

# SMALL BUSINESS OWNERSHIP AND MANAGEMENT IN UYO METROPOLIS, AKWA IBOM STATE, NIGERIA: PROBLEMS AND PROSPECTS

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## ABSTRACT

*This paper adopted the survey design focused on small business ownership and management in Uyo metropolis. It examined the problems confronting this class of business as well as the prospects awaiting future investors. With the help of personal interview and structured questionnaire administered to 100 randomly selected small business owners in the study area, data were collected and analysed using simple percentage. The study observed that paucity of funds and interest by the young and educated people to take to small businesses and poor government and institutional support are some of the problems facing small businesses in Uyo metropolis and Akwa Ibom State generally. Among the recommendations made is that government should step up support to small businesses and create greater awareness for more people to take to small businesses in Akwa Ibom State.*

**Keywords:** *Small business, ownership, management, Uyo metropolis*

## INTRODUCTION

Business is any activity or undertaking carried out to satisfy the needs of the society. Consequently, there are countless types of businesses, carried out by individuals and groups in a bid to satisfy societal needs. Thus, Madura (1998), as cited by Akpan, I. (2007), states that business is any enterprise that provides products and services that customer's desire. In this regard, the word enterprise denotes an array of activities involved in the production of goods and services. In a manufacturing business, the entrepreneurs raise capital; acquire the machines, raw materials, and other relevant inputs as well as personnel, (technical and otherwise) with whom he would do the business. These materials would thereafter be converted to work-in-process and finished goods, which are packaged in a way that is attractive to customers and distributed to end users either through direct sale or through the use of middlemen. In a commercial business, the schedule is not so long, since the goods had already been produced. What the entrepreneur does is to raise capital and purchase the merchandise of his choice and then sell to his customers, (Akpan, 2007).

As explained above, the process of providing goods and services to satisfy customers' desire may take a long time, at other times, it takes a short time. Each sphere, however, demands that the provider thinks of what to do, how to do it, when to do it and for whom it is to be done. Often times, these steps are complex in nature and make an economic agent busy, such that the totality of his engagement from idea generation and evaluation through the adoption of appropriate method of execution, identification of potential buyers of the goods or services and the determination of the best time for production and sale on a continuous basis could be described as business Akpan (2007). Business could be big or small, depending on the scope and level of activities it undertakes. Besides, what could be regarded as a big business in one place may be seen as a small business in another? Consequently, the definition of a small business varies among countries, various sectors, groups, and from one financial institution to another. Thus in determining what should be a small business, many different criteria have been used such as number of employees, assets value, sales volume, relative size and so on (Onuoha, 1994).

For instance, the United States, Small Business Administration (SBA), Act 1958, as quoted in Musselman and Huges (1971) states that "a small business concern shall be deemed to be one which is independently owned and operated and which is not dominant in its field of operation". In addition, for the purposes of making loans, the SBA defines a small business as one that meets the following standards: (a) Wholesale: Annual sales from U\$5 Million to U\$15million depending on the industry. (b) Retail or service: Annual sales or receipts from U\$1million to U\$5million depending on the industry. (c) Construction: Annual sales or receipts of not more than US\$5million average on a three year period. (d) Manufacturing: from 250 to 1500 employees depending on the industry (Musselman and Huges, 1971).

On the other hand, the United States Committee for Economic Development (CED), offers a slightly different concept for defining small business, by advancing qualitative rather than quantitative criteria that distinguish small firms from large ones. The CED considers a company a small business when at least two of the following characteristics prevail:

- Management is independent. Generally, the managers are the owners
- Capital is furnished by an individual owner or small group
- The area of operation is local. Employees and owners reside in one home community. Markets served need not be local.
- Size within the industry is relatively small. The business is small when compared to the biggest units in its field. (The size of the top bracket varies widely. So that what might seem large in one field would be small in another), (Musselman and Huges, 1971).

The World Bank (1990) used the following criteria to classify firms as small scale business:

- Small manufacturing firms that are relatively modern
- Organized manufacturing firms such as those engaged in construction, repairs, transportation and trading.
- Enterprises not organized in a modern manner. Examples include traditional artisans, petty traders and transport owners in the informal sector (Onuoha, 1998).

In Nigeria, a number of studies had been carried out in the past with a view to defining the small scale business and establish its basic characteristics. On the whole, there appear to be no universally accepted

definition or characteristics of a small scale business. However, considering the multiplicity of definitions on the subject and the need to adapt to our local circumstances, this paper shall adopt the characteristics of a small business as identified by the report of the National Advisory Committee on small scale Industries Development as follows:

- The manager/proprietor handles or supervises the financing, production, marketing and personnel of the enterprise.
- The manager/proprietor does not raise short or long-term capital needs of his business from the organized financial markets; instead, he relies heavily on personal savings or loans from friends, relations or money lenders.
- The entrepreneur confines his vision to the local community in which he carries on his business, ignoring wider and more distant markets.
- The enterprise is generally poorly equipped, as the small industrialist feels reluctant to accept outside help, owing to prejudice or fear that information about the enterprise might reach the tax authorities or a nearby competitor.
- The rate of business mortality is high probably because of strong mutual distrust which militates against formation of partnerships or limited liability companies.
- The level of education of the owner/proprietor is usually low with consequent low level of business management, technical skills and market information (Onuoha, 1998).

As observed by Onuoha (1998), there is the need to revise and review the definitions and characteristics of small business continually to reflect the level of indigenous technology and technical skills available in the country, the overall development/national objectives of the economy, the cultural and social values of the society and the active and sincere involvement of development agencies and the entrepreneurs themselves.

This paper examines small business ownership in Uyo metropolis, the management of these businesses, problems associated with business take-off and sustenance, government and other institutional supports, reasons for high mortality rate amongst small business, prospects of small business growth in Uyo and Akwa Ibom State in general. The study became necessary

in view of the urgent need to promote small businesses and entrepreneurship, to take advantage of the enabling environment being created by the state government with the cardinal aim of growing the economy.

Any discussion about small business ownership will automatically and inextricably centre on entrepreneurship (Eke, 2007). Thus the basic questions to ask are: What is entrepreneurship? Who is an entrepreneur and what motivates him? Entrepreneurship is the process of creating something new with value by devoting the necessary time and effort, assuming the accompanying financial, psychic and social risks and receiving the resulting rewards of monetary and personal satisfaction and independence (Hisrich, 2008). In other words, entrepreneurship is the dynamic process of creating incremental wealth. This wealth is created by individuals who assume the major risks in terms of equity, time and/or career commitment or provide value for some products or service, may or may not be new or unique but value must somehow be infused by the entrepreneur by receiving and locating the necessary skills and resources (Hisrich, 2008). Akpan (2007) and Eke (2007), believe that entrepreneurship has to do with owning and managing your own business. Schumpeter (1934), describes the entrepreneur as a change agent, and innovator, while Drucker (1986), on his part, sees an entrepreneur as some one who always searches for change, responds to it, and exploits it as an opportunity, thereby making innovation, a necessary part of entrepreneurship. In the view of Siropolis (1977), an entrepreneur is any one who runs a business enterprise - whether small or big. This definition according to Uzoma (1991) includes all those who found their businesses from the scratch and nursed them into lusty ventures by dint of hard work and idea-getting ability. It also includes all those who took over the management of a business venture after the founder retires, dies, or sells out the business as well as franchise operators.

What then is the main motivation of owning a business? Many people believe that the desire for generating profit, creativity, sense of independence and satisfaction are some of the main motives for owning a business enterprise. Nwachukwu (1988) believes that some of the reasons why people own business are the following:

- They see business ownership as a means of generating profits and thus becoming wealthy.
- They see it as an opportunity to do what they love doing.
- It seems the best way of getting away from stultifying paid employment constraints, politics or career impasse.
- It is perceived as a way of preparing for retirement, a place to spend the rest of one's productive days away from a life that is unsatisfying, sterile and dull.
- They wish to emulate successful business men, who acquired leadership in business and the attendant power such leadership earns.
- As an alternative, when steady paid employment could not be secured.
- The belief that they have something special to offer, either a product or service.

As a growing state capital in the oil rich south-south geopolitical zone of Nigeria, Uyo has a lot of potentials for business growth in general and in small business in particular. Because of the influx of people into this area, propelled by oil exploration and exploitation, there is high demand for various human needs. These varieties of human needs also generate various business avenues, big and small. The range of small businesses which is almost limitless include: motor vehicle repairs, carpentry, eatery and restaurant business, drinking parlours, hair dressing and barbing saloons, retail and wholesales trading, business centres, computer sales, repair and maintenance, beer distribution, wholesale and retail etc.

The main concern of this study is to identify the problems that militate against small business initiatives in Uyo metropolis and to examine the prospects that abound for the growth of such businesses, in Akwa Ibom State in general. In the light of this, it is not out of place to ask the following probing questions: What are the major problems of small business owners in Uyo metropolis? What kinds of support do small business owners in Uyo require to enhance their growth? What are the reasons for frequent failure of small businesses in Uyo metropolis? What are the environmental factors that can promote or impede the growth of small businesses in Uyo metropolis? Finally, what are the prospects of small business growth in Uyo metropolis?

Small business and entrepreneurship in general are the catalyst of growth of a developing economy like our own. The nation stands to reap immeasurably from small business growth ranging from production of goods and services to generation of employments to the teeming job seekers. Akwa Ibom State with its very rich potentials needs small businesses to put it on the path-way of true development. Consequently, the objectives of this study are to:

- (i) Identify the main problems that prevent the growth of small businesses in Akwa Ibom State.
- (ii) Identify the causes of frequent failure and lack of sustainability of small businesses.
- (iii) Examine environmental factors that may promote or impede the growth of small businesses.
- (iv) Highlight the prospects of small businesses in the state
- (v) Make suggestions on the way towards the growth of small businesses in the state.

## **METHODOLOGY**

A survey approach was adopted in generating data for the study. This was achieved through the distribution of questionnaires and personal interviews. Random sampling method was adopted in selecting 100 small businesses in Uyo metropolis. This covered almost all areas of small businesses ranging from hair dressing saloons, barbers shops, carpentry shops, motor vehicle repairs shops, GSM phone repairs shops, provisions stores, tailoring shops, welding workshops, drinking parlours, wine shops, motor cycle repairs shops etc. In some cases, the same type of business was selected more than ones because of the common nature of such business in this area. Structured questionnaire was prepared and administered on 100 respondents representing the owners/proprietors of the selected businesses. The questions were configured to produce 2-5 options and the respondents were merely required to tick the ones that best suited them. All the questionnaires were returned, yielding a response rate of one hundred percent. Data were analysed using simple percentage.

## RESULTS AND DISCUSSION

**Table 1:** Demographic Information of the respondents

<b>Variables</b>	<b>frequency</b>	<b>percentage</b>
<i>Age</i>		
21-35years	34	34
36-50 years	44	44
Above 50 years	22	22
<b>Total</b>	<b>100</b>	<b>100</b>
<i>Sex</i>		
Male	67	67
Female	23	23
<b>Total</b>	<b>100</b>	<b>100</b>
<i>Educational Background</i>		
Primary	30	30
Secondary	45	45
Tertiary Institution	23	23
No Education	2	2
<b>Total</b>	<b>100</b>	<b>100</b>

Source: Field survey, 2009

**Table 2:** Nature of Business and Ownership type

<b>Nature of Business</b>	<b>frequency</b>	<b>percentage</b>
Manufacturing/Fabricating	16	16
Farming/Fishing	17	17
Service	26	26
Trading	41	41
<b>Total</b>	<b>100</b>	<b>100</b>
<i>Ownership Type</i>		
Sole Proprietorship	62	62
Partnership	11	11
Private Ltd Liability	19	19
Others	8	8
<b>Total</b>	<b>100</b>	<b>100</b>

**Source:** Field survey, 2009



A close look at table 1 reveals that only one third of the respondents fall within the age range of 21-35 years. The explanation is that most of our youths on leaving school do not venture into business. Rather, they search for non-existing white collar jobs. Equally, the female population in business is quite discouraging compared to their male counterpart. Furthermore, the study revealed that the level of education of our small business owners is quite low, as most of them are primary and secondary school leavers. This class of people can hardly understand modern management and accounting techniques which are essential for successful business operation.

A scrutiny of table 2 clearly shows that with respect to the nature of business, a greater percentage of the people prefer service and trading businesses to farming/fishing as well as manufacturing/fabricating. Most of the respondents advanced the reason that manufacturing is complex and quite difficult to start, while the gestation period required in farming business is discouraging. This explains why most people flock into trading business for quick profit. This has led to virtual abandonment of agriculture and manufacturing which owe greater hope for our economy. The study also discovered that sole proprietorship type of business is common in Uyo, the capital of Akwa Ibom State. The people lack a sense of combination which is found in partnership, limited liability companies and cooperative businesses. This supports the claim that "Nigerians prefer to own 100% of nothing to 1% of something".

**Table 3:** Institutional support

<b>Type of Support</b>	<b>frequency</b>	<b>percentage</b>
Financial	20	20
Training and Development	19	19
Tax Relief	-	-
Inputs and Material	4	4
None	67	67
<b>Total</b>	<b>100</b>	<b>100</b>
Supporting Institutions		
Government (Federal, State, Local)	44	44
Banks	27	27
Specialized Institutions	4	4
NGOs	25	25
<b>Total</b>	<b>100</b>	<b>100</b>

**Source:** Field survey, 2009

The table 3 above stress the urgent need for governments (Federal, State and Local) and other supporting institutions to step up assistance and encourage small business owners who remain the bastion of economic hope of our state and nation. It is quite appalling that government had not been extending any form of tax relief to small business owners and yet expects these businesses to grow and contribute meaningfully to the national economy.

There is no doubt that Uyo; the capital of Akwa Ibom State in the oil rich South-South geopolitical zone of Nigeria has witnessed unprecedented growth in the past few years. This state which had remained the economic back waters of Nigeria for decades arising from several years of exploitation and neglect has suddenly attracted both national and international attention. The reason for this is due to the focal and pivotal role which its leaders and people played in the struggle for fiscal federalism and resource control. This led to the abolition of the obnoxious on-shore/off shore oil dichotomy and the increase in derivation principle to 13%. With this, the financial resources coming into the state has increased a hundred fold, thereby making Akwa Ibom State one of the highest beneficiaries from the Federation Account. This money has been injected into various areas of development including massive infrastructural development, independent power plant, Ibom International Airport, Ibom Tropicana and Entertainment centre, Ibom Industrial City etc. According to the Midweek Pioneer of (February 10, 2010), Ibom Industrial City Project sited at Ibaka is expected to accommodate, a deep seaport, free trade zone for oil and gas, a fertilizer plant and a refinery.

All these can only sign-post a booming economy of the state in the near future. And a booming economy is no doubt a catalyst for the growth of small and medium scale businesses. Therein lays the prospect of small businesses growth in Uyo metropolis. This is incontestable because as the economy booms and disposable income increases, there will be a higher propensity for consumption and this will lead to an increase in aggregate demand. Thus, small business owners of all kinds can factor into this economic growth for a resulting benefit to themselves as well as the state and national economy.

## CONCLUSION AND RECOMMENDATIONS

Small and medium scale businesses remain the path-way and the true catalyst of the overall growth of our state and national economy because of its capacity to generate employment and provide inputs to bigger businesses. Consequently, appropriate measures should be adopted to encourage more people, particularly the youth, women and the educated to venture into small and medium scale businesses. The youthful population should be encouraged to venture into businesses instead of waiting for non-existing white collar jobs. Equally the women folk should take more active part in small business undertakings to increase the ratio of women in business in this part of the world. Graduates from tertiary institutions should take to business, so as to raise the standard in which business is being conducted currently in Uyo and reduce the dominance by the lowly or non-educated people. These educated people should introduce modern management and accounting techniques which have become a necessity in modern business practice.

Greater awareness should be created for small business people to appreciate the benefits of pooling their resources together through partnerships, cooperatives and other types of combinations. It is imperative that governments and other supporting institutions should step up assistance to encourage more people to venture into small business endeavours. This could be achieved through improved training programmes, tax incentives and provision of inputs and materials.

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