

Assessment of The Challenges Facing SMEs in Sardauna Local Government Area of Taraba State

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ABSTRACT

The study assessed challenges facing SMEs in Sardauna Local government area of Taraba State, Nigeria. Descriptive statistics (Pie chart) was used to analyzed 400 samples size. The study revealed that lack of capital (17%), marketing problems (22%), lack of resources (18%), lack of skilled man power (11%), unavailability of modern and affordable technology (8%) and lack of basic infrastructure (24%) were the challenges facing SMEs in the study area. The study recommended that there should be policies to encourage people in venturing in to SMEs.

Keywords: SMEs, Challenges, Descriptive Statistics

INTRODUCTION

The growth of the SMEs is vitally necessary for employment, income generation and poverty reduction in developing economies. In Nigeria, governments at all level (Federal, state and local) through budgetary allocations, policies and pronouncements have signified interest and acknowledged the crucial role of SMEs to social and economic development. Hence made policies for the promotion and development of the SMEs and Taraba state is not an exception. These policies and programs include Entrepreneurship Development Funds (EDF), Community-Based Poverty Reduction Programme (CPRP), Community and Social Development Project (CSDP), Trade Intervention Funds (TIF), and Rescue Teachers Programme which have now been fully implemented at the state and local level. However, there is a progress in the growth of SMEs but this has not been translated into any drastic reduction in poverty in Sardauna local government area.

Although studies such as Micah, D. J., Okafor, E. E., Idowu, O. A., & Orija, S. J. (2017) examined the sustainability of SMEs in Taraba state. Nyameh, J., Ibrahim, M. H., Victor, T., & Idrus, H. (2019). studied the role of business environment on the establishment of SMEs in the state. Saidu, A., & Modibbo, A. (2014). studied the empirical assessment of the role of small and medium enterprises equity investment scheme (SMEEIS) towards the development of SMEs in Taraba state. However, despite the contributions of these studies less attention has been given to assessing the effect of SMEs on poverty reduction in Taraba state. It is in view of this the study attempts to bridge the gap by looking at the challenges facing SMEs in Sardauna Local Government Area.

LITERATURE REVIEW

This section presents the following subheading which includes conceptual issues of poverty, empirical review, small and medium scale enterprises, concept of poverty, and dimensions of poverty, measures of poverty, monetary measures of poverty, construction of official poverty line, empirical literature were review in line with the objectives, these are contribution of SMEs on poverty reduction, SMEs sources of finance, and the challenges facing SMEs,

Conceptual Issues

This sub-section defined and explains different, terms and ideas relevant to the study. It dwelt mainly on the concept of small and medium scale enterprises, concept of poverty, the dimension of poverty, and the measurements of poverty.

Small and medium scale enterprises

The Federal Ministry of Commerce and Industry (2015) defined SMEs as firms with a total investment (excluding cost of land but including capital) of up to 750,000 Naira, and paid employees of up to fifty persons. Ilori, E. O. I. (2017) defined small scale enterprises as businesses with ten to forty-nine people with an annual turnover of five to forty-nine million naira, while a medium scale enterprise has fifty to one hundred and ninety-nine employees with a annual turnover of fifty to four hundred and ninety-nine million Naira. The contribution of SMEs has been recognized as vital to the development of an economy as they possess great potentials for employment generation, improvement of local technology, output diversification, development of indigenous entrepreneurship and forward integration with large scale industries. Ikon Michael, A., & Chika, C. A. (2018). The definition of SMEs varies from country to country and even within sectors in the country. However, metrics commonly used in defining SMEs include the number of employees, revenues, or fixed assets. Ikon also opined that SMEs have long been catalysts for both industrial growth and economic growth of nation for both in developed and developing countries and they play an important role for employment generation, facilitator of economic recovery and national development. With the increasing number of SMEs in the country, the need to reconcile their policies, programmes and activities became very important and this led to the formation of Small and Medium Scale Enterprises Agency of Nigeria (SMEDAN) in 2004, this agency was established by the government for the sole aim of regulating the activities of SMEs in the country.

Moreover, statistics by national poverty eradications programmes (NAPEP) shows that national unemployment figures in Nigeria are 70%. Out of 10,110,000 graduates produces by about 149 tertiary institutions in the 2008/2017 academic year, only 1,000,000 representing 10% were able to secure formal jobs while the rest were left at the mercy of the labor market Safiriyu, A. M., & Njogo, B. O. (2012). Development experts have identified corruption and neglect of the strategic role of small and medium enterprises as some factors responsible for underdevelopment. Given the vital contributions which SMEs play in developed and developing economies and considering the on-going reforms by the government of Nigeria, which are primarily aimed at creating wealth, reducing poverty, generating employment, re-orientating values, and stimulating real economic growth, it becomes compelling for the SME sub-sector to be revitalized toward playing its expected roles.

Concept of Poverty

Poverty has to do with absence of resources to command means of livelihood. Over time, there has been no agreed upon definition of poverty due to its multi-dimensional nature. By using the standard of living as a criterion for poverty. Magaji, M. S., Baba, R., & Entebang, H. (2017). defined poverty as a

condition in which resources of individuals or families are grossly inadequate to provide a socially acceptable standard/condition of living. However, poverty has been a challenge to governments in Nigeria. Its effect, which includes lack and deprivation in the basic necessities of life. In Nigeria government and people in authority almost always strive to ensure that adequate structural programmes are enshrined to see that poverty if not eradicated, is reduced to the barest minimum. Poverty has earned recognition in the extent of its ravaging society and the affairs of humanity at the international, national and local levels. The need exists now for urgent actions towards its eradication and control. Uduakobong, S. I. (2015) stated that the causes of this state of poverty in the country may be traced to these factors which includes, Corruption, Bad governance, Unemployment, Low productivity, Lack of effective skills training etc.

Dimensions of poverty

Poverty affects many aspects of human condition, including physical, moral and psychological. According to Anyanwu, J. C. (2001) a concise and universally accepted definition of poverty is elusive. Different criteria have been used to conceptualize poverty. Most analyses follow the conventional view of poverty as a result of insufficient income for securing basic goods and services. The concern here is with the individual's ability to subsist and to reproduce himself as well as the individual's ability to command resources. Forae, O. F., & Benedict, A. O. (2011) opined that many other experts have conceptualized the poor as that portion of the population that is unable to meet basic nutritional needs. Others view poverty, in part, as a function of education, health, life expectancy, child mortality; they also identify the poor, using the criteria of the levels of consumption and expenditure. One of the most common manifestations of poverty is the denial of access to the basic necessities of human existence and Social deprivation. These involve the barriers to full participation in social, political and economic life.

Furthermore, the poor can be generally identified as those who are unable to contribute adequately to the productive process to warrant an income that would raise them above the poverty line. Those for whom the economy has failed to provide jobs, that is, those who are willing and capable of earning an adequate income if only jobs were available. Those whose opportunities to participate in the productive process are restricted by discrimination of various kinds; sex, age, and race. (Forae, O. F., & Benedict, A. O. 2011)

Challenges of SMEs

Most research scholars, experts and economists revealed that SMEs are facing many challenges in terms of production, marketing, finance, Human resources, and some external factors like insecurity, poor infrastructures, and lack of government support. Siti,(2009). Expressed that small organizations are facing problems relating external environment like power, market place, customer related factors. Aruna (2015) reviewed that SMEs are facing problems relating to banking, finance facilities, availability of sustainable technology, marketing problems, lack of resources, lack of skilled man power etc. the study identified that financial constraints and also issues relating to power and non-availability of skilled man power, and raw material. Neeru Garg et al (2012) reviewed that SMEs are facing numerous problems relating to obtaining credit, lack of government support, identifying technology, industrial training, quality control etc. the study concluded that SMEs are facing numerous problems from large and medium enterprises in aspects of production and marketing.

However Gisha Mathai (2015) studied the problems faced by SMEs in India, the study revealed that SMEs are facing problems relating to lack of credit facilities from banks, infrastructure problems, unavailability of raw materials, lack of technology, lack of training, lack of skills both managerial and technical, lack of laws pertaining to labour, competition from large companies etc. The study recommended

the implementation of training and development awareness programs, research and development facilities, meeting consultants. Neeru Garg (2014) expressed that there are many problems faces by SMEs in Nigeria, the study highlighted the major challenges faced by SMEs are lack of finance, IT literacy, management skills, financial and human resources, infrastructure, lack of knowledge on foreign markets and market information. Sangita G.Patil & P.T. Chaudhari (2014) reviewed that growth of SMEs was increased from year by year with an average number of registered units in SMEs sector. The study identified SMEs problems as relating to man power, lack of credit assistance, organized marketing, inadequate infrastructure, competition, poor planning, managerial skills, transportation facilities, lack of power, lack of ware housing facilities, and lack of information. Das (2008) reviewed that there are many constraints faced by SMEs which are credit facilities, technological upgrading, inadequate infrastructure, poor transportation facilities etc.

Mehta, M. C. (2013) reviewed that lack of finance, low on production capacity, lack of skilled man power, lack of infrastructure facilities, and lack of industrial estate facilities etc. the study concluded that government should consider these factors influencing SMEs in formulating of any schemes or programs. Mishu Tripathi (2016) studied the major six challenges and elaborates them with multiple dimensions like insufficient finance and credit instruments, complicated regulatory policies for starting a business, unavailability of modern and affordable technology, lack of basic infrastructure facilities, absence of exclusive marketing platforms and distribution networks, inflexible labour laws and availability of affordable skilled labour. The study concluded that government should implement some schemes for encouraging SMEs. Ali et al (2015) carried out a study on the Security Challenges and the Implication for Business Activities in Nigeria, The study was centered on the general challenges of insecurity on SMEs in the country and secondary data was used to arrive at the recommendation and conclusion, this shows a clear gap that this study needs to focus. The study revealed that the major implication of insecurity and Boko-Haram insurgency includes, the destruction of Small and Medium Enterprises and which result in another crisis in the society

Nafiu, Okpanachi and Nurudeen (2014) examined the Impact of Terrorism on Small and Medium Scale Enterprises Mortality Rates and Standard of Living in the Northern Region of Nigeria, the study was centered on the rate of SMEs mortality in the region thereby neglecting the role of the SMEs in reviving the region. The study reveals that insurgency leads to high rate of SMEs mortality. The study was narrowed to the rate of mortality of SMEs and completely avoided how to empower the entrepreneurs and the entire zone, this would have been the point of concern and knowing how and when to do so. SMEs were said to be the engine of economic growth, and it is obvious that its plays a great role in developing the society, which north-east cannot be the exception, hence, the need for its role. Been checked and identified the implication of Boko Haram on northern Nigeria, the key amongst them is the crippled business operation which SMEs contribute significantly, therefore, there is a need to examine or assess the role of SMEs in rehabilitating north-eastern part of Nigeria.

Adeolu, A. M. (2017). Examined the critical barriers militating against the growth of SMEs in Nigeria Using purely descriptive approach, the study examined the new perception of SMEs and their place within the neoclassical literature. Within the Nigerian context, the study identified policy inconsistency, unpredictable supply of raw materials unstable macroeconomic, poor or non-existent infrastructure, bureaucratic bottlenecks, lack of access to short and long term funds, inadequate business support services and reliable databank for planning as serious problems confronting SMEs. Government policies must therefore address these serious problems, particularly creating a legal environment that encourages private sector participation in the provision of infrastructure required for the SMEs to thrive.

METHODOLOGY

The study used both primary data source. The primary data were obtained through the use of structured questionnaire. The questionnaire was categorized into three sections, where section A captured the demographic information of the respondents. Section B captured impact of SMEs on poverty reduction in the study area. Section C captured the SMEs sources of capital.

The population of the study area comprises of the total number of households in Sardauna Local Government Area. According to National Bureau of Statistics (2006), an average person per household in Taraba State is 5.1 persons to each household's head. It is estimated that for each 5.1 number of persons, there is a household. Therefore, dividing the total number of the projected population of Sardauna Local Government which was 299,800 in 2020 (NPC 2020) by 5.1 to arrive at 58,784 numbers of household heads.

In order to select an appropriate sample, Yamane (1967) provides a simple formula to calculate sample size. The sample was purposively drawn from a population of fifty-eight thousand seven hundred eighty-four (58,784) population available, since it wasn't convenient for the researcher to study the entire population; the Yamane (1967) proportionate sampling formula for drawing a justifiable sample out of the total population was applied:

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

Where;

n = required sample size

N = Total number of SMEs in Sardauna Local Government Area

e = Level of significance (5%)

Therefore,

$$n = \frac{58784}{1 + 58784 (0.05)^2}$$

$$n = \frac{58784}{1 + 58784 (0.0025)}$$

$$n = 400$$

Based on Yamani formula, the minimum sample size that was deem appropriate for this study was four hundred (400). This means that 400 hundred sample sizes were drawn from the study area. The study employed descriptive statistics for data analysis

RESULTS AND DISCUSSION

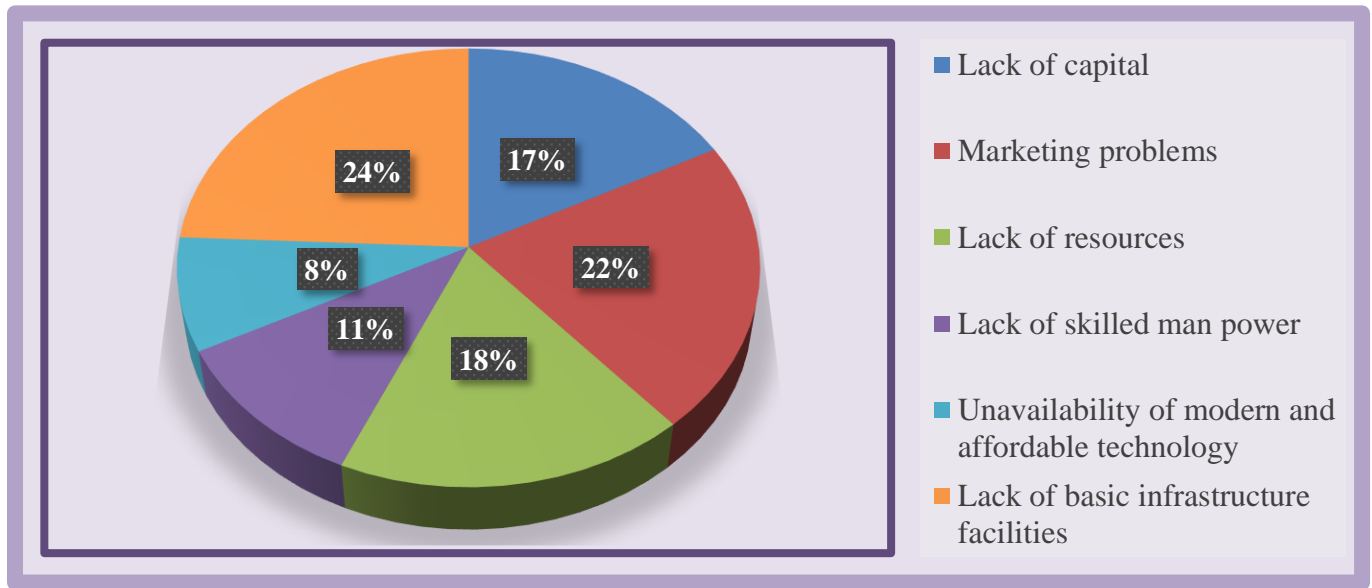


Figure 1: Challenges facing SMEs in Sardauna Local government area of Taraba State, Nigeria.

Figure shows that lack of capital, marketing problems, lack of resources, lack of skilled man power, unavailability of modern and affordable technology and lack of basic infrastructure facilities were the challenges facing SMEs in Sardauna Local government area of Taraba State, Nigeria.

CONCLUSION

The study concluded that lack of capital, marketing problems, lack of resources, and lack of skilled man power, unavailability of modern and affordable technology and lack of basic infrastructure facilities

RECOMMENDATIONS

Based on the findings, the study recommends the following:

1. The study found that SMEs exert significant influence on poverty reduction in the study area. Therefore, there should be policies to encourage people in venturing to SMEs.
2. The government should adopt strategies for encouraging SMEs to have access to capital and also the financial institutions regulatory agencies to develop a template that will enable small business to access loans.

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