

# Factor Militating Against the Development Of Small and Medium Scale Businesses in Geidam Local Government Area

Abubakar Babale Yusuf

Mai Idris Aloomo Polytechnic Geidam Bursary Department

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**ABSTRACT:** The small and medium scale businesses play an extremely vital role in economic development. However, the study explores the fundamental factors that are militating against the development of small and medium scale businesses. The quantitative research design was adopted in this study. Similarly, questionnaire was administered to various small and medium scale businesses in order to generate data. The data was analysed using SPSS software. The research result reveals that small and medium scale businesses SMSB are facing challenges that negate their development. The challenges are lack of access to finance, low access to new technology, lack of book keeping. This study also makes significant suggestions to government on the need to provide a conducive environment for the development of SMSB and insight for business managers on how to manage the prevailing challenges to remain in business.

**Keywords**SMSB, Development, challenges.

## I. INTRODUCTION

Small and medium scale businesses have been accepted worldwide as instrument of economic growth and development of a country. Government, particularly in the developing countries has made incredible efforts and establishes policies to enhance the capacity of small and medium scale businesses (SMSBs). Though, despite government institutional and policies support to ornamental the capacity of small and medium scale businesses, small and medium scale businesses have dropped short of prospects. Small and medium scale business are the main catalyst economic development because they contributed intensely in achieving the fundamental of any national economic activity being the backbone of socio economic progress (Drucker, 2009). Similarly, the significance of small and Medium Scale Businesses (SMSBs) is attributable to its size of service generation, low capital and technology

requirement, use of traditional or inherited skill, use of local resources, mobilization of resources and exportability of products. (Musa, 2015).

## OBJECTIVES OF THE STUDY

1. To examine the changing and pattern of the small and medium scale businesses in Yobe state
2. To analyze the impact, opportunities and contributions of small and medium scale businesses in Yobe state
3. To examine the problems and challenges of small and medium scale businesses in Yobe state
4. To assess the contributions of government and other agencies towards the growth development and of small and medium scale businesses in Yobe State

## II. LITERATURE REVIEW CONCEPTUALISING SMALL AND MEDIUM SCALE BUSINESSES IN NIGERIA

Many scholars have written on small and medium scale businesses in Nigeria. This highlight the significance and relevance of SMSB to the development of any given economy. Small and medium scale businesses have drawn interest among scholar, policy makers and businessmen in general. Similarly, it is concurred that SMSB is an engine of economic growth and development of both developed and developing nations (Robert, 2012). Small and Medium Scale Businesses (SMSBs) are one of the most exciting and profound sectors in Nigerian economy. The significance of small and Medium Scale Businesses (SMSBs) is attributable to its size of service generation, low capital and technology requirement, use of traditional or inherited skill, use of local resources, mobilization of resources and exportability of products. (Musa 2015). However, in Nigeria, Small business was defined by the third National development plan (1975-1980) as a firm that is capable of providing employment to not more than

ten employees. (Taiwo, Ayodeji and Yusuf, 2012).similarly, the

SMSB can be described as catalysts of the future economy; hence, it is necessary to accelerate their growth and to improve their competitiveness (Forsman, 2008). In accordance with the size and possibilities, the SMSB have some specific features. The lack of resources can be emphasized as one of the main problems and a typical characteristic of the SMSB', taking into account that the concept "resources" is reviewed not only from the point of view of the staff, including management, but also from the viewpoint of financial stability and security. These SMSB have consistently served as a vehicle not only for the poor to raise their income but also acquiring and applying skills to raise productivity.It is for these reasons that successive Nigerian governments, since independence, have always tried to promote SME sector through a complementary range of fiscal, financial and advisory services. Similarly, small and medium scale businesses have contributed greatly to the growth of developing economies, accounting for increase in GD, through job creation, generating income and providing source of livelihood to majority of low income households (kombo et al, 2011)

**FACTORS AFFECTING SURVIVAL AND GROWTH OF SMSB:** Salimzadeh et al. (2013) proposed the theoretical model of sustainable development of small and medium enterprises in Australia with two main groups of factors: internal and external factors where external factors affecting the development of small and medium-sized enterprises mainly coming from 3 parties: customers, government and stakeholders. Bouazza et al. (2015) performed an analysis of factors affecting the growth of SMEs in Algeria and showed a group of external factors including business environment, state policy, legal system, support policies of localities, customers and markets. These factors belong to the environment

outside the enterprise, not being under the control of the enterprise, it constantly affects the entire business operation as well as the development of enterprises. In this study, the authors focus on assessing the impact of policies from government and related parties on the survival and growth of SMSB. The success of small and medium sized enterprises is closely linked to local economic conditions because the market growth of small and medium-sized enterprises is often at the same level as that of the macro economy in general, so if the economic downturn, small and medium enterprises will also face difficulties (Berry et al., 2002). it was found that leading factors that hinder the development of enterprises include high tax, complicated law system, complex administrative procedures...All of the negative effects mentioned above are related to policies from the Government. The importance of SMEs to the economy of a country indicates how important it is to have government policies that support SMEs, including regulations that enable them to operate efficiently and regulations that reduce their administrative costs (Harvie and Lee, 2005).

### III. METHODOLOGY

Quantitative research was adopted for the purpose of this research study, quantitative research method is employed because it is assumed to be suitable for this study. However, this method is the most common form of data analysis in which questionnaires are sent out to collect quantitative data as required in the research design (Yin, 2010). The quantitative research method is the most common data analysis method, questionnaires are administered to collect quantitative data as indicated in the structural design (Bechoret et al, 2010).

### DATA PRESENTATION AND DISCUSSIONS

#### What do you think are the challenges of small businesses

Effect Level	Frequency	Percent	Valid Percent	Cumulative Percent
Lack enough fund	27	28.4	28.4	28.4
The problem of bookkeeping	8	8.4	8.4	36.8
Managerial knowledge	26	27.4	27.4	64.2
Multiple tax				
Infrastructure (source of energy)	24	25.3	25.3	89.5

Total	10	10.5	10.5	100.0
	95	100.0	100.0	

One hundred questionnaires were sent and only 95 was retrieved, however of the total response on the challenges that are militating against the development small and medium scale businesses 28.4% agreed that source of finance is the basic challenge that impacted negatively on small and medium scale businesses. Similarly,

27.4% of the respondent opined that the problem of accountability and knowledge of bookkeeping is affecting the development of SMSB, while multiple taxation accounted for 25.3% and infrastructure such as erratic power supply, road network and security has 10.5%.

**What do you think Government should do to overcome the challenges facing small and medium scale business**

Response	Frequency	Percent	Valid Percent	Cumulative Percent
	13	13.7	13.7	13.7
	40	42.1	42.1	55.8
Tax holiday for SMSB for 10yrs	36	37.9	37.9	93.7
Provide loans at affordable interest				
Reduce, exempt or postponed value added tax	6		6.3	100.0
Improve infrastructure		6.3		
Total	95	100.0	100.0	

From the response 13.7% opined that the government should as a matter urgency impose 10years tax holiday for small and medium scale businesses to be able to consolidate their positions before commencing tax payments this according to them may likely help the to grow and contribute to economic development. Seemingly.

42.1% suggested for exemption, and reduction of value added tax (VAT), AND 6.3% suggest that construction of roads linkage from rural areas to urban centers and provision of steady power supply may also stimulate the growth and development of small and medium scale businesses.

**IV. CONCLUSION AND RECOMMENDATIONS**

It was established that small and medium scale businesses (SMSB) is an engine of economic growth but it was facing a multifaceted challenge that are militating against their development. However, the following, are the few challenges

identified that are acting as a bottleneck to its development.

1. Lack of adequate finance.
2. The problem of book keeping
3. Lack adequate support from the government
4. Dilapidated infrastructure
5. Multiple taxation

**V. RECOMMENDATIONS**

The federal government need to harmonized tax collecting agencies under one tax regime charge with the responsibilities of collecting tax from SMSB to avoid multiple taxation on the small businesses. Government should also make it mandatory for both commercial banks to provide financial window for small businesses to access loan on single digit interest, it should also strengthen microfinance policies that will ensure strict compliance by microfinance banks in issuing loan to small businesses as at when due. Support agencies like small and medium enterprises development agency of Nigeria (SMEDAN) need to provide a platform for

consultations and organize retreat for small business proprietor on management and bookkeeping. Government need to accelerate its efforts in upgrading existing infrastructures and constructing new roads, to provide required linkages from rural areas to urban centers. Similarly, there is also need for government to provide right type of incentive that is crucial to helping SMSB adjust to the new realities they are confronting to enable them to remain competitive, thus providing employment and stimulating income. It is significant to provide tax holidays and other financial stimulus for small businesses to be vibrant and contribute to the growth and development of the nation

#### VI. ACKNOWLEDGEMENT

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