

## SMALL SCALE BUSINESSES AND THEIR PERFORMANCE FOR NATIONAL DEVELOPMENT: EDO STATE IN PERSPECTIVE

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### ABSTRACT

The broad objective of this study was to examine small scale businesses and their performance in Edo State. Small-scale businesses have always been recognized as being essential in the quest to minimize poverty and unemployment in a country as many strong economies in the world have become so because of deliberate government policies to grow their informal sector. The Nigerian government has exhibited great interest in the facilitation of the development of small business enterprises but today, there are no reliable data for the operation and contribution of the informal sector, thus igniting the desire for this study. Our instrument of data collection was the questionnaire. Three hundred and thirty-three (333) questionnaires were administered out of which three hundred and eighteen were retrieved. Descriptive analysis and regression analysis was used to assess the associational relationship between the variables. The simple regression analysis was used to determine the effect of the independent variables on the dependent variables. The findings from the study revealed that small-scale businesses could bring about integrated industrial development in both rural and urban areas of a state. The study recommended amongst others, that government should enhance the growth of small-scale businesses by providing a special small-scale loans and grant to their owners.

*Keywords:* Small Scale Business, Performance, Business Policy, Management, poverty, Edo State, Nigeria

## INTRODUCTION

The Nigerian government has exhibited great interest in the facilitation of the development of small business Enterprises. Small Scale Businesses have always been recognized as being essential in the quest to minimize poverty and unemployment in the country. Consequently, the country has established several specialized financial institutions, which primary objective is to take charge of policy instruments and microcredit, necessary for enhancing the development of small-scale enterprises (Alabi, David & Aderinto, 2019). Examples of such financial institutions include the Nigeria Agricultural Co-operative and Rural Development Bank (NACRDB), the National Economic and Reconstruction Fund (NERFUND), and the Microfinance Institutions (MFIs). Furthermore, the government also introduced some policy-oriented institutions that are tasked with the provision of technical and financial support for Small Scale Businesses. Some of these include the National Association of Small-Scale Industries (NASSI), and the Entrepreneurship Development Policy (EDP) (Alabi, David & Aderinto, 2019).

A major factor that influences a business environment, and ultimately the growth of the businesses is government policy (Egberi & Monye 2015). Businesses need to be flexible enough to respond to changing rules and policies. This is true not only at the national level but also more locally as well, as states and municipalities have their own sets of rules. Indeed, there are also international treaties that can influence the way companies do business (Frank, 2019). The motivation for this study is that government policies have been known to affect businesses in certain cases, while in others, they have woefully failed to achieve their set objectives. In most cases, however, they have been asserted to constitute the engine room for rapid development. Hence, this study seeks to examine Small Scale Businesses and their Performance in Edo State (Alabi, David & Aderinto 2019). Consequently, this study is intended to provide the necessary working information about the operation of small businesses in Nigeria. It is on this premise that this study seeks to examine small Scale Businesses and their Performance in Edo State. The broad objective of this study is to examine Small Scale Businesses and their Performance in Edo State. To this end, the subsidiary objectives of this study are to examine if finance/capital access has any significant effect on the establishment of small-scale businesses in Edo North, Nigeria and to ascertain if small scale business establishments have any significant effect on rural-urban migration in Edo North, Nigeria.

## LITERATURE REVIEW

### Theoretical Framework

The study is based on Practical theory and dependency theory. Practical theories are discursive approaches to entrepreneurial learning, which are typically derived from the experience and story of entrepreneurs. Practical theory is a “tacit, intuitive, implicit and situated resource of practice. Unlike other abstract, explicit, and generalized theories, practical theories are very easy to prove and verify (Rae, 2003). Based on these postulations, Rae (2003) define practical theory as a living body of learning that originated from the tacit and intuitive resource of practice but used in combination of combined thinking and acting in personal praxis. However, for Olugbenga (2012), practical theory is mere analytic tools that enable people to observe and understand the relationship between several aspects of their lives, and consequently take account of their respective actions.

Some practical theories are offshoots of social constructionism, a framework that allows entrepreneurs to establish a relationship between general abstract principles and the “what we do” concept. The fact that the majority of SSES are entrepreneurship-based makes this theory highly relevant for this academic study. Furthermore, Rae (2003) notes that practice-based theory influences important features like problem-solving skills, decision-making skills, routing of managing relationships with others and dealing with recurrent situations. Coincidentally, these characteristics are inherent traits of very successful entrepreneurs.

The dependency theory was also used to underpin this study. This theory originated as a refutation to the Western Filter Model of development - a school of thought that argues that the backwardness of Africa is because of its traditional pattern of life and activity. The dependency theory, which is based on the Marxian principles, postulates that a low level of development in poor countries is actually in a dialectical relationship development of developed countries. The dependency theory blamed imperialism as the major factor responsible for the underdevelopment of African nations. Of course, this postulation is clearly in line with the current situation confronting Africa, which it illustrates as the macrocosm, while that of Nigeria is a microcosm. Despite critics' opinion that the African problems be attributed to bad and corrupt leadership, the theory maintains the political and economic dependence of African nations on the developed world, remains the main factor that promotes underdevelopment in the region.

Thus, to solve the issues confronting Nigeria and other African countries, it is very important to minimize these regions' dependence on developed countries. Olugbenga, (2012) asserts that economic independence should be the main target of Africa. He says; "what needs to be created is an integrated African economy oriented not to the needs of the west, but to the needs of Africa as defined politically by the African people. Anything short of that will prove incompatible with our aspirations for political and cultural autonomy." This should also reflect in Nigeria economy, where the private sector needs to be free from the government's control. However, it is still important for the government to retain its intervention in the areas of policies and funding.

### **Conceptual Review**

**Small-Scale Business:** In today's modern world, small-scale enterprises (SSEs) are one of the most authentic drivers of sustainable development, especially in emerging economies. Historical evidence of SSEs as tools of economic development can be observed in 19<sup>th</sup>-century Europe when the continent's economy was absolutely under the control of cottage industries, most of which were SSEs (Onwukwe & Ifeanchi, 2011). The concept of Small-scale enterprises (SSEs) is relative and dynamic change; there is no universal definition for small-scale enterprises. Each country tends to adopt definitions based on the needs of public policy, the level of economic development, the role SSEs are expected to play in the economic development of that country, and the program of assistance designed to achieve the goal (Victoria, 2014)

Small-scale businesses are businesses with 300 or fewer employees, with an asset base of N500,000 to N50 million naira depending upon the industry. Small business enterprises often meet the SMEDAN definition of small-scale businesses and include large organizations that fall short of being defined as large corporations (Dugguh, 2013). Government policies are those

points of view and established manner by which the government carries out its business and directs managerial actions to the good governance and well-being of the state (Estache & Vaglisaindi, 2007). Most empirical studies conducted over the years revealed that SSEs are crucial for the socio-economic growth and development of every country. For instance, Oboh (2003) observes that the development of SSEs was instrumental to the economic boom of the American nation between the 1970s and 1980s.

Aluko (1972) as cited in Austin (2010) define a small-scale enterprise as one whose total assets in the capital requirement plan and working capital is less than N500,000.00 and employing fewer than 50 full-time workers. It includes factory or non-factory establishments and it may be a household, a cottage, or a craft. Some sources tend to identify small-scale businesses with cottage industries. The United States small scale administration defines small business as any wholesale organization with annual receipts of five to fifteen million dollars (depending on the industry), Any retail or establishment with annual receipt from one to five million dollars (depending on the industry). Any construction business with an annual receipt of one to five million dollars (depending on the industry). Any manufacturing plant employs less than 1,500 men and women (depending on the industry). The firm usually has a small scale of the market (or) a significant

Share of a highly specialized low-volume market, and in general is not in a position to influence the size of the market. The Chief Executive General participates actively in most levels of the decision-making process and the day-to-day operation of the firm usually with adequate specialist, support at the management level. With the current rate of unemployment and poverty level in Nigeria, small-scale businesses have become a source of livelihood for millions of Nigerians. About 60% of all the businesses established in Nigeria are on a small-scale level (Okeke, Ezenwafor & Femiwole, 2013). In this regard, Al-Swidi & Mahmood (2012) argue that small businesses heavily rely on owner(s) skills, ability, and personal characteristics for the prosperity of the business. Nevertheless, small-scale businesses, across the developed world, still account for a significant fraction of industrial build-up.

### **Empirical Review**

Owolabi (2017) examined the impact of economic characteristics and financial performance of selected Small-scale enterprises in Nigeria. This study investigated the impact of economic characteristics of small scale enterprise operating environment represented by; government expenditure, inflation rate, interest rate and exchange rate fluctuations on financial performance of selected small scale enterprises. The study adopted an ex-post facto research design. Stratified and random sampling methods were used to select 31 small-scale enterprises in Nigeria. The study used a regression analysis technique to test the formulated hypotheses. The findings revealed that the impact of economic characteristics on firm's financial performance existed but in diverse magnitude; economic characteristics proxy by interest rate, rate of inflation, exchange rate and Government expenditure showed a negative and significant relationship with the performance of Small-scale enterprise. In addition, it was discovered that there is an overall negative significant relationship between economic characteristics on the performance of small and medium scale enterprise.

Imoughele, and Ismailia, (2014) examined the impact of commercial bank credit on the growth of small scale enterprises: an econometric evidence from Nigeria (1986 – 2012). It was revealed that SSEs and selected macroeconomic variables included in the model had a long run relationship with SSEs output. In addition, that savings time deposit and exchange rate had a significant impact on SSEs output in Nigeria. Commercial bank credit to SSEs, total government expenditure and bank density had direct but insignificant impact on the country's SSEs output. They opine that it was connected with stringent policy in accessing credit facility and the crowd out effect of government expenditure in the economy. The study also showed that interest rate had adverse effect on SSEs output. Hedwigis (2017) empirically analyzed banking role to performance improvement on Indonesian small-scale enterprises from 2005 to 2015. The study employed regression technique to measure bank credit to SSEs, number of SSEs and output value of SSEs. The results from the study indicated that bank credit to small-scale enterprises, number of small-scale enterprises and output value of small-scale enterprises has positive and significant effect on economic growth.

## METHODOLOGY

The design for this study is a descriptive research design in which the researcher examined small scale business and their performance in Edo State. Therefore, the descriptive research design was chosen mainly because it focuses on the small-scale business owners' behaviour, such as their actions and attitudes. There are many small-scale industries in Edo State, however, the population of this study comprises of 2000 selected small-scale businesses in Auchi Edo North Senatorial District.

The sample size was determined using Taro Yamane formula (1967, 1975)

The formula for Taro Yamane is given as follows:

$$n = \frac{N}{1 + N(e)^2}$$

Where n = Sample Size

N = Population Size

e = error margin

n = 2000

$$n = \frac{2000}{1 + 2000(0.05)^2}$$

$$n = \frac{2000}{1 + 2000 (0.0025)}$$

n = 333

Based on the focused of this study, the researcher adopts the primary method through the use of questionnaire in collecting data because the researcher was also interested in generating data directly from the subject without only relying on already existing data. The questionnaire was well designed and structured with the five (5) point Likert scale of Strongly Agreed (5), Agreed (4) Disagreed (3), Strongly Disagree (4) and Undecided (5)

## RESULTS

Descriptive analysis and regression analysis was used to assess the relationship between the variables. It indicates the degree of relationship the independent variable has on the dependent variable. The SPSS version 26 software was adopted to conduct the analysis. 333 questionnaires were administered on the targeted population, out of which 318 were returned. The questionnaire contained twenty-one questions. The data obtained are presented in the tables below:

**Table 1: Frequency Distribution on the Role Ambiguity of Employee**

S/NO	Items	SA	A	D	SD	U	$\bar{X}$	%	Remark
1	I receive an assignment without the manpower to complete it	64	48	37	21	16	3.66	20.03	Accept
2	I have worked with more group who operate quite differently	28	35	46	58	19	2.97	16.26	Accept
3	I know what my responsibilities are	82	42	30	18	14	3.86	21.13	Accept
4	I have clear planned objectives for my job.	86	53	22	15	10	4.02	22.00	Accept
5	I know that I have alloted my time properly	58	64	32	23	12	3.76	20.58	Accept

**Source: Field Survey (2023)**

Table 1 reveals that out of 186 respondents, 20.03 per cent of the respondents agreed that they receive an assignment without the work force to complete it. 16.26 per cent of the respondents agreed that they work with more group who operates differently. 21.13 per cent of the respondents agreed that, they know what their responsibilities are. 22.00 per cent of the respondents agreed they have clear planned objectives for their jobs. In addition, 20.58 per cent of the respondents agreed that their times are well structured to sort their job specification. The analysis shows that, most of the respondents answered to agreed. We therefore infer that employee ambiguity can be traced to multiple responsibilities in the hospital.

Using the mean average score of 2.79 and above, it was revealed that all parameters used in measuring employees' ambiguity in an organization were acceptable in the study. 20.03% of the total mean response agreed that most times they receive an assignment without the work force to complete it. 16.26 per cent of the respondents agreed that they work with more groups who operate differently. In addition, 21.13 per cent of the respondents acknowledged the fact that; they know what their responsibilities are when carrying out their tasks. 22.00 per cent of the respondents agreed they clear planned objectives for their jobs. In addition, 20.58 per cent of the respondents agreed that their times are well structured to sort their job specification. The analysis indicates that large population of the respondents answered agreed. This means that there is a relationship between employees' ambiguity and level of commitment in an organization.



**Table 2: Frequency Distribution on Excess Workload of Employee**

S/NO	Items	SA	A	D	SD	U	$\bar{X}$	%	Remark
1	Burnout slows down employees' performance in an organization	72	43	35	24	12	3.75	19.25	Accept
2	Excess work load reduces employees' productivity and efficiency in the organization	85	55	20	14	12	4.01	20.59	Accept
3	Excess work load has psychological effect on employees' performance.	80	66	14	13	14	4.01	20.59	Accept
4	My complaints regarding job demands, heavy workloads and work demands are increasing.	65	51	35	20	15	3.70	18.99	Accept
5	Lack of planning and complexity of task contribute to employees' burnout	68	76	25	10	7	4.01	20.59	Accept

Source: Field Survey (2023)

Table 2 reveals that out of 186 respondents, 19.25 per cent of the respondents agreed that burnout slowdown employees' performance in an organization. 20.59 per cent of the respondents also agreed that excess workload reduces employees' productivity and efficiency in the organization. 20.59 per cent of the respondents agreed that excess workload has psychological effect on employees' performance. 18.99 per cent of the respondents agreed that employees' complaints regarding job demands, heavy workloads and work demands are increasing on a daily basis. 20.59 per cent of the respondents agreed that lack of planning and complexity of task contribute to employees' burnout in an organization. In other words, when the job specification of an employee is not properly designed, this could lead to employee's burnout in an organization. The analysis shows that, most of the respondents answered to agreed. We therefore infer that excess workload can lead to employees' burnout in the hospital.

Using the mean average score of 3.70 and above, it was revealed that all parameters used in measuring employees' excess workload in an organization were acceptable in the study. 19.25 per cent of the total mean response agreed that burnout slowdown employees' performance in an organization. 20.59 per cent of the respondents agreed that excess workload has psychological effect on employees' performance. 18.99 per cent of the respondents agreed that employees' complaints regarding job demands, heavy workloads and work demands are increasing on a daily basis. 20.59 per cent of the respondents agreed that lack of planning and complexity of task contribute to employees' burnout in an organization. In other words, when the job specification of an employee is not properly designed, this could lead to employee's burnout in an organization. The analysis shows that, most of the respondents answered to agreed. We therefore infer that excess workload can lead to employees' burnout in the hospital.

## Testing

### Hypothesis One

**H<sub>01</sub>:** There is no significant relationship between Finance/Capital access and establishment of small-scale business.

From the result of the analysis above, the P-value (0.00001) is smaller than level of significant (0.05). Therefore, we reject the null hypothesis (H<sub>0</sub>) and accept the alternative hypothesis (H<sub>1</sub>) and conclude that, there is significant relationship between access to finance/capital and establishment of small-scale businesses in Edo state.

**Table 3: Coefficients**

Model		Unstandardized Coefficients		Standardized	t	Sig.
		B	Std. Error	Coefficients		
				Beta		
1	(Constant)	.037	.058		.647	.518
	Finance/Capital	.841	.022	.906	38.148	.000

a. Dependent Variable: Finance/Capital Access

The regression analysis model explains relationship between access to finance/capital and establishment of small-scale businesses in Edo state. Using the regression model, from the coefficient table above, it was observed that at 91%, there is a direct relationship between access to finance/capital and establishment of small-scale businesses is influencing business performance in Edo state. Therefore, a unit changes in finance/capital will lead to 0.841 increases in small-scale businesses in Edo state. This implies access to capital play a significant role in the spread of small-scale business in Edo state. Furthermore, the respective model's summary presented above indicated a relationship, which shows a powerful assertion between access to finance/capital and establishment of small-scale businesses.

### Hypothesis Two

**H<sub>02</sub>.** There is no significant relationship between Small-scale business establishment and rural urban migration

From the result of the analysis above, the P-value (0.00001) is smaller than level of significant (0.05). Therefore, we reject the null hypothesis (H<sub>0</sub>), accept the alternative hypothesis (H<sub>1</sub>), and conclude that, there is significant relationship between establishment of small-scale businesses and rural urban migration.



**Table 4: Coefficients**

Model		Unstandardized Coefficients		Standardized	t	Sig.
		B	Std. Error	Coefficients Beta		
1	(Constant)	.044	.058		.759	.448
	Establishment of Small scale business	.829	.022	.902	37.072	.000

a. Dependent Variable: Small Scale Business Establishment

The regression analysis model explains relationship between establishment of small-scale business and rural urban migration. Using the regression model from the coefficient table above, it was observed that at 90%, there is a direct relationship between establishment of small-scale business and rural urban migration in Edo state. Therefore, a unit changes in establishment of small-scale business will lead to 0.829 increases in rural urban migration. This furthermore explains that the respective model’s summary presented above indicates a relationship, which shows a powerful assertion between establishment of small-scale business and rural urban migration.

**DISCUSSION OF FINDINGS**

The results of the analysis show that there is a significant relationship between Finance/Capital access and establishment of small-scale business. This result provides a support to hypothesis one of this studies that, there is a significant relationship between Finance/Capital access and establishment of small-scale business. It was further revealed by the degree of association between the dependent variable (establishment of small-scale business) and the independent variable (Finance/Capital) using the R-bar square (.91). This implies that, Finance/Capital influencing establishment of small-scale businesses in Edo state positively.

The findings also show observed that there is a high degree of association between finance/capital access and establishment of small-scale businesses such that there is 91% possibility that finance/capital access has a high positive impact on the establishment of small-scale business. Consequently, it is observed that there is a high degree of relationship between small scale business establishment and rural urban migration such that there is 90% possibility that, the establishment of small-scale businesses in Edo state has a high positive impact on rural urban migration. Based on this association, there is a high degree of correlation between the establishment of small-scale businesses and rural urban migration and was able to explain 90% of the total changes that occur with the business performance in Edo state. This implies that, the establishment of small-scale businesses in urban cities can lead to movement of people from the rural communities to urban cities for better life and greener pasture.

Furthermore, it is discovered that there is a high degree of association between contribution of small-scale industries and development in Edo state. Using the regression model from the coefficient table above, it is observed that at 96%, there is a direct relationship between contribution of small-scale industries and development such that the increase in small scale businesses influencing development in Edo state. Therefore, a unit changes in small scale

businesses will lead to 0.999 increased in development in Edo state. This implies that the rate of development in Edo state is highly influenced by the increase in small businesses in Edo state.

### CONCLUSION

In conclusion, countries that are underdeveloped like Nigerian accelerate their economic developments through the encouragement of small-scale industries. Our existing financial system has been fashioned mainly on the colonial failure to take cognizance of our socio-cultural background and development's needs. The techniques and style of operation are quite unsuitable in meeting the financial requirement of the bulk of small and indigenous enterprises.

### RECOMMENDATIONS

This study recommends that banks can do more to help small-scale clients in the preparation of business plans and lead them on step by step on how the project is to be implemented and undertaken. In this way, the banks will be sure that loans would be repaid with interest as they fall due. The government should enhance the growth of small-scale businesses by providing a special small-scale loans/grant to small scale business owners. Again, small scale business entrepreneurs should formulate policies in important areas; like recruitment enumeration, wages and salary, training, labour, relation and promotion.

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