

PDF - FINANCING SMALL SCALE INDUSTRIES IN NIGERIA (A Case Study of Selected Small Business in Lagos Sub-Urban) - researchcub.info **ABSTRACT**

The study was conducted on Financing Small and Medium industries in Nigeria (A Case Study of Selected small business in Lagos State sub-urban).

The roles play by SSEs as been confirmed by this study. It therefore means that the SSEs can be effectively used to improve the country's employment and growth if the above stated problems that they face are tackled. More activities of the government should therefore be directed to the industry.

The data were gathered through the administration of questionnaire to respondents from different department status in the organization.

The findings of this work do not differ significantly from what have been said by former researcher as reviewed in chapter two of this work. However, this does not mean that further study into this area cannot be undertaken since new facts are emerging every day.

Small Scale Industries do not prepare proper and regular financial report that makes them not to have one for loan purposes. Policy should be put in place to make compulsory preparation of business name so that names of from which do not subsequently prepare financial report may be struck off from the register book.

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CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Interest in the role of small and medium-sized enterprises (SMEs) in the development process continues to be in the forefront of policy debates in developing countries. The advantages claimed for SMEs are varies, this include: the encouragement of entrepreneurship; the greater likelihood that SMEs will utilize labour intensive technologies and thus have an immediate impact on employment generation; they can usually be established rapidly and put into operation to produce quick returns. SME development can encourage the process of both inter- and intra-regional decentralisation; and, they may well become a countervailing force against the economic power of larger enterprises. More generally the development of SMEs is seen as accelerating the achievement of wider economic and socio-economic objectives, including poverty alleviation.

Staley and Morse (2011) identify a 'developmental approach' to SME promotion which has as its objective the creation of 'economically viable enterprises which can stand on their own feet without perpetual subsidy and can make a positive contribution to the growth of real income and therefore to better living levels'. This approach emphasises the importance of efficiency in new SMEs. Small producers must be encouraged to adopt new methods, move into new lines of production and in the long-run, wherever feasible, they should be encouraged to become medium- or even large-scale producers.

More recent concerns associated with the growth and efficiency of smaller enterprises has also become

prominent. Using the case of Northern Italy, Piore and Sabel (2009) have argued that small enterprises are more efficient because they have adopted a flexible specialisation approach. Correspondingly, there has been growing interest in whether this model has or can be replicated in developing countries (Schmitz, 1998; Pederson, 2002; Schmitz and Musyck, 2003; Schmitz, 2004).

The role of finance has been viewed as a critical element for the development of small and medium-sized enterprises. Previous studies have highlighted the limited access to financial resources available to smaller enterprises compared to larger organisations and the consequences for their growth and development (Levy, 1993). Typically, smaller enterprises face higher transactions costs than larger enterprises in obtaining credit. Insufficient funding has been the major problem confronting SMEs (Peel and Wilson, 1996). Poor management and accounting practices have hampered the ability of smaller enterprises to raise finance. Information asymmetries associated with lending to small-scale borrowers have restricted the flow of finance to smaller enterprises. In spite of these claims however, some studies show a large number of small enterprises fail because of non-financial reasons (Liedholm, McPherson and Chuta, 2004).

The panacea for solving problems of economic growth in developing countries often reside in the development of small scale industries. The establishment of those industries has been the centerpiece of industrial development of many countries such as India, Malaysia, Pakistan, Indonesia and Nigeria to mention a few. It is expected that the gains to be derived from the establishment of small-scale industries will be translated into the generation of employment at a low investment cost. These industries will also be able to harness raw materials locally and serve as raw inputs to the large-scale industries.

1.2 STATEMENT OF RESEARCH PROBLEM

The growth of output of any economy depends on capital accumulation, and capital accumulation requires investment and an equivalent amount of saving to match it. Two of the most important issues in developing countries, are how to stimulate investment, and how to bring about an increase in the level of saving to fund investment.

The primary focus of this research work emanates from the fact that small scale enterprises owners do not have sufficient finance to carry on due to the low saving culture of the people in this part of the world. Besides, the Central Bank stipulated that 20% of banks' credit should be granted as loan to the Small Scale Enterprises but this was not adhered to because of the reason that most loans granted to Small scale holders were not repaid and so the banks did not consider them as creditworthy. In the light of these, this research shall evaluate the financial incentive available to the small-scale enterprises.

1.3 OBJECTIVE OF THE STUDY

The main purpose of this study is to identify and consequently analyze the financial incentives that are available to small and medium scale enterprises. Other objective include:

- Contribution of growth of the Nigeria Company.

- Role played by financial market in financing small and scale enterprises in Nigeria.

- Economic potential of small and scale enterprises in Nigeria

- Strategies that would improve the development, growth and survival of small-scale enterprises

1.4 STATEMENT OF RESEARCH QUESTIONS

- Does SMEs identify the financial incentives

- Does financial institutes improve SMEs activities

- Is their any economy potential of SMEs in Nigeria enterprise

Can the strategies in place improve the growth and survival of SMEs

What are the roles played by financial market to improve SMEs in Nigeria

1.5 STATEMENT OF RESEARCH HYPOTHESIS

Hi: There is no relationship between Small and Medium enterprise and economic growth in Nigeria

Ho: There is significant relationship between Small and Medium enterprise and economic growth in Nigeria

Hi: The role played by financial market does not improve SMEs activities in Nigeria

Ho: The role played by financial market improve SMEs activities in Nigeria

1.6 SIGNIFICANCE OF THE STUDY

The significance of this study can be viewed from the perspective of the importance of the industrial sector as a whole to the economy, which could in turn be examined from the government policies that are meant to promote industrial development and provide a solid foundation for the long-term growth in the industrial sector.

Above all it is believed that small and medium scale enterprises will propel the rationalism of economic independence, long after political independence thus there is a need to evaluate and promote small and medium scale enterprises. This research work shall contribute to existing literature on SMEs by providing a detailed analysis of the financing strategies that are available to small and medium scale industries in Nigeria with the aim of improving their operations and effectiveness.

1.7 SCOPE AND DELIMITATION OF THE STUDY

The study will be limited to SSEs as defined. Also the study shall limit the number of SSEs to be study to fifty.

1.8 PLAN OF STUDY

The study will be divided into five main chapters. Chapter one will cover the general introduction into the study under which introduction, statement of problems, objectives of the study, statement of the study are discussed. Chapter two focus on literature review, which has to do with a general presentation of views by of former researchers as well as scholars on the main variables of the study. Chapter three will contain the structural composition of the study under which the source the finance of small scale enterprises are discussed. Chapter four will be devoted to data presentation and analysis. The last but by no means the least in importance chapter will be used for summary, conclusion and recommendations.

1.9 DEFINITION OF TERM

Small-Scale Industry: An industry with a labour size of 11-100 workers or a total cost of not more than N50 million, including working capital but excluding cost of land.

Medium Scale Industry: An industry with a labour size of between 101-300 workers or a total cost of over N50 million but not more than N200 million, including working capital but excluding cost of land.

Large Scale: An industry with a labour size of over 300 workers or a total cost of over N200 million, including working capital but excluding cost of land.

Finance: The act of providing funds for business activities, making purchases or investing, financial institutions and banks are in the business of financing as they provide capital to business, consumer and investors to help them active them goals.

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