

Roles of Small Scale Enterprises in Economic Development of Nigeria: A Case Study of Warri, Delta State

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ABSTRACT

This survey aims at examining the role of small scale enterprises in the economic development of Nigeria – A case of Warri, Delta State. Structured questionnaire was employed in the course of gathering relevant data for the study. The instrument was administered on 150 employees of thirty small scale enterprises in Warri, Delta State selected randomly. Data were analysed using frequency table and simple percentage. The results indicate among others that small scale enterprises contributed significantly in the economic development of Nigeria. Hence, it is concluded that the role of small scale enterprises has significant relationship with the provision of employment opportunities and rendering of social service in Nigeria. The study recommends proper planning and effective take-off of small scale enterprises, proper financial and accounting practices, effective credit control system, among others.

Keywords: *Economic Development, Small Scale enterprise, the role*

INTRODUCTION

Small scale enterprises play a vital role in economic development of any nation. In Nigeria, it is now realized that large scale enterprises have not played and cannot alone be expected to play the dynamic role that they are supposed to play in the rapid growth and development of the economy. This role includes *inter-alia* substantial contribution of this sector to the gross domestic product, employment generation, increasing local value and technological development. It is thus becoming evident that small scale enterprises which had hitherto generally been neglected could play the aforementioned roles, as well, if not better than the large scale establishments. The production of goods and services in the most efficient manner has continued to be the only viable and reliable option for development, growth and survival of any economy. The development of small scale enterprises in Nigeria is therefore an essential element in the growth strategy. Small scale enterprises do not only contribute significantly to improving the living standards of people, they also bring substantial local capital formation and achieve high level of productivity. The exploitation of the vast natural and human resources available to Nigeria for economic development would to a great extent depend on how the small businesses are organized. The performance of the small scale business sector in the economy

should be a matter of great concern to all. Small scale business has provided almost seventy percent of employment to able-bodied men and women in Nigeria. It encourages indigenous entrepreneurship, regional economic balance through industrial dispersal, including rural areas, moderation of rural-urban migration and production of international goods for use in large enterprises. Nigeria today, currently estimated about six million businesses of all sizes located in various parts of the country, out of which, small business clearly account for over seventy percent of industrial employment, (World Bank, 1995).

Nwoye (2005) views small scale enterprise as one which possesses the following characteristics: (a) Management, usually the managers are also the owners; (b) Capital is supplied and the ownership is held by an individual or small group; (c) The area of operation is mainly local; and (d) The relative size of the firm within its industry must be small when compared with the biggest units in its field. Osadi (2007) defines a small scale enterprise as a business that is independently owned and managed in its dominant field of operations by private individuals to meet up their desired income and their employees' needs.

Some organizations are defined as small scale enterprises or industries in relation to the value of their assets; in terms of turnover and number of staff employed. The National Council of Industries sees small scale enterprises as: (a) Cottage industry costs excluding land not more than N1 million; (b) Small scale costs excluding land but including working capital not more than N10 million; (c) Medium, total costs excluding land but including working capital above N40 million. Despite their differences, all these definitions share a common idea that small scale businesses are generally low in terms of number of persons employed and in the amount of investment and annual business turnover.

According to Adebayo (2005), some of the major characteristics of small scale enterprises that are universally recognized include: (a) They are typically small, owing largely to limited access to financial resources; (b) They are also characterized by simple management structure, which generally combines ownership and management in one person; (c) The small scale enterprise use a lot of local inputs (raw materials); (d) They are also widely dispersed in any economy, not concentrated in any particular geographical location; (e) There is greater difficulty in attracting funds for expansion, the inability of the proprietor to separate his private funds from the company's funds contributed to the inefficiency and non-performance of some small scale enterprises; (f) Small scale enterprises are more reluctant about risk taking; (g) Small businesses usually feature as family businesses and often form the primary source of income for both their owners and other members of their families; (h) Performance standards are almost impossible to establish and enforce under the kind of informal structure that prevails in small scale enterprises; and (i) small scale enterprises keep little or no written records, hence their risk levels are difficult to assess.

According to Adidu (2006), many factors can make an individual decide to establish his/her own enterprise. They can be negative or positive. The negative factors include: (i) job dissatisfaction, when an individual feels his skills, experience and other attributes are not being properly utilized, he/she may become dissatisfied with his/her job; (ii) lack of job challenge; (iii) pay dissatisfaction; (iv) unemployment; (v) independence; and (vi) Job security. The positive factors are encouragement by friends and government policies. These are the contributions that small scale enterprises play in the economic development of Nigeria according to Baadom (2004). They provide an effective means of mitigating rural urban migration and resource utilization through their wide spread; source of employment to Nigeria populace; they also attain a competitive advantage over larger enterprises by serving dispersed local markets and produce various goods with low scale economies for niche markets; provision of an effective means of stimulating indigenous entrepreneurship and producing intermediate products for use in large scale enterprises.

Adidu (2006) asserts that the following problems militates against the effective operation of small enterprises in Nigeria; poor implementation of policies; lack of continuity as soon as the owner dies; poor capital outlay; poor management expertise; inadequate information base; lack of raw materials; poor accounting system and unstable policy environment. It is against this backdrop that this study was designed fundamentally to evaluate the (a) factors that necessitate the establishment of small scale businesses; (b) role of small scale enterprises in the economic development of Nigeria; (c) major characteristics of a small scale enterprise; (d) problems militating against the smooth operation of small scale enterprises in Nigeria, and (e) the place of small scale enterprises in employment generation and rendering of social services in Nigeria.

PARTICIPANTS AND PROCEDURE

This study adopted survey research design to examine the role of small scale enterprises on the economic development of Nigeria using Warri in Delta State as a case study. Structured questionnaire was employed in the course of gathering relevant data for the study. The instrument was administered on 150 employees of thirty small scale enterprises in Warri, Delta State selected randomly. Data were analysed using frequency table and simple percentage.

RESULTS AND DISCUSSION

Table 1 shows that 93.33% of the respondents are of the view small scale enterprises aid employment generation in Nigeria. An insignificant few had contrary view. Table 2 shows that 86.67% of the respondents are of the view that small scale enterprises render social services in Nigeria. It should be noted that small scale enterprises provide the bulk of employment opportunities available for young school leavers.

Research findings have given evidence to the fact that the strides that have been made by the Nigeria economy over the years in respect of employment have mainly come from the small scale industries. Generally, small scale enterprises have high labour intensity and therefore generate more employment opportunities than the big companies on the aggregate. Thus, the role of small scale enterprise has significant relationship with rendering social services. The small scale enterprises perform a number of social services to the society in which they exist. Operators of small scale businesses are expected to discharge a lot of social responsibilities to their employees, customers, the government, and operating environment. Responsibilities to the society may take the form of assisting community in environmental sanitation, in educational programmes, promotion of cultural activities and to a large extent creating employment opportunities.

Table 1: Role of small scale enterprises and its significant relationship with employment opportunities

Responses	Frequency of Occurrence	Percentage
Yes	140	93.33
No	10	6.67

Source: Survey, 2013

Table 2: Role of small scale enterprises and its significant relationship with rendering social services

Responses	Frequency of Occurrence	Percentage
Yes	130	86.67
No	20	13.33
Total	150	100

Source: Survey, 2013

CONCLUDING REMARKS

This study survey the role of small scale enterprises in economic development of Nigeria - A case of Warri in Delta State. Small scale enterprises are necessary for the growth of Nigerian economy. The study revealed that small scale enterprises plays significant role in the provision of employment opportunities and rendering of social services. In view of the findings of the study, the following recommendations are necessary for effective management of small scale businesses in Nigeria. Proper planning and effective take off of small scale businesses, proper financial and accounting practices to prevent fraudulent practices; effective credit control system. Employment and motivation of skilled personnel must be considered. Government should give assistance to small scale enterprises through increase loanable funds and liberalization of the existing regulatory environment relating to small scale enterprises.

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