SMALL AND MEDIUM ENTERPRISES PROBLEMS AND PROSPECTS: RESPONSES FROM POULTRY PRODUCTION BUSINESSES IN GOMBE METROPOLIS, GOMBE STATE NIGERIA

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ABSTRACT

Small and Medium Enterprises play a vital role in the economies of both the developed and the developing nations. They are characterised by generating employment to the teeming population as well as generating income to the owners, the employees and the country at large. This study therefore seeks to examine the prospects and the challenges of the Poultry Production subsector of the SMEs in Gombe metropolis. The study employs a survey research design. The population of the study comprises all the Poultry Production Businesses in Gombe metropolis and samples of fifty (50) businesses were drawn using the non probability sampling technique (employing a convenient sampling technique). The data collected for the study via questionnaire was analysed using tables and simple percentages. The study finds among others, that poultry production businesses in Gombe metropolis like others in different localities have the potentials of employing a reasonable number of people. The study also finds that, lack of skilled manpower is the major identifiable factor militating against the flourishing of poultry production businesses in Gombe metropolis. The study then recommends that, Poultry production businesses should be strengthened by the Government so that they will continue to play this vital role of providing employment to the populace. The owners and managers of such businesses should be trained by the Government through workshops, seminars etc. to acquaint them with the necessary skills to enable them compete in the volatile business environment of today.

Key Words: Small and Medium Enterprises (SMEs), Poultry Production, Problems, Prospects, Gombe metropolis

Introduction

Small and Medium Enterprises (SMEs) are generally regarded as instruments for achieving growth in both the developed and the developing nations. In Nigeria and worldwide, there seems to be no unanimity in the definition of SMEs. Different authors, scholars and schools have differences in capital outlay, number of employees, sales turnover; fixed capital investment,
available plant and machinery, market share and the level of development, these features equally vary from one country to another. Akinsulire (2008) defines SMEs as those firms that are likely to be unquoted, whose ownership is restricted to a few individuals and are not micro businesses that are normally regarded as very small businesses that act as medium for self employment of the owners. Akinsulire (2008) further states that, at a recent workshop, it was agreed that any company in Nigeria with total capital base that is not above N200 Million is to be adjudged an SME. In the Nigerian context, Ramachandran (2002) in Egbetokun, Adeniyi and Siyanbola (2008) defines Medium enterprises as those enterprises with more than fifty (50) but fewer than one hundred (100) employees.

Daniel 2008 stresses that, Economic history is well stocked with enough insights into the humble beginnings of the present great corporations. He maintains that, evidence abound that almost all the multi-national giant corporations in America, Europe, Japan and even Nigeria were cottage enterprises growing as their industry grew and through their sheer ability, marketing skills and efforts to produce and reproduce existing products better and cheaply. They provide a lot of employment opportunities to the teeming population. Owualah (1999), Nnnana (2001), Sanusi (2003), Nigerian Investment Promotion Commission (2003), and Usman (2003) in Sanda, Dogon-Daji and Abdullahi (2006), the contributions of SMEs to employment creation and income generation have attracted the attention of both policy makers and researchers. Broadly speaking, there are two strands of literature on the employment creation capacities of SMEs. One strand, obviously the most widely referred to, argues that small firms are more labour intensive in comparison to large ones. Consequently SMEs employ more labour than large firms. This argument seems to go down well with the Nigerian Government considering the schemes and programmes established by the Nigerian Government. For example, the launching in August 2001 of the Small and Medium Industries Investment Equity Scheme (SMIEIS), the setting up in 2003 of the Small and Medium Development Agency of Nigeria (SMEDAN) and the launching in 2008 of Micro Credit Policy to replace the (SMIEIS). Udechukwu in Muhammad (2005) is of the opinion that contrary to general impression, SMEs are as much important economic catalyst in industrialized countries as they are in developing countries. In many developed countries, more than 98% of the enterprises belong to the SME sub-sector. 80% of the total industrial labour force in Japan, 50% in Germany and 46% in the United States of America are employed in smaller firms. Akinsulire (2008) holds that, the role the SMEs play in the economic development of any country cannot be down played. In Nigeria, 80% of the labour force is employed by the SMEs.

Just as SMEs have the prospects of providing employment and generating income to the populace and the countries at large, they have challenges that curtail their operations and expansion. Documented literature suggests that, these problems vary from one locality to another. In some localities, the major problem facing SMEs is financing; electricity supplies account for the main problems of SMEs in some localities; start-up capital is the biggest obstacle for SMEs in some localities; lack of patronage is the greatest impediment for SMEs in some
localities and raw materials etc account for highest barrier for SMEs in some localities. To the best of the knowledge of the researcher there has not been a research of this kind on the problems and prospects of specifically poultry production businesses of SMEs subsector in Gombe metropolis. With the above mind, this paper sets out to uncover the problems and prospects of poultry production businesses of SMEs subsector in Gombe metropolis.

**Literature Review**

There is no unanimity as to what the definition of SMEs can be worldwide. Ekpeyong & Nyong 1992 note that there is hardly any unique, universally accepted definition of SMEs because the classification of business into small and large scale is a subjective judgment. The various definitions given to the concept largely depend on the yardstick employed in the definition. Thus, some scholars, government agencies, regulatory authorities etc use different yardsticks in coining their definitions of SMEs. To this effect, capital outlay, turnover or revenue, assets employed, number of people employed, working capital etc were used in determining what the definition can be. Carpenter 2003 holds the same opinion that the definition of SMEs can be determined by a combination of the above mentioned yardsticks. Inang & Ukpong 1992 in Osotimehin, Jegede, Akinlabi & Olajide 2012, the most prominent of the yardsticks are: size of capital investment (fixed now called non-current assets), value of annual turnover now called revenue (gross output) and number of paid employees. They further stress that in nations like the United States of America (USA), Britain and Canada SMEs are defined in terms of annual revenue and number of paid employees. In Britain, for example, a small and medium business is defined as that business with an annual turnover of €2 million or less with fewer than 200 paid employees. According to Stanley and Morse (1965), the post world war Japan defines SMEs on the basis of the industry to which the enterprise belongs. A manufacturing enterprise having either capital not exceeding Y50m or having not more than 300 employees is adjudged to be an SME, and in commerce and service sector, an enterprise with capital not greater than Y10m or having not more than 50 employees is an SME.

In Nigeria, the definitions of SMEs differ from time to time and from institution to institution. The Nigerian government according to Osotimehin, Jegede, Akinlabi & Olajide 2012 at different points in time uses investment in machinery and equipment and working capital, the capital cost and revenue in determining what the definition of SMEs is. They maintain that the Federal Ministry of Industry adopts a flexible definition especially as to the values of the installed non-current assets. On the face of the various definitions advanced by the government, the National Council on Industry (1991) defined micro enterprise as an industry whose total project cost excluding cost of land but including working capital is not more than N500,000:00 (i.e. US$50,000). Small scale enterprises on the other hand is defined by the council as an industry whose total project cost excluding cost of land and including working capital does not exceed N5m (i.e. US$500,000). The adoption by the National Council on Industry in 1996 of the report of its Sub-Committee on Classification of Industrial Enterprises in Nigeria sees the Council
coming up with a new set of classifications and definitions of the cottage/micro and small scale enterprises. According to the Council, cottage/micro industry is an industry whose total cost, including working capital but excluding cost of land, is not more than N1 million and a labour size of not more than 10 workers; while small scale enterprise is an industry whose total cost, including working capital but excluding cost of land, is over N1 million but not more than N40 million and a labour size of between 11 and 35 workers. According to Adepoju 2012, National Council of Industries (2008) defines small scale business as an enterprise whose total costs excluding land is not more than one hundred million naira (N100,000,000) only and a workforce of between (11) eleven and seventy (70) full time staff. A medium scale company is defined as an enterprise with total cost excluding cost of land of not more than (N300,000,000) three hundred million naira and staff strength of between seventy one (71) and two hundred (200) full time workers. Udechukwu (2003), CBN Guidelines (2005) in Muhammad (2005) see small scale enterprises as “an enterprise with a labour size of 11-300 workers or a total cost of N50 million to N200 million including working capital but excluding cost of land. In the face of these divergent views as to how SMEs are defined worldwide and in Nigeria and considering the peculiarities of the study area (i.e. Gombe Metropolis), the researcher strongly believes that, none of the definitions given above better explains SMEs in Gombe state. Consequently, the researcher taking into consideration, the development of business activities in the study area and the support given to SMEs comes up with the following working definition of Small and Medium Enterprises for the purpose of this study. Capital outlay, number of employees and turnover are the basis used for the definition. Thus, Small and Medium Enterprises for the purpose of this study are those enterprises whose capital base is between (N10,000) ten thousand naira and (N10,000,000) ten million naira, whose minimum and maximum number of employees is 1 and 50 respectively and finally whose annual turnover or revenue is not less than (N1,000,000) five million naira and not more than (N20,000,000) twenty million naira.

Gunu (2004) and Aremu (2010) posit that desired employment generation in a developing economy like Nigeria can be achieved through the development of SMEs. This is because SMEs are seen as veritable engines for the development of entrepreneurial capabilities and indigenous technology which will generate employment in the country. They served as a system for the attainment of national objectives in terms of employment generation at low investment cost. They assist to reduce rural-urban migration since they can be easily and relatively established by the relatively less skilled labour force of a developing country like Nigeria (Adepoju, 2012).

The Federal Office of Statistics study in 2004 shows that, 97% of all businesses in Nigeria employed less than 100 employees. It therefore means that 97% of all business in Lagos State used the umbrella “small business”. The micro and small enterprises sector provides, on average, 50% of Nigeria’s employment and 50% of its industrial output. No government can afford to ignore such a high contributor to its economy. The proportion of Nigeria micro and small enterprises and their impact on the economy is pretty much similar to these in other countries of the world especially in advanced economies. These altogether employed more than 50% of
private work force, and generate more than half of the nations (Osotimehin, Jegede, Akinlabi & Olajide 2012).

Basil (2005) observes that the experiences of giant countries with respect to the part played by SMEs underscores the fact that the importance of the sector cannot be over emphasized in less developed or developing countries. This originates from the fact that almost all countries that have concentrated on the SMEs sector and ensured its development and sustainability have ended up succeeding in the invaluable reduction in crime rate, improved employment status, poverty alleviation, increase in income as well as rapid growth in GDP, among other salutary effects.

In a study conducted in Lagos State, South Western Nigeria, administering questionnaire and conducting interview on the sampled respondents, Osotimehin, Jegede, Akinlabi & Olajide 2012 find that, financial constraints and lack of management skill hamper the efficient performance of micro and small scale enterprises in Nigeria. they recommend that government and other non-governmental organization should regularly organize seminars for potential and actual small and medium enterprise operators on how to plan, organize, direct and control their businesses, and that micro, small and medium enterprises operators’ should devise effective marketing strategies and good management customers relations at all times.

In another study conducted in Enugu East Senatorial Zone, South Eastern Nigeria. Using questionnaire to generate data, Umebali (2010) finds that the problems of establishing and managing small and medium enterprise include lack of capital, lack of managerial skills, lack of business ideas, high cost of operational facilities, scarcity of accommodation, lack of efficient preservation, system and poor environmental and sanitation.

**Research Methodology**

In examining the problems and prospects of poultry production businesses subsector of Small and Medium Sized Industries in Gombe metropolis, this study employs a survey research design. The population of the study comprises all the Poultry Production businesses in Gombe Metropolis. Due to the indefinite nature of the population, samples of fifty (50) poultry production businesses were drawn using a non-probability sampling method by simply employing a convenient sampling technique. The data for the study was elicited using a personally designed structured questionnaire which was administered on the sampled respondents. A total of 50 copies of the questionnaire were administered and were all duly filled and retrieved. The study employs descriptive statistics exploring tables and simple percentages in analysing and discussing the results collected for the study.
Results and Discussion

Small and Medium Enterprises have a lot of prospects on one hand and are surrounded by a lot obstacles on the other. Findings depict that, of the 50 sampled respondents, 30 representing 60% are sole proprietors and the remaining 20 which is the equivalent of 40% are partnership businesses. The implication of the picture in the table is that SMEs can be either sole proprietors or partnership businesses.

Findings on the time the respondents started their businesses indicated that 60% of the respondents as shown in the table have been in business for a period between 1 and 5 years. 20% each have been in business for periods between 6 and 10 years and 16 and 20 years respectively. None of the respondents has been in business for 21 years and above. This is an indication that people can engage in this type of businesses for their life time. In other words, the businesses are permanent in nature.

Findings indicated that 60% of the respondents (i.e. 30) engage a maximum of 5 people and a minimum of 1 person in their businesses. Of the remaining 40%, 20% each engage between 6 and 10 and 11 and 15 people respectively. None of the sampled respondents engage 16 to 20 or 20 people in their businesses respectively. This shows the employment generation capabilities of these businesses in Gombe metropolis as they have in other localities in Nigeria and beyond. 40% of the total respondents have a start-up capital of between ₦10,000 and ₦500,000, another 40% of the respondents also have a start-up capital of between ₦501,000 and ₦1,000,000 whereas the remaining 20% have a start-up capital of between ₦1,001,000 and ₦10,000,000. None among the respondents has a start-up capital of above ₦10,000,000. The table points out that SMEs in Gombe metropolis do not require a huge unbearable start-up capital.

On whether they have access to credit facilities or not, the table above shows that, of the 50 sampled respondents, only 20 covering just 40% of the respondents responded in the affirmative that they have access to credit facilities. 30 respondents who are in the majority representing 60% do not have access to credit facilities. This is a pointer to the fact that the businesses though easy to start will lack additional capital for expansion. Of the 50 respondents, 40 representing 80% have not enjoyed any form of support from the government of Gombe State. The remaining respondents (i.e. ten) representing 20% have enjoyed support from Gombe State Government. This, like lack of access to credit will hamper the expansion capabilities the said businesses.

Findings on the possible sources of raw materials for the selected respondents indicated that out of the 40 respondents who responded to this question, 50% (i.e. 20) get their raw materials locally. 25% of the respondents get their raw materials through import and the remaining 25% get their raw materials through the combination of the two sources. The possible sources of machinery for these businesses as indicated in the table above are two, 50% of the respondents use imported machinery for their businesses. The remaining 50% of the respondents use locally made machines for their businesses. From the three possible ways of marketing of products
available to the sampled respondents, taking the products to the local markets appears to be the only way utilised by the businesses. This is buttressed by the responses of all the respondents as they all went for that option.

Only 40 respondents responded to these questions and their responses differ. Of the (330) responses, One Hundred and Seventy (170) responses representing (52%) suggested that they (the factors) affect the businesses seriously. 60 responses covering (18%) indicated that they have mild effect on the businesses. While the remaining 100 responses equivalent to (30%) revealed that the factors do not have effects on the selected businesses. Inadequate working capital has a total of 30 scores, 20 of which indicate that it affects the businesses seriously while the remaining 10 scores suggest that it only has mild effect on the businesses. Non-Availability of raw materials has an aggregate score of 40, 20 each indicating serious and mild effects respectively. Availability of spare parts together with high interest rate has general scores of 40 each, serious and mild effects have 10 scores each and no effect has 20 scores in each case. Non-Availability of credit has a total score of 40, 20 each representing serious effect and no effect respectively. Lack of good roads is another factor with total of 40 scores, 20 of which have indicated serious effects; ten each have mild and no effect. Poor communication and lack of machinery have 30 scores each, serious effect has 20 each and no effect has ten score each. From the scores, Lack of skilled manpower is the factor with the severest effect on the businesses; it has a total score of 40, but 30 of them showing serious effect and the other showing no effect.

Conclusion and Recommendations

The results and discussions above have brought out the problems and prospects of Small and Medium enterprises particularly poultry production businesses in Gombe metropolis. From the discussion of the results, the study finds that, SMEs span along sole proprietorship and partnership businesses, also people can engage themselves in SMEs for the period of their life. The study discovers that SMEs in Gombe metropolis like SMEs in America, Japan, and Germany etc have the potential of employing many people. The study finally discovers that SMEs particularly poultry production businesses in Gombe metropolis do not require a huge capital outlay to start. The study on the other hand finds that SMEs in Gombe metropolis do not have access to credit facilities, also majority of the sampled respondents do not enjoy any form of support from the Government of Gombe state. The results reveal that majority of the respondents get their raw materials from local sources and is usually more expensive, also they use both locally and internationally made machines. The study also uncovers that all the respondents market their products in the local markets. The researcher lastly discovers that of the general identified factors hampering the flourishing of SMEs, lack of skilled manpower is the factor having the severest effect on poultry production businesses of SMEs subsector in Gombe metropolis.
Since Small and Medium Enterprises in Gombe metropolis play an important role of providing employment opportunities to the teeming population and that they are simple to start, the study recommends that SMEs should be encouraged by government and other stakeholders to ensure growth and continued survival of the businesses. Given their importance to nation building, accessible credit facilities should be provided to them and the government of Gombe state should be assisting them by patronising their products. The government should also provide them with enhanced machines and cheap raw materials to reduce production costs to enable their products compete with other products in international markets. The Government, research institutions, universities and colleges should be organising training for the SMEs to equip them with the latest and improved ways of conducting their businesses to put them in a good competitive position.

References


