

EMPIRICAL STUDY OF INFRASTRUCTURE SUPPORT AND SMALL BUSINESS GROWTH IN OGUN STATE, NIGERIA

Oluseyi O. Oduyoye, PhD

Solomon A. Adebola, PhD

Adekunle O. Binuyo, PhD

*Department of Business Administration and Marketing,
Babcock Business School, Babcock University,
Ilishan Remo, Ogun State, Nigeria.*

ABSTRACT

Against a background of dwindling fortunes of small and medium scale businesses all over Nigeria, the study has a main objective of evaluating the infrastructure support activities of the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) in her bid to ensure the growth of cooperative-financed small and medium scale enterprises in Ogun State, Nigeria between 2005 and 2010..

*The study, designed as a survey, utilized a two-pronged approach in sourcing primary data through the use of questionnaires. Out of the 140 questionnaires administered, 135 were returned representing 96.4% response rate. 27 respondents were officials of Ogun State Cooperative Federation Limited (OGSCOFED), while the remaining 108 were cooperative members who are owners of small businesses in the State. With a Cronbach α coefficient of 0.902, the internal consistency and reliability of the questionnaire was confirmed while the data were analyzed using inferential and descriptive statistics such as simple percentages, rating indices and the Students *t* distribution.*

The study revealed that the provision of Infrastructure Support by the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) was not significant to the growth of some selected businesses (especially cooperative-financed small businesses) in Ogun State, Nigeria, within the study period of 2005 – 2010. Among the study's recommendations are that SMEDAN should make information on local technologies, machinery and prototypes available to small businesses. Additionally, product standards/specifications as well as information on international markets should be made available to cooperative societies; hopefully, these measures would enhance their role as part-financiers and active partners in the growth of small businesses within the study area.

Key Words:- Infrastructure Support, Business Growth, Cooperative Society

Introduction

The world over, the growth of small and medium enterprises largely determines the economic development of nations; this is due to the fact that a critical mass of people in such countries are captured within this net. According to Recklies (2001), the sector of small and medium sized enterprises (SMEs) is an important factor in most economies.

Germany, according to the same author, had 3.2 million SMEs in 1999, which considerably contributed to the overall growth of her economy to the extent that by 2008 figures, SMEs carry out 46% of gross investments in that country; hence contributing significantly to total demand. Considering the importance of Value Added Tax (VAT) to the growth of any modern economy, these SMEs generated 44.8% of the total turnover subject to VAT. The same author opined that SMEs have a good reputation for their ability to innovate and for their close customer relationships.

Infrastructure support, in the light of this study, involves regular reviewing of existing economic policies and regulations affecting Micro, small and medium enterprises,(MSMEs) in Ogun State, updating incentives as well as legislations affecting MSME operations in the state, sourcing of relevant information on international markets to cooperative societies and other SMEs in the state; it also involves development and updating of databank by SMEDAN on MSMEs raw materials sourcing, as well as providing information on available local technologies, machinery and prototypes to small businesses in Ogun State, Nigeria.

However, the term 'Infrastructure' also encompasses such facilities as communications, transportation, road and rail network. These facilities are essential in enhancing the growth of businesses, large or small in any economy; it is therefore not surprising that infrastructural development directly correlates to the level of economic development in countries the world over.

The Nigerian Small Business Sector

Nigeria, like the rest of the world, also places much premium on her Small Business sector. Encouraged by the need to enhance the survival of small and medium scale enterprises, the SMEDAN Act of 2003 established the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN). The Agency seeks to promote the development of the Micro, Small and Medium Enterprises (MSME) of the Nigerian Economy. Among the services SMEDAN is expected to provide are the following:-

- Compile, review and update all existing economic policies, regulations, incentives, and legislation affecting MSME operations.
- Develop and implement effective strategies for opening up domestic and international markets for MSME products.
- Develop and seek statutory approval for a national policy on MSMEs.
- Conduct impact assessment studies and use same to recommend improvements in policy intervention.

Ownership of small-scale businesses cuts across age groups, tribes and different educational backgrounds. The unfavorable economic situation in Nigeria has thrown many able-bodied citizens into the job market; every year, thousands of university graduates are thrown into job market with only a few being employed. As a means of survival, many of these unemployed hands resort to small-scale businesses.

According to Adepetu (2009) the SME subsector is an area that has created a lot of momentum to the Nigerian economy in terms of its resources and potentials but it is sad that little emphasis has been paid to that very important segment of the economy. Adepetu (Ibid.) frowned at the neglect that the SME subsector had experienced in Nigeria adding that this same subsector was the major source of the rapid economic growth in South-East Asia.

With a weak infrastructural base and over 90% of the country's foreign exchange earnings coming from crude oil, a continued slide in the world price of petroleum is sure to spell doom for many businesses in Nigeria, especially small-scale enterprises.

A small scale business is defined as one which is independently owned and operated and not dominant in its field of operation. (Tushabomwe-Kazooba 2006) It can also be defined in terms of sales volume and by the number of employees in the business. According to Ogunleye (2004), what might therefore be defined as Small and Medium Scale Enterprise (SME) in a developed country, can be regarded as a large-scale enterprise in a developing country, using such parameters as fixed investment and employment of the labour force. It is important also to recognize that definitions change over time and hence, even in a developing country, what was

previously classified as SME could be regarded as a large-scale industry when the quantities of relevant parameters change during the production process.

Operationalization of Infrastructure Support – Bane of Small Business Growth in Nigeria

Infrastructure support, in the light of this study, involves regular reviewing of existing economic policies and regulations affecting Micro, small and medium enterprises,(MSMEs) in Ogun State, updating incentives as well as legislations affecting MSME operations in the state, sourcing of relevant information on international markets to cooperative societies and other SMEs in the state; it also involves development and updating of databank by SMEDAN on MSMEs raw materials sourcing, as well as providing information on available local technologies, machinery and prototypes to small businesses in Ogun State.

In the United Kingdom, major factors of continued survival for a firm include an ample supply of capital, the owner's education level, and the owner's reason for starting the firm in the first place. (Ibid.) From the foregoing therefore, it can be seen that a generally accepted proposition on the causes of business failure or stunted growth in major parts of the world can be a wide variety of factors viz: poor financial management, weak general management, weak marketing capabilities inadequate supply of capital, and owner's level of education.

However, in the Nigerian context, apart from the afore-listed causes, there are some factors that negate the growth of businesses, especially small ones, which other parts of the world do not exhibit. Such determinants include but are not limited to the following:

- a) Infrastructural deficiencies: i.e. provision of own electricity, water, security and possibly roads, constitute a remarkable drain on the finances of small businesses which eventually lead to their collapse or stunted growth. Inadequate or total lack of power supply needed by large and small scale businesses, e.g. welders, cold room operators, tailors etc., has led to their closing shops in many towns and cities in the past few years.
- b) Extended family pressure i.e. the expectation by non- members of the immediate family – usually for financial assistance, which impacts negatively on the fortunes of the business;
- c) high cost of starting and doing businesses, multiple levies and taxes as well as
- d) inconsistency in the formulation of government policies.

The focus of this paper will be on infrastructure support as a major inhibiting factor in the growth of the Nigerian Small Business sector between 2005 and 2010.

Study Objectives

This paper is designed the following objectives:-

- To highlight the importance of a good infrastructural support in the overall success of small businesses especially in developing countries;
- To bring to the fore how the adequacy of infrastructure support or otherwise has impacted on the growth of small businesses in Nigeria between the study period of 2005 and 2010

Hypothesis

The study's sole hypothesis is

The provision of infrastructure support by SMEDAN to small businesses (especially those partly or wholly financed by cooperative societies) in Ogun State was not significant between 2005 and 2010.

Methodology

The study, a survey, was designed in a way that data were obtained from small business owners in Ogun State in South-western Nigeria. The cooperative enterprise, as an emerging area of study in Nigeria, comprises the authors' primary area of focus. Officers of the Federating body of cooperatives in the state as well as less literate ordinary members of cooperative

societies in Ogun State who are also business owners were interviewed in order to obtain a balanced view of opinions on the issue of infrastructure support on small business in general in Ogun State, and by extension, the whole of Nigeria. It is the considered opinion of the authors that these groups of respondents would be able to adequately assess the performance of the subject matter of the study i.e. infrastructure support and small business growth in Ogun State, and by extension, the whole of Nigeria. Mention should also be made of the fact that the respondents are equally representatives of individual cooperative societies in the state as well as small business owners.

Analysis of Data

Data obtained from the questionnaires were analyzed using both qualitative and quantitative methods. Rating indices were used to evaluate some of the responses to the questions in order to show the weights that the respondents attached to the various responses. Data were analyzed using both inferential and descriptive statistics. The data were obtained from two strata of respondents – the first stratum comprised of 30 (Thirty) officials of Ogun State Cooperatives Federation Ltd. (OGSCOFED). The second stratum comprised 108 ordinary members of cooperatives societies in Ogun State, Nigeria, who are equally owners of small businesses. The main line of distinction between these two strata is their level of education which also affects their ability to complete the study questionnaire; hence the slight difference in the mode of information collection from these two sets of people. Data obtained from the thirty OGSCOFED officials were analyzed using the Students t-test since this is the most appropriate for small samples. Employing a 95% confidence level, the research variables were tested; the respective mean, standard deviation and standard error mean values were subjected to appropriate interpretation according to existing decision rules. The study’s hypothesis was subsequently accepted or rejected depending on the computer-generated values of the variables tested.

RESTATEMENT AND TEST OF HYPOTHESIS

Ho:- The provision of infrastructure support by SMEDAN to small businesses in Ogun State was not significant between 2005 and 2010.

What is being tested here is just one variable – infrastructure support to small businesses in Ogun State, Nigeria within the study period between 2005 and 2010. The computer-generated statistics of the mean scores of paired questions on the study questionnaire is displayed below along with the respective standard deviation and standard error of the mean.

According to the computer-generated table of paired samples below, at a confidence level of 95% and the respective degrees of freedom for each of the pairs, the results of the 2-tail test are displayed hereunder in Table 1.1 The t-tabulated values under 25 and 26 degrees of freedom and 5% level of significance are 2.06 and 2.056 respectively. The acceptance region will therefore fall within a range of -2.06 and +2.06 for 25 degrees of freedom and -2.056 and +2.056 for 26 degrees of freedom. The calculated values of the respective pairs range between 0.003 and 1.000, which all fall within the acceptance region.

Table 1.1 Paired Samples Test

	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference		t	df	Sig. (2-tailed)
				Upper	Lower			
Pair 1	-.19231	.74936	.14696	-.49498	.11036	-1.309	25	.203
Pair 2	.11111	.50637	.09745	-.08920	.31142	1.140	26	.265

Pair 3	.18519	.62247	.11979	-.06105	.43142	1.546	26	.134
Pair 4	-.11111	.89156	.17158	-.46380	.24158	-.648	26	.523
Pair 5	.11111	.75107	.14454	-.18600	.40822	.769	26	.449
Pair 6	.00000	.55470	.10675	-.21943	.21943	.000	26	1.000
Pair 7	.30769	.67937	.13323	.03329	.58209	2.309	25	.029
Pair 8	.42308	.64331	.12616	.16324	.68291	3.353	25	.003
Pair 9	.11538	.51590	.10118	-.09299	.32376	1.140	25	.265
Pair 10	.34615	.68948	.13522	.06767	.62464	2.560	25	.017
Pair 11	.26923	.66679	.13077	-.00009	.53856	2.059	25	.050
Pair 12	.07407	.47442	.09130	-.11360	.26175	.811	26	.425
Pair 13	-.22222	.69798	.13433	-.49833	.05389	-1.654	26	.110
Pair 14	.00000	.48038	.09245	-.19003	.19003	.000	26	1.000
Pair 15	-.11111	.64051	.12327	-.36449	.14227	-.901	26	.376
Pair 16	-.29630	.60858	.11712	-.53704	.05555	-2.530	26	.018
Pair 17	-.07407	.47442	.09130	-.26175	.11360	-.811	26	.425
Pair 18	-.18519	.48334	.09302	-.37639	.00602	-1.991	26	.057
Pair 19	.22222	.64051	.12327	-.03116	.47560	1.803	26	.083
Pair 20	.11111	.80064	.15408	-.20561	.42783	.721	26	.477
Pair 21	-.11111	.57735	.11111	-.33950	.11728	-1.000	26	.327

Source: Computer-generated from data input (2011)

Decision Rule: Where t-calculated values fall within the acceptance region of the t-tabulated, Ho is accepted. Therefore the study’s null hypothesis which states that:-

The provision of infrastructure support by SMEDAN to small businesses in Ogun State, Nigeria was not significant between 2005 and 2010 is accepted for the first stratum of respondents.

Table 1.2 displays the computer-generated statistics from an analysis of the questionnaires completed by the second stratum of 108 respondents. The standard deviations as well as the standard error of the mean for the respective pairs of questions are displayed.

Table 1.2 Test of Hypothesis – Stratum 2 Paired Samples Test

	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference		t	df	Sig. (2-tailed)
				Upper	Lower			
Pair 1	-.34259	.47679	.04588	-.43354	-.25164	-7.467	107	.000
Pair 3	-.07407	.26311	.02532	-.12426	-.02388	-2.926	107	.004

Pair 4	-.29630	.45875	.04414	-.38381	-.20879	-6.712	107	.000
Pair 5	-.28704	.45449	.04373	-.37373	-.20034	-6.563	107	.000
Pair 6	-.24074	.42953	.04133	-.32268	-.15881	-5.825	107	.000
Pair 7	.34259	.47679	.04588	.25164	.43354	7.467	107	.000
Pair 8	.26852	.44525	.04284	.18358	.35345	6.267	107	.000
Pair 9	.04630	.21111	.02031	.00603	.08657	2.279	107	.025
Pair 10	.05556	.23013	.02214	.01166	.09945	2.509	107	.014
Pair 11	.10185	.30386	.02924	.04389	.15982	3.483	107	.001
Pair 12	-.07407	.26311	.02532	-.12426	-.02388	-2.926	107	.004
Pair 13	-.29630	.45875	.04414	-.38381	-.20879	-6.712	107	.000
Pair 14	-.28704	.45449	.04373	-.37373	-.20034	-6.563	107	.000
Pair 15	-.24074	.42953	.04133	-.32268	-.15881	-5.825	107	.000
Pair 16	-.22222	.41768	.04019	-.30190	-.14255	-5.529	107	.000
Pair 17	-.21296	.41131	.03958	-.29142	-.13450	-5.381	107	.000
Pair 18	-.16667	.37442	.03603	-.23809	-.09525	-4.626	107	.000
Pair 19	.00926	.09623	.00926	-.00910	.02761	1.000	107	.320
Pair 20	.05556	.23013	.02214	.01166	.09945	2.509	107	.014
Pair 21	.04630	.21111	.02031	.00603	.08657	2.279	107	.025

Source:- Computer-generated from data input (2011)

From the descriptive statistics as well as the paired samples test above, it is obvious that even for the second stratum of 108 respondents, it was observed that at a 5% level of significance and 107 degrees of freedom for each of the pairs, the results of the 2-tail test as displayed in Table 1.2 above revealed computer-calculated t-values ranging from 0.000 to 0.320, which all fall within the acceptance region.

Decision Rule: - Where t-calculated values fall within the acceptance region of the t-tabulated, H_0 is accepted.

Therefore the study’s null hypothesis with states that:- The provision of infrastructure support by SMEDAN to small businesses (especially cooperatives) in Ogun State, was not significant between 2005 and 2010 is accepted also for the second stratum of respondents.

Therefore, for both strata of respondents, the study’s second null hypothesis is accepted.

Discussion of Results and Policy Implications

From the above analysis, it is apparent that the provision of infrastructure support by SMEDAN to small businesses in Ogun State, Nigeria was not significant between 2005 and 2010. On all indices of infrastructure support, this study found out that SMEDAN was not of benefit to small businesses especially cooperatives in Ogun State during the study period. During the study period, a typical small business enterprise owner in Ogun State did not have access to any manual on economic policies and regulations affecting Micro, small and medium enterprise either compiled by SMEDAN or any other government agency for that matter; neither did he/she receive any incentives affecting MSME operations in the state. The researchers do not know of any legislation affecting MSME operations that are targeted specifically to benefit cooperative-financed small businesses in the state. Among SMEDAN’s stated functions in the area of infrastructure support to cooperative societies is making information on international markets

available to cooperative societies as well as other small businesses. There is nothing to this effect as far as this study shows. Also among such things that were supposed to be provided by way of infrastructure support is product standards/specifications to SMEs especially cooperative societies. The reality on the ground did not support this. SMEDAN is expected to provide constant update and development of databank on MSMEs raw materials in the state especially for cooperative societies; the body is also expected to regularly provide information on available local technologies, machinery and prototypes to small businesses including cooperative societies in Ogun State. The result of this study did not demonstrate any proof of such lofty ideals as far as infrastructure support to small businesses is concerned in the State during the study period.

It is only when small businesses get the necessary support that they can thrive like they do in the advanced countries of the West, Europe and the Far East. Small businesses constitute the bulk of enterprises in such nations due to the nature of support they get from their government by way of infrastructure and other kinds of support. It is when SMEDAN wakes up to her avowed duty of providing necessary support to small businesses that the Nigerian nation can truly begin to develop in the true sense of the word. As part of her efforts in correcting the anomalies of the past, as the present civilian government in Ogun State, Nigeria is encouraging public-private partnership, (PPP), as it has identified this as an effective mechanism for the delivery of infrastructure and other essential services to small businesses in the state.

Summary and Conclusion

The summary of the findings after the statistical testing of the study's variables revealed that the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) did not provide enough infrastructure support to small businesses (especially cooperatives) in Ogun State between 2005 and 2010.

The results of the study bring out certain conclusions in agreement with its main objectives. The authors, therefore, in the interest of overall survival of this essential sector of modern economies the world over, make the following recommendations:-

- (a) The Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) should be given the necessary tools it needs to perform her support role to small and medium enterprises not only in Ogun State, but in the entire Federation. No doubt small businesses are the engine of growth of modern nations; Nigeria ought not be an exception.
- (b) Micro, Small and Medium Enterprises, as the nerve-centre of most nations' industrial development, need to be encouraged in order to engage the army of the nation's fresh graduates and subsequently reduce unemployment.
- (c) Apart from the provision of infrastructure support as operationalized in this study, the Federal Government should collaborate with the private sector to put in place the necessary infrastructure like regular power supply, good roads, water, and enhanced security across the states in order to encourage setting up of businesses; many small businesses have collapsed as a result of the blatant neglect of this vital support from the governments of the Federation. The on-going privatization of power distribution in Nigeria is a step in the right direction. By the time that the exercise gains a strong foothold in the country, the evils associated with poor infrastructure support will have been permanently arrested. A thriving small business sector would ultimately be a major beneficiary.

Globally, employment generation is one of the most important reasons for promoting the development of SMEs. There is no gainsaying that Ogun State, a neighbouring state to Lagos,

Nigeria's economic capital, stands to ameliorate the nation's unemployment situation if her SMEs including cooperative societies, enjoy the necessary support from SMEDAN. Consequently, the SME sector would be on course in creating the right environment for jobs and the nation will also be on her way to meeting the Millennium Development goals on sustainable development.

It is the considered opinion of these researchers that in Nigeria, MSMEs hold the future to the nation's economic growth and development. Currently, MSMEs in Nigeria occupy a pivotal position in the nation's economy, especially in the areas of industrial growth, job and wealth creation, poverty reduction, youth and women empowerment, cooperative development as well as innovation. With the near congestion of Lagos, Ogun State, no doubt, is a compelling investment destination. The provision of necessary infrastructure support to small businesses would go a long way in actualizing this new reality.

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