

PDF - SMALL AND MEDIUM SCALE BUSINESS ENTERPRISES AND ECONOMIC GROWTH OF NIGERIA (A Case Study of Vono Product Plc) - researchcub.info **ABSTRACT**

This project has been able to carry out Small and Medium Scale business enterprises and economic growth. The research sample is randomly selected from De Eugene De-Rose Industry and Vono Product Plc by survey method composed of thirty (30) respondents. Chapter one looked at the background of the study (introduction), the statement of problems, objective of study. It also highlights research questions, statement of hypothesis, significance of the study, scope of the study, limitation of the study, history of the case study and definitions of terms. Chapter two was based on literature review and relevant texts on the subject topic. Chapter three outlined the research methodology used in conducting the research work. It indicates that this research work was carried out using the survey research method. The use of questionnaire and personal interview in collecting relevant data was adopted. Chapter four gives the data analysis, interpretation and presentation of data collected; it also includes the test of hypotheses. Finally, chapter five brings the research work to a conclusion by giving a summary of findings, conclusion and recommendations. Therefore, through the hypotheses tested it was concluded through chi-square statistical package that –There is a significant correlating between small and medium scale and economic growth of Nigeria.

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CHAPTER ONE

INTRODUCTION

1.2 BACKGROUND TO THE STUDY

Small and medium scale Business Enterprises in Nigeria economic growth cannot be over emphasized as entrepreneurship is indispensable catalyst for the sustenance of the economy in Nigeria as a whole.

Small and Medium Enterprises (SMEs) have played and continue to play significant roles in the growth, development and industrialization of many economies the world over. In the case of Nigeria, SMEs have performed below expectation due to a combination of problems which ranges from attitude and habits of

SMEs themselves through environmental related factors, instability of governments and frequent government policy changes and somersaults (Suleiman, 2005).

Obadan, (1997) highlights the top ten problem areas of SMEs in Nigeria in decreasing order of intensity include: management, access to finance, infrastructure, government policy inconsistencies and bureaucracy, environmental factors, multiple taxes and levies, access to modern technology, unfair competition, marketing problems and non-availability of raw materials locally. Thus managerial problems represent the greatest problem facing SMEs in Nigeria while non availability of raw materials locally is the least problem.

Interest in the role of small and medium scale enterprises in the development process continues to be in the forefront of policy debates in developing countries (Olorunshola, 2003). The advantages claimed for small scale enterprises are various, including : the encouragement of entrepreneurship; the greater like hood that small scale enterprises 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; small scale enterprises development can encourage the process of both inter-and intra-regional decentralization; and they may well become a countervailing force against the economic power of large enterprises. More generally the development of small and medium scale enterprises is seen as accelerating the achievement of wider economic and socio-economic objectives, including poverty alleviation.

The role of finance has been viewed as a critical element for the development of small and medium scale industries. Previous study have highlighted the limited access to financial sources available to small enterprises compared to large organizations and the consequences for their growth and development (Udchukwu, 2003).

Typically, small enterprises face higher transactions cost than large enterprises in obtaining credit (Olorunshola, 2003). Poor management and accounting practices have hampered the ability of small enterprises to raise finance. Information asymmetries associated with lending to small scale borrowers have restricted the flow of finance to small enterprises. In spite of these claims however, some studies show a large number of small enterprises fail because of non-financial reasons.

1.2 STATEMENT OF PROBLEMS

The statement of problems in this research investigation is to evaluate the challenges of small and medium business enterprises and economic growth of Nigeria. Generally, because of problem of underdevelopment of entrepreneurship and small scale in Nigeria, a lot of noble business ideas have been killed.

Market Trends: A major growth factor is being able to identify and meets market gaps. The Nigerian SMEs ability to identify market gaps has often been in doubt. Furthermore, it is a way of identifying a gap in these sectors proper assessment of the market potential and dynamics that is necessary for a proper value proposition, which will help them to avoid investing wrongly. Failure to plan against future market trends, lack of resourceful research and other areas where small scale business is deficient in productions. The lack of adequate knowledge might make a business manager loose a good business opportunity, and the ability to tap into other grounds or market to make more profit.

Political instability: This does not encourage an investor to invest in the economy and even if he has invested, he might decide to fold up due to the prevailing hostile economic climate.

Inappropriate managerial skills: due to lack of enough capital or sheer ignorance of technological advances, entrepreneurs tend to purchase obsolete and inefficient equipment there by setting the state *ab initio*, which

bring about lower level of productivity and poor product quality. It all results in huge consequences on product output and market acceptability. The key ones include inadequate infrastructural facilities (road, water, electricity etc) insecurity of lives and property, inconsistent monetary, fiscal and industrial policies. Limited access to market, multiple taxation and levies, lack of modern technology for processing and reserving products, policy reversals, capacity limitation, data inadequacies, harsh operating environment, fragile ownership base, fragile capital base. While some the challenges that SMEs face are induced by the operating environment (government policies, globalization effects, financial institutions, local government policies, attitude to work) etc other challenges are driven by the inherent characteristic of the SMEs themselves.

1.3 OBJECTIVES OF STUDY

The main objective of the study is to review the challenges of small and medium business enterprises and economic growth in Nigeria. In so doing, the researcher intends giving an in depth information and analysis on the operations and activities of Eugene De Rose Industry and Vono Product Plc. In view of the above, the researcher intends to find out the following,

- (i) To evaluate the performance of the small medium enterprises toward the economic growth in Nigeria.
- (ii) To examine the mode of operation of the enterprises in terms of growing the economy.
- (iii) To identify the major constraints hindering the operations of the enterprises.
- (iv) To make suggestion as to how the performance of the small and medium enterprise could be improved.

1.4 RESEARCH QUESTIONS

This research work is guided by the following research questions:

- (i) How effective has the small and medium enterprises leading to the growth of Nigeria economy.
- (ii) What is the mode of operations adopted under in the enterprises
- (iii) What are the major constraints hindering the activities of the small and medium enterprises in Nigeria?
- (iv) How can the performance of the small and medium enterprises could be improved.

1.5 STATEMENT OF HYPOTHESIS

The hypothesis is tested in the course of the study is stated below:

Ho: There is no significant correlation between SMEs and economic growth of Nigeria.

Hi: There is a significant correlation between SMEs and economic growth of Nigeria.

1.6 SIGNIFICANCE OF THE STUDY

The significance of this study is to demonstrate that small and medium enterprises play a vital role in the growth of Nigerian economy and the success of organization. Apart from small and medium enterprises has an impact on organizational performance.

Hoselitz (2002) says the perceived self efficiency of enterprises has been proven to affect the strategies and performance of their business. It also developed to the creation of new organization of the country. Vital decision making organizations are solely depend on the different behaviours of the entrepreneurs in such organizations. It also aids and decides how the organizational goals are accomplished. In conclusion small and medium enterprise ill terms of the performance determine the growth rate of a particular country.

1.7 SCOPE OF THE STUDY

The scope of the study being the challenges of small and medium business enterprises and economic growth of Nigeria is taking Eugene De Rose Industry and Vono Products Plc as case studies. However, the workers of the duo organizations would be covered. The scope would also cover the period of 1999-2010.

1.8 LIMITATION OF THE STUDY

Synonymous with normal research work, this project will be limited by time which is the greatest enemy of human race is a major constraint to this project therefore makes it impossible to carry out an exhaustive research work on the topic. It also leads to inadequate detailed analysis of the topic.

Finance; due to the capital outlay that is normally involved in any research, and the limited supply of funds, this also constitutes a constraint.

Availability of materials; it is a known fact that most research work thrives on the availability of secondary data. The inadequacy of such materials for this work necessitates my being confined to available literature in the libraries visited.

Other limitations identified include the financial involvement, market trends, political instability, inaccessibility of respondents, lack of basic statistics etc.

1.9 HISTORY OF THE DE ROSE PURE WATER (SMALL SCALE ENTERPRISE)

Eugene De Rose Pure Water Industry is an organisation that was established a decade ago with vested interest in beverages production. It is situated at 1/3 Eugene Close, opposite Iba Housing Estate.

Since it began, it has been blazing the trails and creating remarkable pace setting in the spheres of production and creativity.

Its mission is to produce quality products and to give consumers of the products value for money.

Their products include the following:

Table water

Pure water, and

Water dispensing machines.

Table water

Eugene de Rose table water is produced under the best hygienically supervised conditions, with the latest/best automated bottling water equipment.

It is packed in various sizes, 50cl, 75cl, 150cl and 18.9 litres. It also offers personalised labels to brand various occasions.

Sachet water

This is prepared in 60cl of N60 per bag

Water Dispensing Machines

The water dispensing machines are durable, dependable and affordable; it comes in different shapes and sizes. Some of these dispensers are equipped with digital indicators highlighting hot and cold temperatures, while some also have inbuilt refrigerators for storage.

History of Vono Products Plc (Medium Scale Enterprise)

Vono Products Plc was incorporated on 9th October, 1960 with initial objective of meeting the domestic and institutional needs of homes, schools, hospitals and various establishments in terms of metal and packaged beds. Its head office is located at 326/328 Agege Motor Road, Lagos State.

Nature of business – manufacturing distribution and marketing of industrial and domestic related products,

e.g. Mattresses, Cushions, sheetings, shoulder pads, carpet underlay, complete bed innerspring mattresses, bunk-bed, hospital bed and school furniture.

The company diversified five years later into furniture items, hospital products and foam mattresses in a bid to broaden its scope of operation and strengthen its competitive advantage.

Vono is a household name in the Nigerian Market with a very strong and enduring brand that has enjoyed loyalty of the Nigerian populace for over four decades. As a pioneer in the bedding industry, our products range are of international standard and highly diversified covering such areas as schools, hospitals, government institutions, hotels, homes and others. Vono has the following plants:

- Foam factory

- Furniture factory and

- Metal factory

Our vision, which is to be leading provider of seating and sleeping comfort and frontline manufacturer of beddings and high brand metal / furniture products, is aptly demonstrated by our ability, as an indigenous firm to become the nation's reference standard and model in terms of both product quality and customer services.

- Vono is a member of the Manufacturers Association of Nigeria (MAN)

- Vono is a Member of the Furniture and Allied Products Manufacturers of Nigeria

- Vono is a Member of the Nigerian Employers Consultative Association

- Vono is also supportive of the Labour unions in the Industry i.e AMPISEN.

Vono Products Plc is a complete form, furniture and bedding company with large array of products designed to ensure comfort, development and conducive learning

How the topic affects the case study activities

The problems which SMEs such as Eugene De Rose and Vono Products Plc face in Nigeria are the likely factors that negatively affect Small and Medium Enterprises generally such as lack of capital, poor electricity, poor credit facilities that is problem of getting loan from banks e.g. Micro-Finance Banks etc. That frustrates the enterprises sometimes out of functioning which in the long run reduce employment rate and ruin the economic growth of this country.

Therefore, it is observed that the factors mentioned above are the problems militating against Eugene De Rose and Vono Products Plc.

1.10 DEFINITION OF TERMS

Business Enterprise: This is the activity of providing goods and services involving financial and commercial and industrial aspect.

Small Enterprise: An enterprise whose total cost including working capital but excluding cost of land is between ten million naira (10,000,000) and one hundred million naira (100,000,000) and one hundred million naira (100,000,000) a workforce between eleven (11) and seventy (70) full time staff with a turnover not more than ten million naira (10,000,000) in a year.

Medium Enterprise: A company with total cost including working capital but excluding cost of land or more than one hundred million naira (100,000,000) but less than three hundred million naira (300,000,000) a staff strength of between seventy one (71) and two hundred (200) full time workers with an annual turnover of not more than twenty million naira (20,000,000) only.

Large Enterprise: Any enterprises whose total cost including working capital but excluding cost of land is

above three hundred million naira (300,000,000) a labour force of over two hundred (200) worker an annual turnover of more than twenty million naira (20,000,000) only.

Entrepreneur: He is an innovative individual who perceives business ideas and put resources together to exploit these ideas profitably in business.

Business: This consists of activities, interactions, sentiments and performance individual or groups.

Financing: It implies money as a support for an undertaking to facilitate small scale business.

Industries: There are different types of business units which varies between agricultural, construction and manufacturing.

Economy: This is the relationship between production trade and supply of money in a given economy.

Economy Growth: It is an increase in the capacity of an economy to produce goods and services compared to the period of time to another.

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