor electricity structure and this has affected the performance of SMEs, which is considered as a yardstick for economic independence of nations. However, a number of options that can be used to checkmate this unfortunate development exist. For instance, if the Nigerian government should consider the criticality of SMEs and fast-track programmes on the expansion and optimal operation of the current energy mix; within a very short time frame, these could be measured as an effort towards relief. SMEs villages/clusters can be built to promote industrial activities on the basis that such basic infrastructure like electricity, which is needed for spin-off as well as for sustainable operation, is collectively and affordably provided by the relevant host authorities to investors and operators. Standalone renewable energy (RE) systems are increasingly getting better than generating sets which still requires expensive and pollution-prone fossil fuels for their operation. Hence, efforts are needed by relevant authorities, tasked with the promotion of SMEs in Nigeria, to facilitate the provision and subsidized costs of procuring these renewable energy systems - some of which are readily available for small-scale use.

1.3 OBJECTIVES OF THE STUDY

The following are the objectives of this study:

- To examine the impact of electricity on the performance of SMEs in Nigeria.
- To identify the effectiveness of the electricity generating and distributing companies in Nigeria.
- To examine other factors affecting the performance of SMEs in Nigeria.

1.4 RESEARCH QUESTIONS

- What is the impact of electricity on the performance of SMEs in Nigeria?
- What is the effectiveness of the electricity generating and distributing companies in Nigeria?
- What are the other factors affecting the performance of SMEs in Nigeria?

1.5 HYPOTHESIS

HO: There is no significant relationship between electricity and performance of SMEs in Nigeria.

HA: There is significant relationship between electricity and performance of SMEs in Nigeria.

1.6 SIGNIFICANCE OF THE STUDY

The following are the significance of this study:

The outcome of this study will educate the general public on the importance of electricity to the performance of SMEs in Nigeria.

It is also anticipated that the federal government will tap into the vital information provided by this research in the overall economic development to set up working mechanisms for the promotion of SMEs. Another important thinking is the fact that it will add to the limited but growing catalogue of research on electricity economics in Nigeria.

Small businesses can also benefit, to some extent, from the information presented in this study which serves as a guide to alternative viable sources of power generation and even job creation.

1.7 SCOPE/LIMITATIONS OF THE STUDY

This study will cover the effect of electricity on the performance of SMEs in Nigeria. It will also cover the effectiveness of the electricity generating and distributing companies in Nigeria.

LIMITATION OF STUDY

Financial constraint- Insufficient fund tends to impede the efficiency of the researcher in sourcing for the relevant materials, literature or information and in the process of data collection (internet, questionnaire and interview).

Time constraint- The researcher will simultaneously engage in this study with other academic work. This consequently will cut down on the time devoted for the research work

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