

ABSTRACT

The research work aimed at examining the issues, challenges and prospects of the Nigerian Medium Scale Businesses. The main instrument used to generate data for the study was the questionnaire.

The key issues uncovered by the research study are that respondents agreed that medium scale enterprises have played a significant role in the Nigerian economy. Also most of the barriers to the growth of medium scale businesses include poor managerial skill, lack of feasibility studies, lack of timely information, inconsistent government policies and inadequate infrastructural facilities.

However, the findings of the study, the following recommendations are proffered. The Federal Government should provide enabling environment like the provision of infrastructures such as good roads, electricity supply, water to enable the operations of SMEs in Nigeria.

Bank officials should be mobilised to base investment on potential rather than security and collateral only. The nation's government should guarantee both political and economic stability which will help in the growth of survival and expansion of medium scale enterprise.

Finally, Government regulations should be such that from time to time will not hinder the establishment of new and growth of existing small and medium scale enterprise in any part of the country.

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CHAPTER ONE

INTRODUCTION

1.0 BACKGROUND TO THE STUDY

Historical facts has show that prior to the late 19th century, cottage industries, mostly small and medium scale businesses controlled the economy of Europe. The industrial revolution changed the status quo and introduced mass production. The twin oil shocks during the 1970s undermined the mass production model, which triggered an unexpected reappraisal of the role and importance of small and medium sized enterprises in the global economy. Findings by economists over the years show that small firms and

entrepreneurships play a much more important role in economy growth and development. (www.wiki.answer.com).

Many economies, developed and developing, have come to realize the value of small businesses. They are seen to be characterized by dynamism, witty innovations, efficiency and their small size allows for faster decision-making process. Government all over the world have realized the importance of this category of companies and have formulated comprehensive public policies to encourage, support and fund the establishment of SMEs. Developments in small and medium enterprise are a *sin quo non* for employment generation, solid entrepreneurial base and encouragement for the use of local raw materials and technology. Giving insight into the SME phenomenon, a paper delivered at a forum by Mallam Mohammed Hayatu been, titled "Stakeholders Roles and the development benefits in a virile small Enterprise Sector's, pointed out that small business operations are propelled by the dynamic theory, which makes them efficient and prone to constant change. He gave a comparative statistics using 9 developed countries on how SMEs create employment, increase job growth, induce change, innovation and competitions. (www.wiki.answer.com).

The benefits of SMEs, to any economy are easily noticeable, they include: contribution to the economy in terms of output of goods and services, creation of jobs at relatively low capital cost, especially in the fast growing service sector, provide a vehicle for reducing income disparities, develop a pool of skilled and semi-skilled workers as a basis for the future industrial expansion; improve forward and backward linkages between economically, socially and geographically diverse sectors of the economy, provide opportunities for developing and adapting appropriate technological approaches; offer an excellent breeding ground for entrepreneurial and managerial talent, the critical shortage of which is often a great handicap to economic development among others. (www.wiki.answer.com).

Now government has seen the importance of small and medium scale enterprise in the era of economic development of the nation and employment generation. As a result of these realizations, programs and institutions were established for the development of small and medium scale enterprises. Some of these programmes includes, National Economic Reconstruction Fund (NERFUND). Small Scale Industry Credit Scheme (SSICS), Nigerian Bank for Commerce and Industry (NBCI), Directorate for Food, Roads and Rural Infrastructure (DFRRI). The Structural Adjustment Programme (SAP) which was aimed basically at restructuring the economy of the country during General Ibrahim Babangida's administration was a tremendous help in discussing matters concerning medium scale enterprises. (Ojo, 1995;248).

Despite all these programmes by the Federal Government to aid the growth and development of small and medium scale enterprises, these businesses have not reached the expected potentials in the country. Why? This is because there is no effective and efficient policy formulations, implementation and clear frame work of the programmers.

1.1 STATEMENT OF THE PROBLEM

The challenges facing the growth and survival of Small and Medium Scale Enterprises (SMEs) in many developing countries are monumental. The most worrying among these challenges is funding. Most new small business enterprises are not very attractive prospects for banks, as they want to minimize their risk profile. The low level of SME development in Nigeria was generally attributed to the poor implementation of government policies aimed at SME support facilities and incentives, including loans, training facilitates, industrial estates, infrastructure and the provision of raw materials at subsidized rates for SMEs not until

recently when the Banker's committee intervened in 2001 with a scheme themed the small and Medium Industries Equity Investment schemes (SMIEIS). The scheme relegated to the background government credit schemes that are not well thought out and implemented. (www.wiki.answer.com).

The economic environment under SAP had almost certainly increased poverty levels and resulted in a reduction in overall consumer spending as well as a decline in savings and capital investment (Awoniyi 1996, Hambagda 1987). This in turn had undermined plans for further accumulation and capital formation especially for capital-intensive SMEs. The problem of an unstable political environment (especially during periods of elections and after the annulled presidential election results of 1993) was another factor. The politically risk climate made many entrepreneurs especially foreign ones, increasingly uncertain of the business environment and of their prospects. (www.allbusiness.com).

The lack of qualified entrepreneurs and employers in the absence of well-established training centres are also impediments to the development of SME's in Nigeria, especially technically complex ventures are not likely to be sufficiently competent in management, organization and quality production to adhere to internationally competitive standards and such SME's therefore cannot survive without government protection from imports. There is also lack of adequate information concerning areas of business in the sectors generally. Most people with funds tend to use them in well-established sectors rather than seeking new production and new market niches. (www.allbusiness.com).

However, not all of the responsibility for the difficulties of SME's in general can be placed on the Nigerian government or on the small businesses. Nigeria's relatively short history of experience in industrial, mechanized and relatively high-tech production is typical of most African economies and could account for much of the lack of expertise in policy making and in management and manufacturing operations. The present technological and scientific dependency on the West should be seen as a legacy of the colonial past, and it will certainly take sometime to develop competitive domestic production of machinery and capital goods. Some long-term strategies goals are important in this content, as well as the patience and determination to see such policies through to the end, and this would require a high level of consistency in policy making. (www.allbusiness.com).

1.2 OBJECTIVES OF THE STUDY

The objectives of the study are to:

Determining the performance of medium scale businesses in Nigeria.

Identifying the problems faced by businesses and the prospects of these businesses.

Proffering solutions by making necessary recommendations of reducing and eliminating the problems that will be highlighted.

1.3 SIGNIFICANCE OF THE STUDY

It is expected that the outcome of the study would be useful in the following areas:

i. The study would be beneficial to individuals, especially those who may want to set up their own businesses and also entrepreneurs who may want to improve the survival rate of medium scale industries in a depressed economy like Nigeria.

ii. To give an indepth information and analysis on the causes of their problems with a view to suggesting and developing ways and other alternatives aside their prospects which shall also be critically viewed to ensure the success of medium scale enterprises in Nigeria.

iii. It would also be an effective way to find lasting solution to the problem of unemployment is for the

government to encourage the growth and expansion of small and medium scale business.

1.4 RESEARCH QUESTIONS

The following research questions were addressed drawn from the research work:

- How are medium-scale businesses successful in Nigeria?
- Can government assist medium-scale industries in developing nations?
- Can medium-scale businesses serve as incubators to larger industries?
- Do medium scale enterprises have access to adequate capital?
- Are there any economic benefits derivable from the operation of medium scale businesses?

1.5 RESEARCH HYPOTHESIS

The following hypotheses are postulated from the study;

Hypothesis one

H_0 : Medium-scale business cannot be successful in Nigeria

H_1 : Medium-scale business can be successful in Nigeria

Hypothesis Two

H_0 : Medium-scale enterprises cannot be beneficial to economic growth.

H_1 : Medium-scale enterprises can be beneficial to economic growth.

Hypothesis Three

H_0 : Medium-scale enterprises cannot obtain adequate capital to operate.

H_1 : Medium-scale enterprises can obtain adequate capital to operate.

1.6 SCOPE AND LIMITATIONS OF STUDY

The scope of the study would cover the medium scale business challenges, prospects as well as the issues with respect to the Nigerian economy. The findings of this study may be relevant to other forms of incorporating or owning a business in Nigeria.

Also entrepreneur in Nigeria may find relevant or not to the findings of this research. This may not be in consonance with some people's peculiar orientation and culture vis-à-vis the country's distribution the level of interactions between entrepreneur, their employees and the government and also the privileged class.

Finally, since the Nigerian economy is a bit improved, coupled with financial constraints, the researcher might not have had access to relevant documents that may perhaps have contributed in one way or the other to their research.

1.7 DEFINITIONS OF TERMS

The following terms considered relevant to the study are explained thus:

Business: Any endeavour engaged in aimed at making private profit. (Lawal; 1993:228)

Economic growth: An increase in the economic conditions in any country characterized by increased in per capital income. (Lawal 1998:13)

Growth of medium scale enterprise: Determined by the rate of expression or increase in the total income earned per annum. (Ojo, 1995:82)

Financial institutions: Established institution to help and support small and medium enterprises in funding and providing advice. (Lawal A.A 1998:13)

1.8 OUTLINES OF OTHER CHAPTERS

The remaining parts of the study is carried out as thus;

Chapter Two: This chapter considers the relevant write-ups to the study. It involves the review of previous

literatures on the study as well as the current ones.

Chapter Three: This chapter talks about the research methodology used in collecting and analyzing necessary data.

Chapter Four: This chapter is all about the presentation and analyses of data collected in chapter three.

Chapter Five: This chapter presents a comprehensive summary of findings of the study and a conclusion which shall be drawn from the findings and it also includes the researcher recommendations of the study.

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