

CAUSES OF FAILURE ON NIGERIAN SMALL-SCALE INDUSTRY (A CASE STUDY OF HILL STATION HOTEL JOS)

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Abstract: The aim of this research work is to highlight the problems facing small-scale industries in Nigeria. I have briefly examined in the introductions the definitions and roles of small-scale industries in Nigeria and the major problem facing them. I have also endeavored to offer feasible solution to these problems. This study has been divided into five main chapters, in chapter 1, I discussed briefly the importance of industrialization in fast growing economy like Nigeria. The causes of failure of industries in Nigeria were highlighted. Chapter two tries to draw attention to the views of different writers, scholars as well as seasoned, and experienced industrialist who wrote or expressed their opinion on the use (causes of failure of industries).

Keywords: small-scale industries, fast growing economy, feasible solution, problems.

1. INTRODUCTION

Different countries of the world have different basis of defining industry. Some define it in terms of manpower; some prescribe a limit on capital investment while others define it on the basis of management structure.

In Nigeria, various criteria are used for its definition. The small-scale industries in 1973 defines such enterprises as those having investment capital, (i.e. land, building, machinery, equipment and working capital of up to N60,000 and employing not more than 50 persons.

But according to the Federal Ministry of Commerce and Industry, to the Nigeria Bank for Commerce and Industry (NBCI) in 1981/82 (for the purpose of the revolving loan scheme for industries). Such enterprise were regarded as those costing not more than N500,000 (including the cost of land but excluding working capital). This definition has been slightly modified by NBCI.

The bank now says that resignation of industries in its guide excess N750,000 including the cost of land. However, the industrial research unit of university of Ile-ife defines a small-scale industry as “one whose total assets in capital equipment plant and working capital are less than N250,000 and employing fewer than 50 full time workers”. In 1984, the Central Bank of Nigeria credit guideline to commercial and merchant banks, small-scale enterprise were resided as establishment whose turnover (sale figure) does not exceed N500,000.

At a recent workshop on industries held at the Administrative Staff Collage of Nigeria (ASCON) Badagry, participants agreed that a small-scale industry should be defined as an enterprises whose cost does not exceed N750,000 (total cost excluding land). ASCON wants this definition to remain in force until 1990.

Nigeria industrialist have set up business in the Agro Based and Allied Industries, Rubber Base Industries as well as Leather, Stone, Chemical, the Metallurgical, Electrical Electronics and Service Industries etc.

Industry occupies a significant place in industrial sector of hospitality like the hill station Hotel.

However, proper guidance is needed for and the country as a whole. This sector provides the consumer goods and services and helped in the development of artisans and managers, given Nigerians greater opportunity to gain experience in factory works and to study the simpler machines imported from abroad. It is evident that the quickest and most

efficient method of industrialization especially in a developing nation like ours is through industries. Where as developed nations such as USA, Britain etc. continue to encourage by all possible means for growth of this class of industry. But in our own case the official attitude both in the national and state level have been lukewarm.

However, the federal government is aware of awakening of Nigerians to be fully involved in managing and directing the country economy, which will not be permanently left in the hands of foreigners.

Therefore, in 1972, the Nigeria enterprise promotions decree other wise known as industrialization decree was promulgated. The decree was aimed at affording Nigerians greater participation in economic activities especially in industrial sector of the economy. The sector in this organization industries in Nigeria are principally concentrates in some part of the country like here in Jos, Plateau and other places in Nigeria including some local government areas that have a number of units engaged in transitional industries and it is estimated that over 5000 small-scale units are accounted to exist in this state according to the official document published in 1987 by the Plateau State Ministry of Finance and Economic Development (Statistics Division). Industries although have received very little government assistance, occupies a significant position in the nations asset which has the greatest alteration for and is indeed the prime mover in any manufacturing industry, is the existence of a large market.

The federal government and various state governments are now emphasizing the need for rural industrialization. This is mostly because we have perceive the need to diversity our economy thereby receiving our dependence on crude oil which for sometimes now has been hit by the oil glut.

Industries play a vital role in the economic development of this state. The decree gave great impetus to Nigerians interested in setting up small-scale industries. These industries include those of bakery, footwear, agriculture textile, printing, furniture and fixtures publishing and allied products, jewelry, saw milling fabricated metal product etc.

In Hill station Hotel, from 1995/2000 to my own understanding, the government are not doing well in aspect of management and funds in that organization, many official statement in the past four years consisted paying lip service without removing the encumbrances facing the small and probably medium scale industries in the state.

The small industries like Hill station Hotel apart from being hampered by finance, technical and managerial, marketing and economic problems and so on, have the problem of lack of trust among the industrialists, they are not always ready to share ownership of their business even when it involves their own relations. We used to forget that this is the class of industries needed in our rural areas if we hope to cope with the problem of unemployment and continued population drift from the rural areas to urban cities.

Furthermore, if given a proper environment and guidance, industries in that are capable of accelerating the tempo of the states' industrial development which eventually will make food shortage a thing of the past.

Industries in most cases make use of the local raw materials and labour rather than capital intensive, this encourage the development of local technologies and I believe that the aim of the proposed organization by our present Governor Joshua Dariye will be achieved through rural industrialization.

There is no guarantee of any long rang continuity of existence of a small-scale industry.

2. REVIEW OF RELATED LITERATURES

Much has not been written on the cause of failure of small-scale industry in Nigeria, in any case, attempt has been made for the researcher to lay hands on the following reviews based on textbooks, journals dailies etc.

However, Obidigbo Chike (1986) opined in his article on the problems facing small-scale firms in these country stem mainly from the psychological unpreperedness of the enterprises themselves. According to him, many people go into business of their own without being fully informed of what are involved. Some often fail because they did not give sufficient consideration to the necessary ingredients needed for business survival and success.

According to Edemereyor M. (1985) opined in his article on the causes of failure on small-scale industries, is chiefly amongst the factor which are responsible for the failure of small-scale industries in Nigeria ranges from management deficiencies of inadequate staffing, poor marketing. Problems of inflation, difficulties in obtaining import license and constraints of defective infrastructuring such as poor communication power, water and electricity supply etc.

According to Union Monograph (1969), small-scale entrepreneurs are generally unaware of the importance of quality and standardization of their products. Apart from their lack of knowledge about standard they may not have the facilities, their machinery and equipment are not always the best and they often lack the equipment for quality control and testing.

Osaze, Bob E. (1986) opined in his article on the development of small-scale industries in Nigeria, has to say having extolled the virtues and the socio economic importance of small business in Nigeria, this article have focuses attention on the major problem which small enterprises face in their country. Essentially three major problems face the small enterprise in Nigeria: finance and financial control, managerial capacity and capability technology.

In view of the above, I am of the view that the fact that more now business than old ones fail can be interpreted to mean that inexperience and incompetence are obvious functions of failure, which can result from lack of knowledge.

2.1 THE PREDOMINANCE OF SMALL-SCALE INDUSTRIES IN NIGERIA

Small-scale industries are found significantly in every nook and cranny of Nigeria. They could be linked to frontline troops in the battle for even development of a nation. An international finance corporation (anonymous) study estimated the number of modern sector small-scale enterprise in Nigeria at 90,000 and 125,000 in 1972 and 1983 respectively, suggesting an average annual growth rate of 3.5 percent between 1972 and 1983. If it is assumed that this growth rate had been maintained since 1983 the number of modern small-scale enterprises in Nigeria could have been about 320,000 in years 2001. The small and medium enterprises sector employs about 50 percent of labour force in Nigeria.

2.2. GOVERNMENT POLICIES FOR PROMOTING SMALL-SCALE INDUSTRIES

In realization of the importance of promoting small and medium enterprises (SMEs), the Federal Government has continued to play pioneering and active roles. The first serious policy to promote the development of SMEs came in 1970. To this effect, the small-scale industries division of the federal ministry of industries was established to initiate and implement policy on the promotion of small-scale industries in Nigeria and in the same year, the Industrial Development Centers (I.D.Cs) were established to provide technical support and man power training facilities for industries.

Its policy objectives in the context are summarized as follows:

- Industrial development and national integration through industrial dispersal.
- Provision of greater employment opportunities.
- Increasing local raw material output, (use of local raw materials to promote greater linkages and backward integration to raise the general level of economic activity).

Accordingly, the government has employed a combination of monetary and fiscal measures as well as industrial incentive to enhance the achievement of the desired goals. It has enunciated policies through National Development Plans, Annual Budgets, and its agencies to provide financial and technical assistance to SMEs.

2.3 CONTRIBUTION TO NATIONAL ECONOMY

The small-scale industries have great potentials in the development of entrepreneurial culture, contribution to employment and value added, technological development and economic resurrection as being a vehicle for introducing equitable distribution of income. The small-scale industries have been as superior in the use of local raw materials compared to large-scale enterprises. The 1999 author's survey revealed that small-scale enterprises utilized only 30% of imported raw materials. Reliance on local raw materials is usually linked to a country's technological capability. For example in Nigeria there have been a number of breakthrough in the small-scale enterprises. Composite floor are been produced from raw material such as yam, cassava, maize and rice, while biscuits have been made from plantains. As most small-scale enterprises are indigenously owned, they are free to adopt any technology that becomes available unlike large scale enterprises that are mostly affiliated to foreign companies.

The small and medium scale enterprises serve as training grounds for local entrepreneurship as many of them would most probably develop into large enterprises. Indigenous entrepreneurs are very essential in the process of economic growth and development for a developing country like Nigeria. They also offer excellent breeding ground for entrepreneurial and managerial talent.

The small-scale industries are vehicle for introducing equitable income distribution as well as improving both forward and backward linkages between economically socially and geographically divers sections of the economy (Nwankwo 1992). They tend to be more evenly distributed than large scale enterprises which as a result of large number of workers they employ, they are major sources of income, partialy in small towns and rural areas.

3. RESEARCH DESIGN AND METHODOLOGY

Chapter one deals with the definitions of small-scale industry and its importance in any developing or developed economy. In chapter two the related literatures were reviewed. But; the present chapter deals with the population sample source of data, methods of collection of data, description of instrument used and instrument for data analysis.

3.1 SOURCES OF DATA

The following sources helped me in collecting the information used in this study.

1. Ministry of economic planning statistics division Jos
2. Plateau state ministry of commerce and industry
3. Federal ministry of commerce and industry
4. Related textbooks
5. Magazine and newspaper publications
6. Existing journals
7. Industrial development centers
8. Valuable information was also collected from the various walks of life concerning the topic
9. Visits and field studied of small-scale industries in Plateau State.

3.2 SAMPLE USED

According to official figure in 1983 (from Ministry of Commerce and Industry) Kano State has about 5,332 small-scale industries as at then. In view of above difficulties, the study was limited only to a certain geographical areas of Northern Central Nigeria. Attention was directed on the four major industrial areas, Kaduna, Bauchi, Benue and Nassarawa state environs, taking into cognizance that Plateau state is the nerve centre of north central economic activities and also one of the major industrial area of the states.

3.3 DATA PRESENTATION AND ANALYSIS

After I have collected the questionnaire from the respondents, I went through the information supplied there in and deductively analyzed and draw out the facts and figured presented on the causes of failure of small-scale industry in Nigeria.

I made use of percentage (%) companion in analyzing the data collection. And in analyzing table 1 (description of the establishment). I discovered most of small-scale industries in Kaduna, Bauchi, Nassarawa and Jos environs.

In Nassarawa there are about 183 small-scale industries. In Kaduna areas we have about 543 while in Plateau area, they are around 1464. Below is the industrial classification used in this report.

TABLE I

ISIC	Classification of industry	Nassarawa	Bauchi	Kaduna	Plateau
3116	Grain mill production	6	80	46	20
3117	Manufacture of bakery product	2	16	12	5
3220	Wearing apparels	2	5	4	10
3233	Bag making	10	6	16	40
3240	Manufacture of foot wears	6	3	10	68
3311	Saw milling	6	14	16	20

339	Carving	8	5	3	7
	Manufacture of wooden furniture and fixture	50	15	24	16
3420	Printing and publishers	15	55	11	40
3620	Glazing	10	5	4	2
3811	Black smiting	40	2	4	1
3902	Fabricated metal prop.	2	5	89	30
3902	Jewelry	8	15	-	29
3909	Arts and drafts	10	10	-	32
	Total	183	2141	543	2464

SOURCE: Ministry of Economic Development and Planning Enugu.

The code assigned to the various manufacturing activities covered in this report is based on the revised international standard industrial classification of all economic activities.

3.4 STATEMENT/TEST OF HYPOTHESIS

Hypothesis I

H0: Inadequate financing has not contributed to the failure of small-scale industries.

H1: Inadequate financing has contributed to small-scale industries.

CHI SQUARE TABLE

Response	O	E	O - E	(O - E) ²	(O - E) ² E
Not contributed	17	15	2	4	0.3
Contributed	13	15	-2	4	0.3
TOTAL	30	30			0.6

Assumption = level of significant = 0.05 degree of freedom

DF = (R - 1)(C - 1)

DF = 1

X² = $\frac{(17 - 15)^2}{15} + \frac{(13 - 15)^2}{15}$

$\frac{4}{15} + \frac{4}{15}$

X² = $\frac{4}{15} + \frac{4}{15}$

X = 0.3

Acceptance Zone

0.6

Rejection Zone

X² = 0.3 + 0.3 = 3.841

= 0.6

Determine the critical value X²

Compare the two values

$$\begin{aligned} X2 \quad \text{critical} &= 3.841 \\ X2 \quad \text{calculated value} &= 0.6 \\ X2 \quad \text{calculated value} &< 3.841 \end{aligned}$$

DECISION: ACCEPT H1

Inference since the critical value of X2 is greater than the calculated value, this means that inadequate finance contribute to the failure of small-scale industries.

Hypothesis II

H0: Congestion of industries to a particular project has not contributed to the failure of small-scale industries.

H1: Congestion of industries to a particular project has contributed to the failure of small-scale industries.

CHI SQUARE TABLE

Response	O	E	O - E	(O - E) ²	(O - E) ² E
Not contributed	15	20	-3	25	1.25
Contributed	15	10	+2	25	2.50
TOTAL	30	30			3.75

$$DF = (R - 1) (C - 1)$$

$$DF = (2 - 1) (2 - 1)$$

$$DF = 1$$

$$X2 = \frac{(15 - 20)^2}{20} + \frac{(15 - 10)^2}{10}$$

$$X2 = \frac{25}{20} + \frac{25}{10}$$

$$X = 3.75$$

Acceptance Zone

3.75

Rejection Zone

$$X2 = 1.25 + 2.50 = 3.841$$

$$X2 = 3.75$$

Determine the critical value X2

$$\text{Critical value} = 3.75$$

Compare the two values

$$X2 \quad \text{critical} = 3.841$$

$$X2 \quad \text{calculated value} < \text{critical value i.e } 3.75 < 3.841$$

DECISION: ACCEPT H1

Inference: Since critical value X_2 is greater than the calculated value X_2 , this means that congestion's of industries to a particular project has contributed to failure of small-scale industry

4. SUMMARY OF FINDINGS

We saw from data analysis that majority of small-scale industries are mainly concentrated in Kaduna, nassarawa, bauchi and Plateau.

In any case, it is most surprising that these states have no accurate data regarding the number of small-scale industries. For instance, during my personal interview with the secretary of the fund for small-scale industries (FUSSI) section of the Plateau State Ministry of Commerce and Industry. I was told that this ministry has just set a machinery that will take statistics of small-scale industries in the state that have ceased to exist.

Based on the official figure published by the statistics Division of the Ministry of Finance and Economic Development, Jos there were about five thousand, five hundred and thirty one (5531) small-scale industries in the state as at 2000.

It is surprising to discover that manufacturers of bakery products in the state has fallen to 13 in the years 2000 compared to 29 in 1984. some entrepreneurs shun the statistical officers who come to interview them and refused to declare the business to the government.

1. Because of the above, some states do not have any statistical data regarding these small-scale industries.
2. Majorities of our small-scale industries are sole proprietors and their major activity centers mostly in the agriculture and in furniture and fixtures section then in other areas of manufacturing.
3. Shortage of capital fund effects the small-scale industries and this has been attributed to inadequate financing by both the federal and state governments to take care of their increasing working capital needs. Considering the facts that finance actually the hub around which a business flourishes, inadequate funding could strangle business ventures.
4. Almost 100 percent of the small-scale industries in plateau State do not have marketing sector in their organizations.
5. On the issue of marketing research, 62.6 percent of interviewed industries said that they do not practice anything like marketing research. They do not even embrace the marketing concept and always hold the view that any product manufactured or constructed will receive market acceptance thus they forget that technology and innovation are vital ingredients in marketing.
6. 99 percent of the respondents were of the opinion that some of the measures adopted by the government to check economic activities affecting small-scale industries adversely for example, restriction on the importation of spare parts, this could lead to business failure.
7. It is not enough to dump into a business, what accounts for the success of any business is the effective management of these funds.

5. CONCLUSION

Based on the foregoing finding in this research work, the following conclusions have been drawn, based on the major causes of failure of small-scale industries in Nigeria.

1. Shortage of funds is a problem to small-scale industries and any enterprise that lacks fund cannot perform its marketing activities efficiently and effectively. Finance is the hub around which a business revolves.
2. Secondly, the small industries in the area of design packing colour, labeling advertising public relations, sales promotion and publicity receives improved marketing techniques. Also, one can easily discover that lack of effective demand for made in Nigeria goods has its own share as a contributor to the failure of these small-scale industries.
3. Finally, ignorance on the parts of our investors to realize importance and value of research in business affects the growth of small-scale industries.

In the final analysis, I wish to conclude that good marketing system is an indispensable instrument of development as far as small-scale industries are concerned and therefore, a meaningful industries take off cannot easily be accomplished on organized marketing system.

6. RECOMMENDATION

In the light of the above conclusion, I proffered the following recommendation based on the major findings in this research work.

1. On the issue of finance, I strongly recommend that adequate provision of capital fund should be made to the small-scale industrialists in the state so as to prevent their business from being stifled at birth. This could be achieved through subsidies, loans (long term) with low interest rate by the government and financial institutions.

The financial problem could be that this finance is inadequately shortage provided mismanagement of funds or misappropriation. Although shortage of capital is a problem to small-scale industries. But the real problem lies on how their fund is being managed by the entrepreneurs.

Therefore, our young industrialists are advised to provide adequate financial planning in their establishment.

2. I am suggesting that the government (both state and federal) should invest on location of sources, quantities and types of raw materials available in the country, discovering their possible uses developing and improving the resources. This is very important now that the country has limited foreign reserve for importation.

I strongly urge the various government to give incentives to these small industrialists to establish and expand their scale of production. When this is done, it will help to reduce unemployment, our indigenous technology will be developed, and hence our dream of village polytechnic would be a reality.

3. Moreover, I am of the opinion that the provision of industrial be encouraged by the government because lack of suitable accommodation impedes the rapid development of these industries.

The construction of industries estates with factory sheds, followed by development with related marketing, infrastructures like access roads, to enhance easy transportation drainage, power, and water supply etc. should be given adequate attention by the various governments.

4. It is very important that the government should set up financial and marketing clinics for an effective dissemination of useful information to small-scale industrialist on financial matters and the market ability of their products.

5. Furthermore, it is my recommendation too that the formation or establishment of the state industrial promotional councils and Industrial Development Centers (IDC) is necessary if we are to have an orderly industrial development of the states, these councils when established will as its major functions identify business opportunities and offer incentives to small-scale industries in the state.

The Nigeria populace will no longer depend on Foreign made goods, which helps to endanger our foreign reserve. The importance of these small-scale industries in Nigeria cannot be over emphasized and therefore should be given adequate attention.

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