

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The focus on economic development has shifted in recent years from public-sector led economic development to private sector driven economic development. In achieving this, the Small and Medium Enterprise (SME) sector is usually relied upon because of extant scholarly knowledge of its capacity to contribute to economic development.

In 2002, the Honourary Presidential Council on Investment (HPACI) SME sector profile reveals that the SMEs contribute as much as 40% of GDP in developed economies and some developing nations. The report further shows that SMEs constitute over 90% of firms in Nigeria with a meagre 1% contribution to GDP. This disproportionate contribution is as a result of factors within the business environments.

Studies have adduced several reasons including access to finance, infrastructural limitations, entrepreneurial competence of owner-managers and the impact of multiple tax, to explain differences in SMEs contributions to GDP (Kessides, 1993; Sule, 1980 and Anyanwu, 1994; HPACI, 2002, and Aruwa, 2004). Foremost of these barriers are inadequate finance and lack of infrastructures. Kessides (1993) recognises the significance of infrastructure in the process of economic growth.

Interestingly, the Honourary Presidential Council on Investment (HPACI, 2002), after an in-depth study of the SME sector, gave the reasons limiting the role of SMEs as the hub of entrepreneurship in Nigeria. Some of the reasons given were infrastructural limitations, access to finance, access to enterprise support services, unfavourable business environment and poor access to information about sources of raw materials and market network. There is a recurrence on the greater impact of limited access to finance, entrepreneurial incompetence and inadequate infrastructure in the SME literature.

The need to improve SME development in Abuja is particularly timely given the crises and attendant less propitious economic situation that has bedevilled the capital since the 1980s. This manifested by way of the deplorable nature of socio-economic infrastructure. This has the effect of imposing heavy cost and of shifting of resources away from productive private investment since domestic and foreign entrepreneurs would only invest where infrastructure exists and satisfactory rate of return is assured.

Sani (2001) observes that indices of micro-economic infrastructural facilities are inadequate and the operation of the functional ones has not been efficient. This indeed has dire consequences in promoting business activities in Nigeria. The SME sector in Nigeria operates in an environment with very poor infrastructure, which deters prospecting firms from entry and hinders effective performance and international competitiveness (Aruwa, 2004).

1.2 Statement of the Problem

Inadequate power supply and bad roads are major social and economic

infrastructure hindering effective operations of small and medium scale enterprises in Nigeria. Constant power outages for example, do not encourage business activities as most skilled and un-skilled jobs are greatly dependent on electricity.

The provision of infrastructure services to meet the demands of businesses—both small and medium scale, is one of the major challenges of economic development in Nigeria. The provision of economic and social infrastructure can expand the productive capacity of the Nigerian economy by creating enabling environments for small and medium scale businesses in an economy, thereby encouraging economic development.

This is not always the case as small businesses in Nigeria suffer from bad roads to constant power outages. A study conducted by Ogbonnaya (2010) demonstrated empirically that no matter how novel the policies or incentives to drive the industrial sector are, if the infrastructural problems are not fixed, the policy objective of accelerating the growth of the industrial sector may not be realized.

The significance of infrastructure in the process of economic growth has long been established. Infrastructure has been seen as the basic requirement for business establishment and survival. The costs of acquiring infrastructures are significantly enormous for SMEs to bear and therefore, government intervention is inevitable. However, the depth of impact, the degree of impact or relationship coefficient has not been established particularly in respect of Kaduna state. This makes this paper distinguishable.

1.3 Objectives of the Study

The main aim of the study is to evaluate the role of economic and social infrastructure in promoting business activities in Nigeria. Other specific objectives are:

1. To identify infrastructure challenges that affect business activities in FCT Abuja.
2. To evaluate the specific roles played by both economic and social infrastructures in promoting business activities in FCT Abuja.
3. To suggest entrepreneurial policies that will enhance the operations of small and medium scale businesses in FCT Abuja.

1.4 Research Questions

1. What infrastructural challenges affect the smooth operation of businesses in Abuja?
2. What role have economic and social infrastructure played in promoting small business activities in Abuja?
3. What policies if introduced by the government will help promote small and medium scale business activities in Abuja?

1.5 Statement of Hypotheses

The study developed two operational hypotheses as stated below:

1. H_0 : Infrastructural facilities in FCT Abuja is inadequate.

H_1 : Infrastructural facilities in FCT is adequate.

2. H_0 : Infrastructural facilities does not have significant impact on the performance of businesses in FCT.

H_1 : Infrastructural facilities have significant impact on the performance of businesses in FCT.

1.6 Significance of Study

Small and Medium scale Enterprises (SMEs) in Africa rely largely on own savings, not only to grow but also to innovate, firms often need real services support and formal finance assistance, failing which under-investment in long term capabilities (training and R&D) may result, (Oyelaran-Oyeyinka, 2003).

Besides finance, there are critical elements (including: knowledge, skills and experience of staff; capacity and quality of internal facilities; information and knowledge of market; intellectual and managerial leadership; external infrastructure and the incentive system at the micro and macro levels) that lacking within technology support institutions themselves. These undermine the effectiveness of their support to Small and Medium scale Enterprises (SMEs). This study is significant because it would help to evaluate the operations of a vital segment of the industrial sector – Small and Medium Scale Enterprises (SMEs), which have been identified as having very high potential in promoting economic growth and development (Oni and Daniya, 2012). The evaluation shall be done with special focus on their financing thereby adding to the existing literature on the subject matter.

This study will be of great benefit to the following:

Government

This study highlights and critically examines the various infrastructural challenges faced by small and medium scale enterprises in Nigeria. The study will enable government bodies and other stakeholders to make policies that will help fast-track the provision of adequate and quality infrastructures to create enabling environment for small and medium scale enterprises in Nigeria.

Students

The study will also be a great importance to students both at basic and tertiary levels. Findings and recommendations will guide students in research and further studies.

Manufacturing Companies

Since most manufacturing companies depend on small and medium scale enterprises for their survival, the study will go along way in assessing the role manufacturing companies can play in strengthening the operations of small and medium scale enterprise in Nigeria.

Other Researchers

The study will provide foundation for future studies. Based on research questions and recommendations given in the study, further research studies can be developed from the project work.

1.7 Scope of the Study

This research work focuses on the role infrastructures such as economic and social infrastructures have played in the promotion of Small and Medium Scale Enterprises (SMEs) in Nigeria paying special attention to the impact the government of Nigeria has on the development of Small and Medium Scale Enterprises for a period of three (3) years 2009. The research intends to study the essential problems encountered by Small and Medium Scale Enterprises and suggest ways by which they can be adequately and efficiently promoted.

Most of the information and data needed for the study would be gathered from existing

literature and from some selected business owners in FCT Abuja.

1.8 Limitations of the Study

Limitations faced in the course of the research were accessibility to information, difficulty in accessing the target sample during working hours due to the busy nature of their operations, inability to use a large sample size due to time and resource constraints, unwillingness of small business owners to reveal confidential information in fear of competitions.

1.9 Definition of Terms

Business: The Oxford Learner's Dictionary defines business as a commercial activity, a means of livelihood, a trade, profession, occupation, etc.

Capital: capital can be defined as man-made productive assets that are set aside for the production of other assets. In other restricted cases, it is defined as money set aside to start business.

Economic Development: it can be defined as the process whereby a country's real per capita gross national product of income increases over a sustained period of time through continuing increases i.e. per capita productivity.

Economic Growth: Economic growth is the increase in the amount of the goods and services produced by an economy over time. It is conventionally measured as the percent rate of increase in real gross domestic product, or *real GDP*. Growth is usually calculated in *real* terms, i.e. inflation-adjusted terms, in order to obviate the distorting effect of inflation on the price of the goods produced. In economics, "economic growth" or "economic growth theory" typically refers to growth of potential output, i.e., production at "full employment".

Economy: the word is used to mean a particular system of organization for the production, distribution, and consumption of all things people use to achieve a certain standard of living.

Entrepreneurship: The willingness and ability of an individual to seek out investment opportunities in an environment, and an environment, and be able to establish and run an enterprise successfully based on the identified opportunities.

Infrastructure: Infrastructure is basic physical and organizational structures needed for the operation of a society or enterprise, or the services and facilities necessary for an economy to function. It can be generally defined as the set of interconnected structural elements that provide framework supporting an entire structure of development. It is an important term for judging a country or region's development.

Role: according to Merriam-Webster's dictionary is defined as a function or part performed especially in a particular operation or process or major.

SMEs: Small and medium enterprises or small and medium-sized enterprises (SMEs, small and medium-sized businesses, SMBs, and variations of these terms) are companies whose personnel numbers fall below certain limits. The abbreviation "SME" is used in the European Union and by international organizations such as the World Bank, the United Nations and the World Trade Organization (WTO). Small enterprises outnumber large companies by a wide margin and also employ many more people. SMEs are also said to be responsible for driving innovation and competition in many economic sectors.

EVALUATION OF THE ROLE OF SOCIAL AND ECONOMIC INFRASTRUCTURE IN THE PROMOTION OF BUSINESS ACTIVITIES IN NIGERIA (A CASE STUDY OF SOME SELECTED SMES IN FCT ABUJA)

The complete project material is available and ready for download. All what you need to do is to order for the complete material. The price for the material is NGN 3,000.00.

Make payment via bank transfer to Bank: Guaranteed Trust Bank, Account name: Emi-Aware technology, Account Number: 0424875728

Bank: Zenith Bank, Account name: Emi-Aware technology, Account Number: 1222004869

or visit the website and pay online. For more info: Visit <https://researchcub.info/payment-instruct.html>

After payment send your depositor's name, amount paid, project topic, email address or your phone number (in which instructions will sent to you to download the material) to +234 70 6329 8784 via text message/ whatsapp or Email address: info@allprojectmaterials.com.

Once payment is confirmed, the material will be sent to you immediately.

It takes 5min to 30min to confirm and send the material to you.

For more project topics and materials visit: <https://researchcub.info/> or For enquiries: info@allprojectmaterials.com or call/whatsapp: +234 70 6329 8784

Regards!!!