Industrial Development in Developing Nations: A case study of Nigerian small and medium business enterprises

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THESIS Abstract

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Abstract
The main purpose of this research work was to study the rate of industrial development in developing nations, considering a case of Nigerian small and medium scale business enterprises (SMEs) in order to unlock the potentials that are eminent in the manufacturing sector. Hence, in the absence of basic social amenities and infrastructures (good road for easy access to the market, low interest source of financing and so on) which aided the actualization of industrialization amidst other industrial developmental challenges; this study intended to understudy what strategies have been designed by the new Small and Medium scale Enterprises (SME) for survival and how these strategies can be improved with respect to Nigeria.

A total of 600 SMEs owners and managers were administered questionnaires to. The analysis of this research work was based on the opinion of the successful 517 respondents.

The result obtained from this research suggested that there are no special techniques employed by the SMEs other than the fact that they were able to manage the situation and still ensure business profitability despite the huge economic deficiencies present in the economy.

It was recommended that the government should ensure that there is positive atmosphere for business development and growth by providing basic infrastructural facilities that ensures the actualization of this aim.
Keywords
Industrialization, Entrepreneurs, Environment, Potentials, Infrastructure, Economy, Investment, Developing nation.
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1 INTRODUCTION

Industrialization has been the basis for economic development of any serious minded nation; this is the reason why it is obvious that no advanced nations reached the developed stage without industrialization. “Industrialization has been seen as a veritable channel of attaining the lofty desirable conception and goals of improved quality of life and the populace. This is because; industrial development involves extensive technology-based development of the productive (manufacturing) system of the economy. In other words, it could be seen as a deliberate and sustained application and combination of suitable technology, management techniques and other resources to move the economy from the traditional low level of production to a more automated and efficient system of mass production of goods and services”(Ayodele and Falokun, 2003). As clearly stated by Falokun and Ayodele, industrialization involves developing the economy from its presently low state to a more efficient system of mass production of goods and services in order to improve that quality of life and standard of life of the citizenry.

1.1 Background of the study

The main goal of industrialization is to increase output using the more mechanized system of production. It is evident from above that industrialization is the central theme of economic development and growth.

One of the bottlenecks facing emerging countries and which has impeded economic growth over the years is how to improve her industrial capabilities. Nigeria as a nation is a typical example of this incident. Industrialization is an increase of manufacturing sector in the Gross Domestic Product (GDP) via better utilization of technologies, materials and good labour capabilities. The industrial development comprises of good communication, basic infrastructural facilities and transportation networks as well as all other resources for better production operations (Iwuagwu, 2011). Developing nations lack the basic infrastructural facilities needed to launch them into industrialization as a result of improper and unimplemented policies, thereby make their industrial development slow (Adejumo and Olaoye, 2012; Iwuagwu, 2011). The bureaucratic nature of government policies set up and likewise delay or non-implementation of government approved projects are some of the factors that robbed Africa, Nigeria as a case its destined place in industrialization in global economic stage.
Furthermore, the roles of small and medium size business enterprises in a nation’s industrialization are eminent. These due to the fact, these small firms contribute significantly to the GDP and many of Nigerian government tiers have developed policies and programs to facilitate their activities but surprisingly this industrial sector confront many challenges like inadequate of resources such as absence of financing from the government and also from the banks, political influences (interferences), and poor readiness of entrepreneurs (Adejumo & Olaoye, 2012).

Similarly, Agboli & Ukaegbu (2006) outlined that the business environment appeared to be frustrating for entrepreneurs and thereby made difficulties for industrial development; among the problems stated are official corruptions, regulation for new businesses and business expansion, bureaucratic burden, low access to credit and poor or lack of basic amenities. It is also claimed by Agboli & Ukaegbu (2006) that these problems might not only decelerate Nigeria industrial sector development but also accelerate negative attitude to entrepreneurial activities and industrial improvements.

The above stated problems of industrial development in the developing nations (but specifically Nigeria as a case study) seems to hinder the progress of industrial sector, meanwhile, the previous scholars like Adejumo & Olaoye (2012), Agboli & Ukaegbu (2006), Anderson (1982), Iwuagwu (2011) and Stanley (1985), only to mention few, have argued that industrial development is an important issue for the national development especially for economical purposes. The Nigerian Representative and Regional Director of United Nations Industrial Development Organization (UNIDO) – Dr. Kormawa - states that many manufacturing firms are emerging in Nigeria yearly and there are still many “unlocking potentials” in the country. In view of this, it seems reasonable and relevant to know how the new manufacturing companies start and cope despite the industrial developmental challenges that are eminent in the country and it is worthy to know how their strategies can be improved with the hope of helping other intending business entrepreneurs in other to attain a sustainable developmental programme. Thus, understanding of this phenomenon will contribute to industrial and entrepreneurial developments in Nigeria and thereby reduces the poverty, standard of living of the people and unemployment problems facing the developing nations.
1.2 Purpose of the thesis

The purpose for this research work is majorly to study the rate of industrial development in developing nations, a case of Nigerian small and medium scale business enterprises in order to unlock the potentials that are eminent in the manufacturing sector. It has been argued that industrialization is the benchmark of modern economic development and business growth (Adedoja 2009).

Hence, in the face of absence of basic social amenities and infrastructures (good road for easy access to the market, low interest source of financing and so on) needed for industrialization amidst other industrial developmental challenges; this study intends to understudy what strategies that have been designed by the new Small and Medium scale Enterprises (SME) for survival and how such strategies can be improved with respect to Nigeria.

1.3 Research problem

This research is organized and embarked upon in order to solve certain problems. Some of which are:

- To understand the current state of industrial development of developing nation with Nigeria as the case study
- To understand how new SMEs cope with the challenges of doing business in developing nation despite the absence of basic infrastructural amenities.
- To understand how the measures taken by these SMEs can be improved in order to boost both industrial and economic development in developing nation.

This research work will therefore be proffering solutions to the aforementioned problems while critically analysing the collected data for the research.

1.4 Research approach

The research approaches designed for this thesis were quantitative in nature as questionnaires were served on the some selected SMEs in Nigeria with the hope obtaining relevant and vital information needed for this study. In the same vein, in order
to ensure a successful outcome of this research, the respondent has also interviewed some of the owners of these SMEs with hope obtaining more realistic responses which will serve as check on the information filled in the questionnaire.

1.5 Limitation and Scope of the study

The scope of this study involves researching into the strategies being employed by SMEs in Nigeria in order to cope with the industrial development challenges that are eminent in developing nations. This is to give us an in-depth understanding about how the newly created SME businesses cope despite the absence of basic infrastructural amenities needed for business growth and development. Hence, due to time and other resources constraints the scope of this study is limited to only the SMEs businesses within the major cities of Lagos, Abuja and Port-Harcourt. Since the sample population of this research work is so large, it is unrealistic to interview and share questionnaire for all of them and so the selected sample will be chosen from the selected cities.

1.6 Structure of the study

The structure of this study comprises of five (5) sections as its main parts and these includes the introduction, the theoretical background of the study, the research methodology, the results and analysis; and finally; the discussion and conclusion.
The introduction gives background information about the study. It also explains what arouses the interest in writing this particular topic. This section of the study defines the purpose of the thesis while also explaining the structure of the thesis. Chapter 2 of this study discusses the relevant literature background of the research work and it clearly defines relevant terms like national development, business environment and so on. The economic information of the case country – Nigeria is also discussed in this section of the study. The research methodology forms the major content of Chapter 3. This chapter concentrates majorly on the research strategy used in collecting the relevant data. The various data collection techniques are mention, qualitative and quantitative method of data analysis not forgetting the various methodological limitations that are present in each of the chosen methods. In a nutshell, this chapter is designed to basically give the readers an overview of the research data that were collected, how they were collected and what strategies were employed in the course of the collection. The next chapter, which is Chapter 4 deals with the data analysis and data presentation. The collected data are analysed at this stage and the research hypotheses are also stated. The results
observed from the collected data are critically analyzed and relevant conclusions are also inferred from the result. The last chapter will deal with the observed findings from the collected data, the results will be discussed and suggestions and recommendations will be made.
2 THEORETICAL BACKGROUND OF THE STUDY

This section is designed to majorly describe the theoretical background of the studies. It is purposely meant to give in-depth theories that form the basis upon which the thesis work is define. This chapter treated topics like industrial development, Rostow’s development theories including the various stages, the challenge of Nigerian economic development theories and so on. The characteristics of developing nation were also mentioned and likewise that of the developed countries also.

2.1 Industrial Development

Industrial development could be regarded as the heartbeat of every successful economy; this is due to the fact that it involves production and manufacturing of output in a large scale which simply opens up the economy to the outside world. As the production of the output of the economy increases as a result of mass production of goods and services with the use of better utilization of technologies, materials and good labour capabilities, there is incidence of capital formation which invariably increases the economic performance of the country; foreign investor are wooed into the economy and job opportunities are created which in the long run reduces the rate of unemployment to the lowest minimum and also increase the foreign earning of the country as a result of huge receipts from goods export abroad. As all of these are happening, both the balance of trade and also the balance of payment of the nation become favourable and also there is an improved foreign exchange performance of its currency in the market. This is because the demand for his currency to pay for goods being exported will be higher as compared to what the economy demands to pay for good imported. In the long run, the economic performance of the nation becomes impressive as its Gross Domestic Product (GDP) will positively be affected and likewise other economic indicators. As the foreign exchange earnings of the nation are increasing, the demand for the provision of basic infrastructural facilities needed to drive the nation to its dreamed economic destination is also on high demand. The provision of these basic amenities will in the long-run further open up the economy for advancement and also improved the standard of living of the populace.
2.1.1 Definitions and Explanation

Industrialization can simply be described as a shift in the direction of an economy from a predominantly agrarian economy to manufacturing and industry based economy. Industrialization is generally characterized with the increase in production output as a result of mechanized system of production, the increase in Gross Domestic Product and also income growth, improved standard and cost of living. Industrial development can then be regarded as the advance use of mechanized system of production in order to boost production output so as to achieve certain macro-economic objectives such favourable of payment, stability in foreign exchange, strong global economic presence, improved standard of living of the populace, and so on. A nation do not just attain industrial development, it takes the nation to consciously design strategies that will put its economy on the path of achieving it aims. For an economy to attain industrial development there is need for its manufacturing production output to have a positive effect on its Gross Domestic Product (GDP). GDP is an economic tool that account for the total number of goods and services produced within an economy in a fiscal year.

2.1.2 Rostow’s Industrial Development Theories

Walt Whitman Rostow is an American Economic Historian that postulates this theory and model in 1960. He is of the opinion that a nation’s economic growth happens in five (5) different stages. These five (5) stages are:

- The traditional society
- Transitional Stage (Preconditions for take-off)
- Take-off
- Drive to maturity
- Age of high mass consumption.

Rostow in his model assumes there is a fairly linear relationship between the stages of economic development being experience by countries and he also predefined certain number of conditions that were expected to occur in investment, consumption and social trends at each stage of the development. Although, it is not certain that all these pre-defined conditions will occur at every stage of development and could be certain
different degree of transition from country to country. Rostow’s model corroborates the assertions of David Ricardo’s comparative advantage ideology in that Rostow is of the opinion that economic take-off must be championed by a few individual sectors.

Capital accumulation and savings are the central theme to Rostow’s model of economic growth. He is of the opinion that the level of economic development to be experienced by an economy depends largely on the amount of savings that the economy can generate to fund the necessary investment opportunity required for capital formation. Development process could be hampered at any stage, if the required savings is not enough to fund the necessary investment, except where loan or aids are available to make up for the deficit. Rostow is of the opinion that in the early stage of economic development economies will need to depend heavily on the revenue generated from exportation of raw to undertake the development of the industrial sector. This development is necessary, as the industry is yet to achieve its full potential as a result of the absence of technological know-how. With respect to the relevance of government control over domestic development, Rostow’s model of economic development is in the line with that John Maynard Keynes.
The different stages of economic development as explained by Rostow’s development model are clearly outlined as follows:

- **Stage 1: The traditional society**
  This is the development stage where the society is characterized with subsistence farming with absence or limited method of technological advancement. It is predominantly a primary sector economy. There is also absence class or economic change. Due to absence or limited of mechanized farming, there is limit to the amount of production outcome which far lower than what is expected and needed by the economy. Although, the economy has the potential to increase output but the absence of technological know-how limits its present output. There is no possibility of export in this society as the reason for farming in this society is majorly for subsistence. At some other instance, there could be technological ideas but only on temporary basis. The rate at which
technological advancements developed in such society is very low. The monetary system is not properly designed as trading are done as through barter system. The share of investment is peg at 5% of total economic production output. Labour as a factor of production is reduced as a result of famines and other epidemics which caused the population figure to shrink. There is also the presence of political instability which in most cases negatively affects business transactions and put a high a risk on business investments. The potentials of the manufacturing sector are limited as a result of the absence of technological capacity which invariably results in low productivity. Most of these societies are believed to be self-sufficient and hence, see no reason to trade with other nations.

- Stage 2: Transitional stage (Pre-conditions to "take-off")

This is second stage in Rostow’s model and it is characterized with high demand for raw materials by other nations necessitate foreign trade. This external demand also brings about development of commercial agriculture and cash crops designed purposely for export. There is also an improvement in the investment in farming production facilities such as irrigation, insecticides, canals and so on; in order to meet up with the high demand of farm products. At this stage, the economy is preparing itself for the process of meeting the conditions for growth and take off. As the society is experiencing this change, it affects every aspect of the economy and there will also be an increase in agricultural entrepreneurship as a result of shift from subsistence farming to export-oriented crops. According to Walt Whitman Rostow, there are three (3) basic dimensions to the change being experienced by this society. These are

(i) The shift from the traditional agrarian economy to industrialize and manufacturing inclined society, although at a slow pace.

(ii) Trading and commercial activities of the nation commences on a large scale which further widened the market reach of the nation beyond its neighboring nations. And hence, creating international market possibilities.

(iii) The huge earnings acquired via the expanded commercial activities are expected to be channeled to towards the
development of the industries, infrastructural facilities in order to be prepared for the self-sustained growth that will follow.

At this stage of development, investment is expected to be slightly above 5% of the national income of the nation. The important role agriculture plays at this stage of development involves creation of food product for the ever increasing population of the country and also a major source of foreign exchange earnings from cash product exported abroad channelled towards industrial development and capital formation. As there is increase in demand of the raw material in the international market; there is also local demand for food product in the local market, this invariably ensures that there is expansion of local markets for processed and manufactured products. This in the long run improves the growth and investment capacity of the sector as there are investment opportunities for entrepreneurs to take advantage of. These are some of the changes expected to take place prior before "take-off" provided the society is risk taker and also it has positive opinion about changes in working environment and political structures.

With respect to Figure 2, a careful examination reveals that there is a steep increase in the rate of savings and investment beginning from the stage of "Pre Take-off" up to "Drive to Maturity" stage. Thereafter, there is a moderate rate of growth in investment and savings. What this implies is that an increase investment and savings of a nation are necessary pre-condition for economic growth from the "Take-off".

**Stage 3: Take off**

This is the stage that the economy of the nation is experiencing full rapid, dynamic and self-sustained growth. At this stage, there is change in economic, political and technological aspect of the nation. The features of the old traditional society, where traditions and customs motivate the society are wiped out and economic processes take the center stage. During take-off it is expected that development of the industries will bring about an increase in output as there is a switch of workers from the agricultural sector to the high demanding production output manufacturing sector. The growth at this stage will be concentrated in few urban regions and such there will also be rural-urban migration of people.

According to Rostow's model, it will take a nation about one hundred years of take off before achieving the status of maturity provided the required amount of
loanable funds needed for expansion can be sourced locally; either through shift in income with the implementation of its fiscal policies like taxation or re-investing the huge foreign exchange earnings from international market and channeling the fund into the economy in the form of investment and not consumption. This re-investment will indirectly encourage entrepreneurs to pursue innovative production techniques and accelerate the pace of economic growth. The level of investment at this stage is expected to be a bit above 10% of GNP. This economic growth is self-sustaining because investment will lead to an increase in income which will further increase savings the more in order to finance new investments.

- **Stage 4: Drive to Maturity**

Upon the attainment of the take off stage, a nation graduates to the maturity stage. This is stage where growth and economic development has been able to be sustained by the economy over a long period of time. At this stage, it is expected that between 10-20% of the national income are invested continuously in the development of modern technology in order to ensure that production output exceeds the fast growing teeming population. As technological innovation is becoming the order of the day, the economy is diversifying excess funds into the development of other sectors in the form of investment. This is further boost by the realization of the international market where the wide range of goods and services can be traded. Changes such as the emergence of new industries and facing out of the old ones as a result of technological innovations take the center stage as it now possible for the economy to take the advantage of the foreign trade. There is also the presence of large scale social infrastructural investment facilities outlay such as building of schools, universities, airports, seaports etc.

- **Stage 5: Age of mass production**

This is the last stage of the ladder, as explained by Rostow. This is stage where the economic encourage towards mass production of consumer goods in order to feed the ever increasing population. The service sector is also fast improving and becoming a dominant force and likewise the industrial sector also improve its dominance while the primary sector relegated to the background. There is liquidity in the system as the consumers have disposable income far above what
it is actually needed. A nation at this stage will decide what its priorities are – is it to protect its territory against invasion from others or ensure equality and welfare of its citizens?

2.1.3 Roles of Industrialization in economic development.

Industrialization plays a prominent role in economic development of any nation. Strong and world leading economy had improved over the years as a result of industrialization and internal trade. Without any iota of doubt, it has been proved that industrial development is the corner stone of structural change that is required for economic advancement. For a nation to tend towards economic development, it needs to adjust its economic structure with the hope of improving the productive capacity of its industrial sector from low to high. Virtually all cases of high, rapid, and sustained economic growth in modern economic development have been associated with industrialisation, particularly growth in manufacturing production (Szirmai 2009).

In the light of the above, there are certain important roles industrialization performs in economic growth and development. Some of these roles are briefly outlined as follows:

- Industrialization opens up the economy of a nation to the outside world. Industrialization ensures that the volume of production output is far above what is needed alone locally and as such there is need to sell the excess abroad in order to boost foreign exchange earnings and as such the economy is open up for international relationship.

- Improve in the standard of living of the masses as a result of huge foreign exchange earnings. With the involvement of the nation in international market, the earning from the market is used to develop the local market with the provision of basic amenities, job opportunities are created for citizen, foreign investors are wooed into the economy etc. which in the long run improve that standard of living of the citizenry.

- It brings to the economic performance of a nation a favorable balance of payment and trade. As the nation trades and do business
transactions with other countries of the world, the earning obtained from these trading could be higher than what is expended on the importation of raw material for production of output. When receipt from international trade is greater than what is being paid, a nation is said to be in a favorable position. Hence, industrialization brings in the possibility of a favorable international market performance.

- There is also high volume of production output. One major factor that is characterized with industrialization is the use of modern technological equipment in the industrial production process which invariably boosts output in comparison with the output of the old traditional society, as described by Rostow where production is purely based on subsistence.

2.2 Developing Nations

Nations of the world are being categorized based on the level of economic development that they have attained. The two (2) broad categories are developing and developed nations. Certain economic and industrial developments parameters form the basis upon which these concepts are defined. These two broad categories are clearly defined as follows and the characteristics of each of these categories will be discussed as well.

2.2.1 Definitions and characteristics of developing nations

Developing nations are generally regarded as poor nations of the world, examples of which are mostly African countries like Tanzania, Kenya, Nigeria, Zimbabwe, etc. Some countries in Asia and Latin America also fall into these categories. These are sovereign or independent nation with low level or absence of economic development and infrastructural facilities needed for advancement resulting in low per capita income, heavy relies of agricultural product for export coupled with the primitive methods of farming. Other related term that can be used to describe developing nations is underdeveloped.

Some of the few features of a developing nation are briefly outlined as follows:
• Low level of income
• High rate of unemployment
• Income distribution inequality, i.e. there is huge income gap between the rich and the poor
• They are mostly agrarian economy, i.e. the economy is purely based on farming and farm output as source of foreign earnings
• Absence of basic infrastructural facilities such as good road, good health system, poor health facility etc
• Low standard of living
• Low standard of education
• Overpopulation

2.2.2 Definitions and characteristics of developed nations

Developed nations are the direct opposite of the developing nations. They can also be regarded as advanced or more developed nation. This is an economic term that describes a sovereign and independent nation with high level of economic development as a result of the use of highly technological infrastructural facilities in production and manufacturing process in comparison to other developing nations. The major economic tools being employed when measuring economic performances of a nation are Gross Domestic Product (GDP), Per capita income, industrialization capacity and likewise the standard of living. One major characteristic of a developed economic is the fact there is more wealth generation from the service sector when compared with the industrial sector. This is a result of the fact that the nation has outgrown the industrialization process. Some good examples of developed nation are the United State of America, Canada, France, United Kingdom, etc.

Some of the few attributes of developed nations are briefly outlined below:

• Low rate of unemployment as a result of industrialization and mechanized system of production
• High rate of life expectancy due to the presence of good health care facilities
• Judicious and efficient use of scarce available resources.
• Even distribution of income
• Presence of basic infrastructural facilities such good road network, good health system, security and protection of life and property etc.

2.3 Industrial Development in Nigeria

Just like every other serious minded economy, Nigeria as a country has pursued industrial development for the past three decades with the hope of transforming and changing the direction of the economy from a monolithic, inefficient and import dependent economy to a more robust, dynamic and export driven economy with respect to export of industrial goods (Adeoye, 2005). The need to transform the economy plays an important role in various government administrations within the three decades. Each of these administrations have come up with one policies or the other in the form of developmental plans that are expected to put the economy in the right direction and ensure effective use of resources towards attaining industrialization, most especially the first and second developmental plans.

2.3.1 Nigerian industrial development history

Before Nigeria's independence from her colonial master Britain in 1960, industrialization was specifically channelled towards Nigeria producers to produce raw materials for British industries while Nigeria import finished manufactured good from the British in exchange of the exported raw materials. During the early years of pre-independent, precisely between 1954 and 1960 the industrialization policy was for processing of raw material for export and import substitution Industries. This is because Nigeria is majorly an Agrarian economy and Nigerians within this period are farmers. This buttresses the Rostow's model of Economic development. All these efforts amounts to nothing, as the performance of the manufacturing sector remained unimpressive.
Table 1: Sectorial Share of Exports (CBN Annual and Statement of Accounts, Various years)

<table>
<thead>
<tr>
<th>Year</th>
<th>Agricultural Product</th>
<th>**Mineral Products</th>
<th>*Manufactured Products</th>
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</thead>
<tbody>
<tr>
<td>1975</td>
<td>4.68</td>
<td>92.69</td>
<td>1.09</td>
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<tr>
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</tr>
<tr>
<td>1993</td>
<td>0.34</td>
<td>99.09</td>
<td>0.31</td>
</tr>
<tr>
<td>1994</td>
<td>0.33</td>
<td>99.58</td>
<td>0.08</td>
</tr>
<tr>
<td>1995</td>
<td>0.33</td>
<td>99.57</td>
<td>0.09</td>
</tr>
</tbody>
</table>

Note:

* Manufactured products consisting of mainly chemicals and insecticides.

** Mineral products consisting of mainly Petroleum Products

Series on manufactured exports stopped at 1998.
A critical look of the above table suggests that the manufacturing sector has experience deep in volume of output over the years while the Agricultural sector performed slightly better than the manufacturing sector. It is evident from this same table that Nigeria’s sole source of foreign earning is coming from the mineral product. The poor performance of the manufacturing sector could largely be traced to the poor macroeconomic management of Nigerian economy as the industrial policies were haphazardly implemented (Adeoye, 2005). Nigeria, at this point, really does not have any manufactured product available for export apart from chemicals and insecticides. The major cause for this is the nation’s overdependence on oil, which has drawn people away from production as a result of huge revenue earnings coming from the oil market. And as such, it could be deduced that the poor performance of the manufacturing sector within this period could largely be attributed to the fact that all the policies drafted within this period have impacted adversely on the promotion of manufactured goods meant for export.

As earlier explained, while there is huge decline in the manufacturing sector as evident above from Table 1, the naturals resource-based industries such as oil refineries and also the non-ferrous basic metal industries dominates Nigeria economic performance. This further reveals the level of Nigeria’s economy depending on just one sector for survival. Nigeria’s economy during the early 60’s was majorly agrarian in nature. All the goods produced were mainly from agriculture and subsistence farming was the order of the day. The discovery of Oil in Olobiri in 1967 changed the direction and shifted Nigeria’s attention to oil at the detriment of other sectors of the economy. The eminent factor in all these is that the government did not put enough incentive such as tax relief, low cost of funds and so on that will encourage entrepreneurs to invest in the manufacturing sector in order to tend towards its development but rather the oil and mining sector. This in the long run left Nigeria with few available products unprofitable and unattractive to both locally and internationally.

Hence the challenge facing the country at the moment is its ability to design strategies and policies that are expected to put the country in a position to
compete favourably both in regional and global market considering the small market strength its industrial products has. According to Adeoye, the future economic development of the country largely depends upon whether or not Nigeria can establish a preferable industrial structure and participate in horizontal international specialization in the global market.

2.3.2 Problem of Nigerian industrial development policies

Industrial policy could simply be regarded as conscious efforts and properly planned government actions designed to promote the development of the industrial sector. Some of the strategic design for industrial policies includes tariff and trade policies, tax relief in order to encourage entrepreneur activities and boost investment in certain industrial sector, export processing zones, state financing and ownership, etc. A good example of industrial policy is the Calico Act of 1701 and its amendment in 1721 passed by the British parliament majorly prohibits the importation of cotton and its related materials from India into Britain with the hope of allowing the local British cotton industry to develop.

Nigerian’s industrial development policies have not been successful over the years due to some certain events that have rendered the policies ineffective. Different scholars have conducted different researches and studies and have come up with conclusions that could have helped the effectiveness of the policies, but all the suggested solutions have not yielded the expected result. Some of the problems that could be associated with the failure of Nigeria’s industrial development policies are stated as follows:

Firstly, there is over dependence of Nigerian economy on the external sector for the supply of intermediate input. According to the study conducted by Olofin and Iyaniwura in 1983 reveals that the productive base of the Nigerian economy is still largely dependent on the crude petroleum export for the generation of revenue. This assertion was also buttressed by Falokun (1996) in his study where he identified ten key sectors of the economy that the government can stimulate through its export diversification and expansion programme in order to bring rapid industrial transformation of the economy. The overdependence of the
Nigerian economy on the proceeds received from the export of crude result in the neglect of the other sectors of the economy. Nigeria’s external reserves from the period of the Oil boom of the early 1970’s and even till date were accounted for by the proceeds of receipt from oil sales.

Secondly, there is also the incidence of poor policy formation. This was the assertion of Egwakhide (1997) and Hayashi(1996), when presenting a review of studies on Nigeria’s import substitution industrialization. Evidence from the study suggested that the implementation of employing the model of Input-Output analysis and further deregulation measures undertaken by the government aggravated the problem of balance of payments, as the economy is increasingly relying on foreign inputs, technology and expertise for production.

Thirdly, there are also the cases of fraud and embezzlement of funds which eventually defeated the purpose of the policies in the first instance. Ayodele and Falokun (2003) stress the importance of industrialization being central to economic growth and development. This is due to the fact that there are always excess labor resources in the country which are expected to be absorbed by the desired positive developments in the process of industrialization. What this implies is that every excess labour resource can be put to judicious use through industrialization, as there is mass production of goods and service as a result of the use of mechanized means of factors of production which in the long run forestall international trade and open up the economy for foreign investment opportunities. The case of Structural Adjustment Policies of 1976 was a good example. Most of the funds that are expected to be given out to entrepreneurs for the purpose of investment were diverted to other things by influential public office holders.

More so, there is also absence enabling trading environment. Most of the policies designed were not successful and not yielding result because the enabling environment required for the successful implementation and operation of the policies are absence. Absence of basic infrastructural facilities such as poor road network, high operating cost as a result of absence of power and so on resulted
in low quality of products which invariably made the product unmarketable and resulting in loss of invested fund.

2.4 Small and Medium Enterprise (SMEs)

This section deals in detail with the definition, explanation and characteristics associated with Small and Medium Enterprises (SMEs). Related headings like definition and explanation, the challenges of SMEs in Nigerian economy among other related issues were clearly discussed.

2.4.1 Definition and Explanation.

There are no worldly acceptable definitions of Small and Medium Scale business enterprises; this is due to the fact that there are varying degree of economic conditions that have defined and categorize a business establishment as Small and Medium Enterprises. In theory, most definitions will expect SMEs to be owned by a person; whereas in practices some SMEs are owned by more than one person and some even by group of people. Some other criteria being considered when defining a business establishment to be regarded as SME are ownership structure as earlier explained, revenue and income capacity, number of employees. Both the Unites States and likewise the European Union have the same bench mark for defining SME with employee of about 10 for small office. In Nigeria, the Central Bank of Nigeria, which is the apex bank of the country, gives a definition for small and medium business enterprises in accordance with the number of employee it has and also the asset base of the business. The asset base is expected to be in between \( \text{N}=5 \) million (Five Million naira) and \( \text{N}=500 \) million (Five Hundred Million naira) and an employee capacity of between 11 and 300 people.

2.4.2 SMEs and its challenges in Nigeria

Considering the performance of SMEs to the development of the economy by reducing unemployment rate and also increasing the GDP, it is obvious that the development of SMEs in an economy cannot be taken with levity. With respect to
the International Finance Corporation (IFC) report; SMEs make a contribution of about 50% to GDP both in European countries and also in the United States, it has 40% contribution in Asia. In Nigeria as a country, 96% of the firms in the manufacturing sector of the country are majorly SMEs. With a whopping sum of 70% contribution to employment, it only gives 1% contribution to the GDP.

Hence, it is paramount that we understand the business environment within which it operates with the hope of improving it in order to ensure its continuous existence. Every business has its business environment within which it operates, likewise the SMEs. The business environment within which a business operates is vital in its survival for existence. The business and operational environment of SMEs include both its internal environment and also its external environment. Its internal environment involves factors within the organization that can put the survival of the business in jeopardy. Some of these factors are management skill of the company, employee’s strength and intellectual capability, method of production and production process and so on.

The business environment within which SMEs operates in Nigeria is one of the major challenges facing its survival. This is due to the fact that the business atmosphere is in-conducive for business survival; as a result of the absence of basic infrastructural facilities, frequent change of government policies, absence of cheap source of financing and other incentives like tax relief and so on. This assertion is justified by the International Finance Corporation of the World Bank ranking of Nigeria as the 131st country in the world based on ease of doing business.
SMEs in Nigeria are faced with some difficult challenges. Some of these challenges are critically analysed as follows:

- Poor or absence of regular power supply has been the bane of small and medium enterprises in Nigeria. The state of power supply in Nigeria is deteriorating as the clock ticks away and efforts at making it improved as not materialized in any form. Consequently, most SMEs do production process using other forms of power supply such as the use of generator which are very expensive. This is further raise the cost of production and these high cost is spread to the consumers in the form of high price. More so, the high price makes it impossible for the SMEs to compete favorably with other imported goods.
• Difficult access to loan and finance facilities is another form of challenges. Efforts of the Central Bank of Nigeria at making low interest rate financing available to SMEs has not yielded any positive result and the reason is not far-fetched as the bottleneck and regulations to be met are too stringent thereby defeating purpose the funds is meant for.

• Poor management skills and absence of skilled personnel contributed largely to the challenges of SMEs in Nigeria. There are no refresher courses of any form to keep entrepreneurs abreast of recent development in international market. This has explained some of the reasons for the poor state of business growth and development being experienced by most of the SMEs.

• Stringent conditions attached to license and other regulations. The condition attached to some of the required license, such as Standard Organization of Nigeria, NAFDAC approved license and so on, for business operation of some of the SMEs are too tedious, not to mention the finance requirement of these certificates. Most of these conditions constitutes business burden to the SMEs and may hamper the business survival and growth.
3 RESEARCH METHODOLOGY

Research methodology is simply referred to as the process of collecting relevant information and data that are needed and required for the purpose of making not just business decisions but also relevant conclusion inferred from a research (Alexander, 2001). Hence, this chapter is designed to majorly explain the procedures involves in the data collection process of this research work.

3.1 Introduction

The importance of obtaining a truly representative sample from population defines the extent to which a research work conducted on such sample will be successful. Hence, it is paramount for a researcher to clearly define strategies on how to obtain relevant data that will be used for the study before the commencement of the study. Consequently, this chapter was designed by the author to majorly explain the methods and techniques applied in the course of collecting the sampled data, areas covered by this study and its limitation, the population and the sample used. This chapter will also highlight the statistical method that was used in analyzing the data and also the instrument used in data collection. This research embrace the use of empirical research technique in that conclusion were inferred from the collected data using both direct and indirect observations and data are being analyzed by the using of the quantitative analytical method.

Research could simply be regarded as steps in to discerning the pursuit of truth. Those who carry out research are looking for answers to questions (Joseph F. Hair Jr, 2011). “Research is a diligent search, inquiry, investigation or experimentation which discovers new facts and findings. Research relates to any subject of enquiry with regards to collection of information, interpretation of facts and revision of existing theories.”(Adams 2007, 9). Research simply implies findings and it stands to answer certain questions or solve problems. In business and likewise in other fields of endeavours, there are different reasons while research is being conducted. In business, research maybe conducted in order to enable a business firm achieve certain business objectives such maintaining market presence, managing cost functions, solving management problems, forecast sales, enhance profitability, reduce operational cost and so on. According to
Asika (1991), research was viewed as an organized studies designed to purposely provide relevant information or solution to an identified problem(s). Hence, research is simply reasoning for gaining an in-depth understanding about a problem with the hope of obtaining a solution or solutions to the problem. It proffers a clear view and the path to follow in problem (Adeola Obabolujo, 2007).

“In research there are numerous problems, researchers’ use a single study or combination of two methods to solve. Basically, there are two main types of research methods. These are qualitative and quantitative methods, while other methods include action research” (Adams 2007, 20).

3.2 Qualitative and Quantitative methods of research

These are the two major methods used in the course of analysing collected data in the process of research work. They are explained in details as follows:

3.2.1 Qualitative Research Method

“This method of research analysis involves the use of gathering information and relevant data via interviews, emails, open ended surveys, notes, observation, feedback forms and so on. This method answers question through the analysis of unstructured information” (Adams 2007, 26). One major advantage of qualitative research is the fact that it is applicable in all aspect of human endeavors. This research method employs the use of diverse methods of data analysis that are non-quantitative in nature. Qualitative research involves collecting; analyzing and interpreting data by observing what people do or say. For qualitative data to be quantified, it has to be transformed into a form that it can be measured (Alvin C. Burns and Ronald F. Bush, 2010, 235). As a matter of fact, qualitative research method basically embraces the use of subjective observations in research procedures.

3.2.2 Quantitative Research Method

This is the direct opposite of the qualitative research method, as this method embraces the numerical analysis in research process. It involves the use of structured questions with which responses can be predetermined and a large number of respondents are
involved. It often involves a sizeable representative sample of the population and a formalized procedure for gathering data (Alvin C. Burns, 2010, 235).

3.3 Research questions and Research hypothesis

Research questions and Research hypothesis are basic necessity in the research design and research work. For the purpose of clarity, these relevant terms are explained below.

3.3.1 Research Questions

In every research work, the research questions possess an issue of interest to the researcher and it concerns basically with what questions that the research stands to answer after it has been completed ((Joseph F. Hair Jr, 2011, page 37).
Hence, for the purpose of this research work, the research questions are stated as follows:

(i) What is the current state of industrial development of developing nation with Nigeria as a case study?

(ii) How are the newly established SMEs coping with business survival in developing in the absence of basic infrastructural facilities needed for business growth?

(iii) How can the measures taken by the newly established SMEs be improved in order to boost both industrial and economic development in developing nation?

3.3.2 Research Hypothesis

Hypothesis is a formal statement defining certain proposition that tentatively gives a researcher the basis for speculation about the outcome of a research or experiment. It could also be regarded as a research predictions made in respect of the dependent and independent variables understudy that can be tested. (Martyn Shuttleworth, 2008).
A research hypothesis is of two types and these are Null Hypothesis and Alternate Hypotheses.
The research hypotheses for this thesis work are defined as follows:

- **H₀**: There is no relationship between the state of the economy and business development strategies of SMEs in developing nation.
- **H₁**: There is a relationship between the state of the economy and business development strategies of SMEs in developing nation.

### 3.4 Data collection Techniques

There are majorly two broad categories of data collection techniques. Data collection procedures can majorly be categories based on the method and sources of collecting the data. These methods are Primary and Secondary sources of data collection.

#### 3.4.1 Primary Methods

Primary method is the data collection techniques where data are obtained directly from its source as it relates directly to the problem at hand. It could also be referred to as information that is developed or gathered by the researcher for the purpose of the ongoing research work (Alvin C. Burn 2011, 174). The major advantage of primary data over the secondary source of data collection is that the degree of its validity and reliability are known as the data originates from the researcher himself while its major disadvantage is based on the fact that it is expensive to conduct and it also consumes time and other valuable resources (Ikuforiji A.O., 2007, 168). A good example of primary data is relevant data obtained from a sampled population. Some of the techniques for primary data are questionnaire designing which involve the use of carefully selected questions relevant to the topic at hand with the aim of obtaining answers to the questions. These questions may be oral or in writing and the responses can also come in either form. Where the questions come in form of verbal, it may be regarded as interview. Observation does not necessarily imply questioning, although it may form part of the questioning process in that the interviewer may observe the respondent’s body language and responses to the questions; but it acts as a check on the fact presented by the respondent and the fact, actions or behaviour noticed by the interviewer are recorded as part of required information. The observer may be person or group of
people gathered for the purpose of using some mechanical device or observing a process or object (Churchill, 1979).

There are various stages that are involved in the process of using primary method of data collection techniques; these steps are briefly outlined as follows:

- Outlining the aims and purpose of the data collection
- Questionnaire designing which is expected to reflect the aims and objectives of the data collection exercise
- Sample selection and determination of sample size
- Pilot survey of the questionnaire in order to observed the expected difficulties and making necessary modifications thereof
- The main survey
- Post enumeration survey designed for the purpose of checking the validity of the collected data and making necessary correction on the spotted and obvious errors meant to adversely affect the expected outcome of the survey and also the final outcome of the study
- Analysis of the survey report

3.4.2 Secondary Methods

This is the alternate method of data collection where relevant information is obtained directly from existing records or results compiled by other researchers. A good example of secondary method of data collection techniques is sales figures obtained from the financial statement of a business firm or population statistics of a country obtained from the country official website. One of the major disadvantages of the secondary data collection technique is the inability to ascertain the reliability and validity of the collected data knowing fully well that the data maybe outdated and becomes irrelevant to the research work. On the other hand, it is one of the cheapest means of data collection techniques. It is readily available, quick to collect and also enhance primary data.

According to Alvin C. Burn 2011, there are basically two broad categories of secondary data. These are:
• Internal secondary data: These are data collected within the firm or organization in which the research study relates. Take for an instance a record of sales figures of a firm for five (5) years is a good internal secondary research data for making a sales forecast for the firm and other relevant research problem.

• External Secondary Data: These are data collected outside of the firm or the object to which the research relates. These external secondary sources come in three (3) categories which are published, syndicated services and databases.

3.4.3. Test of reliability of the collected data

According to Asika (1991), there are various methods of test employed in order to ascertain the reliability of collected data. Some of these tests are explained as follows:

• Test–re–test reliability
  The same measuring instrument is used to take two separate measurements on the same population at different times in order to ascertain variation between the measurements.

• Multiple or Alternate forms
  This tests reliability by using the same measuring instrument on different dimensions of the variables.

• Split–half
  This is the random assignment of the measurement items to two equal parts.

• Cranach’s alpha test
  This test is tedious and cumbersome. It involves associating each measurement item with every other measurement item and obtaining the average inter-correlation for all the paired associations.
3.4.4 Test of Validity of the collected data

Validity simply refers to the degree to which a test is used by a researcher in actual measuring what it is claimed that it measures. For example, if a lecturer is testing mathematical ability of students in an examination and he starts awarding marks for English spelling, grammar and punctuation, then the result of such a test is not valid for mathematics because the examiner is no more testing mathematics but English and its structures. In reality, there are various types of validity that a researcher can employ in a research process but the one to be used depends on what he is testing for in the study. According to Parker (2007), he viewed the items listed under as the different kinds of validity that are frequently used by researcher.

- **Face validity**
  This simply implies that a test needs to look as though it tests what it is expected to do. That is a test is expected to test what it is meant for, in order for the purpose of the test to be achieved. For example, an aptitude test for undergraduate students in the department of Biology and Medical Sciences will not serve the purpose it is meant for and as such is not valid; if it is testing for their speed in the short hand rather than medics capabilities. If on the other hand, the test is used for undergraduate students in the department of secretarial studies, it will serve the purpose it is meant for.

- **Predictive validity**
  This is the kind of test that arises when a test is used to predict what might occur in future. For example, let's assume it has been decided to conduct an aptitude test for swimmers; the essence of the test is to assess the chance of success before football course is embarked upon. The validity of this test depends on how well its results correlate with successes in the subsequent football test. Thus, once a test has been validated in this way, it can then be used to make an assessment of how good the football course is. Hence, if the test is known to be valid and if many people who have been assessed as having high aptitude test for playing football then go on to fail the football test/course, then the instructor has to be queried.
3.4.5 Data collection methodology for this research

The data collection techniques employed for this research work is the primary method, which involves the designing of a questionnaire. The questionnaire itemized relevant questions needed to be answered by the respondents in respect of the subject matter understudy. The essence of the questionnaire is to obtain the needed information that is required for the decision making process of this thesis work. That is, the questionnaire will help to get all the needed information directly from the SMEs in Nigeria. In the same vein, observation and interview method will also form part of the data collection strategies so as to serve as back up on the collected data. The collected data will serve as a basis for making exploratory research analysis on the Nigerian SMEs as the country for consideration on this study. The data analysis will be performed based on the collected data as it will help us to understand what are the trends in SME’s growth in Nigeria, what are the business strategies employed by the new SMEs for business growth etc. Hence, it forms the basis upon which are our research questions will be answered and conclusions inferred.
4 DATA ANALYSIS, RESULT AND DISCUSSION

This is the chapter that is meant for the analysis of the collected data, presentation of the result and likewise its discussion.

4.1 Introduction

This is the chapter that gives a comprehensive and analytical overview of the collected data from the questionnaires administered by the researcher; which is expected to form the basis for the conclusion and opinion inferred from this thesis. The research hypothesis is at this stage analysed statistically for the purpose of making a general statement about the state of business survival strategies of SMEs in developing nation. More so, conclusions are also inferred from the collected information obtained from the questionnaire. The questionnaires are also scrutinized in order to ensure that all the needed data are provided.

4.2 Data Analysis

The data presentation has been done in such a way that, answers can be extracted from the responses provided by the administered questionnaire. For the purpose of analysis, tables and pie charts are used to give clearer understanding of the data from the questionnaire. A total of 600 questionnaires were administered to the SMEs business manager and owners in Nigeria; out of which 83 were not returned. This implies that there were 517 questionnaires that were successful. The questionnaire has a combination of both open ended questions and likewise multiple choice questions.

Table 2: Sex Distribution Table of Respondents (Field Survey 2013)

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Total</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>289</td>
<td>53.9%</td>
</tr>
<tr>
<td>Female</td>
<td>228</td>
<td>44.1%</td>
</tr>
<tr>
<td>Total</td>
<td>517</td>
<td>100%</td>
</tr>
</tbody>
</table>
From Table 2, it is evident that the percentage of male respondents is higher female with female having just a 44.1% of the total respondents.

Figure 4 - Graphical representation of the sex distribution table (Field Survey 2013)

From the collected data, it's obvious that women involvement in business management and ownership in developing countries is not being influenced by gender. Women are involved as much as men. For 44.1% for women suggest that women are equally involved. This further reveals that the distribution pattern of the questionnaire is not bias, as both sex are adequately considered.

Table 3: Age Distribution (Field Survey 2013)

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 - 30</td>
<td>59</td>
<td>11.4%</td>
</tr>
<tr>
<td>31 – 40</td>
<td>99</td>
<td>19.2%</td>
</tr>
<tr>
<td>41 – 55</td>
<td>225</td>
<td>43.5%</td>
</tr>
<tr>
<td>56 - Above</td>
<td>134</td>
<td>25.9%</td>
</tr>
<tr>
<td>Total</td>
<td>517</td>
<td>100</td>
</tr>
</tbody>
</table>
Table 3 describes the Age distribution frequency and percentage in terms of different age groups.

![Age Distribution Chart](chart.png)

Figure 5 - Graphical representation of the Age distribution table (Field Survey 2013)

The analysis of the age distribution suggested that majority of the business managers are over the age of 30 years, which implies that the age distribution chart favors people of older age than the young entrepreneurs. Respondents between ages of 0-30 are 11.4% of the total respondent. A further search revealed that majority of them inherited the business from their parents. Respondents between the ages of 31 - 40 are 19.2% while those between the ranges of 41-55 are 43.5% which is the highest in the age range. Those within the age range of 56 and above are just 25.9% which implies that people of older age are more favoured as business owners.

Table 4: Educational Background (Field Survey 2013)

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Elementary</td>
<td>10</td>
<td>1.9%</td>
</tr>
<tr>
<td>Middle School</td>
<td>61</td>
<td>11.8%</td>
</tr>
<tr>
<td>High School</td>
<td>149</td>
<td>28.8%</td>
</tr>
<tr>
<td>University</td>
<td>297</td>
<td>57.5%</td>
</tr>
</tbody>
</table>
Table 4 describes the level of education of the respondents. The various educational categories were analysed as well.

![Educational Background Graph](image)

**Figure 6 - Graphical representation of the educational background table (Field Survey 2013)**

The educational ingenuity of business managers are a factor for consideration when deciding the successful organization of the business set up. This research work has also not suggested otherwise as the percentage of the respondents reflects the fact that most of the entrepreneurs are academically inclined. This further justifies the fact most of the respondents had deep knowledge of the subject matter at hand. Hence, it justifies the reliability of their opinion.

Table 5: Business Management Experience (Field Survey 2013)

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-10years</td>
<td>107</td>
<td>20.7%</td>
</tr>
<tr>
<td>11-25years</td>
<td>284</td>
<td>54.9%</td>
</tr>
<tr>
<td>26-40years</td>
<td>125</td>
<td>24.2%</td>
</tr>
</tbody>
</table>
Table 5 describes the level of management experience acquired by the respondents which further justified how reliable is the level of responses given.

![Figure 7 - Graphical representation of the management experience table (Field Survey 2013)](image)

Out of the total of 517 SMEs business owners and managers contacted, a total of 410 have management experience that spanned beyond 10 years. This implies that there are about 79.3% of the respondents who have a vast level of business management experience and can give a in-depth opinion in respect of the various economic laws and regulations that have affected their business, both positively and negatively, over the years.

Table 6: Business Performance Rating (Field Survey 2013)

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unsatisfied</td>
<td>291</td>
<td>56.3%</td>
</tr>
<tr>
<td>Satisfied</td>
<td>166</td>
<td>32.1%</td>
</tr>
</tbody>
</table>
Table 6 describes the individual ratings of the business performance in the economy.

<table>
<thead>
<tr>
<th>Rating</th>
<th>Count</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very satisfied</td>
<td>49</td>
<td>9.5%</td>
</tr>
<tr>
<td>Delighted</td>
<td>11</td>
<td>2.1%</td>
</tr>
<tr>
<td>Total</td>
<td>517</td>
<td>100%</td>
</tr>
</tbody>
</table>

Figure 8 - Graphical representation of the business performance rating (Field Survey 2013)

The largest percentages of the respondents are unsatisfied with the level of business performance that they have experienced over the years. A total of 56.3% of the respondents actually have the belief that the business has the capabilities of doing better than what it is currently being experienced. 32.1% are satisfied with the current level of business performance, although they still have the belief that there are rooms for improvement if other necessary factors are put in place. A marginal percentage of 2.1% of the respondents are actually delighted with the level of business performance, this is because of the fact that they were far impressed with the level of business in comparison with what the initial expectations are.
Table 7: Business Difficulties in the economy (Field Survey 2013)

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operational</td>
<td>27</td>
<td>5.2%</td>
</tr>
<tr>
<td>Financing</td>
<td>205</td>
<td>39.7%</td>
</tr>
<tr>
<td>Regulation and Law</td>
<td>46</td>
<td>8.9%</td>
</tr>
<tr>
<td>Low infrastructural facilities</td>
<td>239</td>
<td>46.2%</td>
</tr>
<tr>
<td>Total</td>
<td>517</td>
<td>100</td>
</tr>
</tbody>
</table>

Table 7 briefly explains the difficulties being experienced by SMEs in Nigeria.

Figure 9 - Graphical representation of the business difficulties in the economy (Field Survey 2013)

Certain factors are necessities in the management and successful running of a small and medium scale business, some of which are operational ethics, financing, law and regulations, etc. From the collected data, it’s obvious that the state of the economy as a result of low infrastructural facilities contributed in no small way to the difficulties being experienced by the entrepreneurs, a whopping figure of 46.2% ranked low infrastructural
facilities as the major difficulties being experienced by SMEs, while 39.7% agreed is financing, Operational factor and legal regulations are 5.2% and 8.9% respectively.

Table 8: Factors aiding business survival in the economy

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>High Population</td>
<td>381</td>
<td>73.7%</td>
</tr>
<tr>
<td>Absence of stringent law and regulations.</td>
<td>112</td>
<td>21.7%</td>
</tr>
<tr>
<td>Others</td>
<td>24</td>
<td>4.6%</td>
</tr>
<tr>
<td>Total</td>
<td>517</td>
<td>100</td>
</tr>
</tbody>
</table>

Table 8 highlights the various factors aiding business survival in Nigeria.

Figure 10 - Graphical representation of the factors aiding business survival table (Field Survey 2013)

Most of the SMEs believe they are still in business because there are high percentages of the people that still need the product they are producing. Although, other stringent conditions and low product quality have limited the possibility of taking its products abroad, but the fact that there are certain set of people who can afford the products
being produced by the SMEs give the SMEs the chance to still remain in business. 73.7% of the respondents justify the fact that the high population is one of the major factors aiding business survival in the economy. Others see absence of stringent conditions as the key motivating factor with 21.7% performance while other conditions such as access to raw material, established market and so on gives 4.6%.

4.3 Result and Discussion

It is obvious from the collected data that there are no serious secret to the success recorded by any of these SMEs other than the fact they were able to manage their conditions and thrive as little as they can despite the huge economic deficiencies that are eminent in economy. The fact remains that these SMEs can actually do better and the business can thrive much more than what it is doing at the moment if the government can come up with strategies that would aided economic development and industrialization. This will further open up the economy for the SMEs to do business on the global scale and improve both business and economic productivity.

Almost all of the respondents confirm the fact the rate of performance of the SMEs can be improved provided all the needed amenities are in place. Most of the manufacturing firms presently make use of the alternative source of power supply which is very expensive as a result of absence of constant power supply needed for production process. The highest cost of alternative sources power supply as diesel, petroleum and so on ensure that the product of the SMEs does not have what it takes to compete in the global market as the product returns a high selling price as a result of high cost of production. Which in the long run make them unmarketable and hence, unable to compete favourably.

The refusal of some of the government to regulate and control its border makes the matter even worst for the SMEs as the local citizenry will prefer the imported goods rather than locally made goods as a result of fair pricing, high quality and high value for money. This will in the long-run destroy the local manufacturers and hence force him out of business. In the same vein, the economy also loses funds to other countries in the international market. Consequently, adequate legal embargo and trade restriction should be placed on some imported goods in order to give opportunity to the locally made
goods and market to develop. This will further curtail the taste of the local consumers and improve the choice of the local brands.
CONCLUSION AND RECOMMENDATION

This is the chapter where conclusions are inferred from the collected data and recommendation has also made based on the information available from the collected data.

5.1 Conclusion

Based on the available data meant for this research work, it has become obvious that Nigeria as a country has experienced little or no transformation of any sort in its industrial development approach; this is due to the fact that there is still huge dominance of the primary sector. This dominance is as a result of low capital formation and a result of low volume of investment outlay which further leads to low production capacity of the manufacturing sector of the economy. The series of industrial regulation since 1986 had accounted to the few level of industrial growth briefly experience in the manufacturing sector.

Basically, the major necessity facing the country is its inability to design policies and programmes that will push up the pace of economic and industrial growth so as to be able to attain the growth presently being experienced by other countries like Indonesia, South Africa and so on. The analysis of the data reveals that Nigeria has dependency rate for importation as a result of increase in domestic demand for imported goods – intermediate, finished and capital goods. The overdependence on imported goods has in no small way contributed to the deficit balance of the country’s current account balance.

As a matter of fact, more than 70% of the total goods imported into the country were manufactured products which majorly consist of but are not limited to raw material needed for production by SMEs, spare parts, machinery and equipment and likewise capital goods. This is one of the major problems currently being faced by the country. SMEs in this regards have not benefited in much instance has the needed input necessary for improved production in order to boost output are also coming from importation. Considering the ever growing trend in international market, an economy without strong industrial development can neither take the advantage of the emerging opportunities in the market nor compete favourably with others. Hence, it is pertinent for
the Nigerian policy makers to design necessary industrial and trade policies geared towards ensuring that the industrial sector developed with huge incentives in order to encourage entrepreneurial interest.

As a result of the unimpressive performance of most SMEs, the manufacturing sector was discovered to be declining in terms of output and growth. Almost, all the SMEs manager interviewed had the belief that their businesses can perform better than the current output, which suggest a low performance of the sector. The findings of other researchers in this field, like Adeoye, had suggested the import structure of the country has remained almost constant over the period of 1970-2002 despite series of strategic policies formulation employed by the government.

5.2 Recommendation

Despite the huge business challenges that are eminent in Nigerian economy, a number of SMEs still have the gut to do business and perform creditably well. Consequently, in order to sustain this trend in business growth and also encourage entrepreneurial interest, certain recommendations are suggested as follows:

First and foremost, the government should ensure that there is positive atmosphere for business development and growth. This involves the government creating an enabling environment required for business establishment to thrive and grow. The government in this regard is expected to make provision for basic amenities and most important constant power supple which is the bane of the manufacturing sector. Most SMEs owners interviewed complained of incessant power supply as the major cause of lull in business activities and as such has rendered most production facilities useless.

It is also the responsibility of the government to ensure that the industrialization policies of the country are SMEs friendly. The policies are expected to be designed with the development of the SMEs at the center. Efforts should be geared towards ensuring that the activities and interest of the SMEs are adequately protected.

In addition to the aforementioned suggestions, the government is also expected to develop policies that will give cheap access to financing to the SMEs. This could come to inform of policies designed where resources like funds for business development are
allocated to important manufacturing sector through the banks offering credit financing to local industries so as to ensure business growth and economic development. The government could also make available long term loans at concessionary interest rates through bank of industry; as the commercial banks may not be suitable to offer a facility of this nature.

It is also relevant to suggest that, despite the trend towards privatization and deregulation; it benefits the economy the more to actualize the process of industrialization, economic diversification and trade development through the effort of the government and also the force of the market. In order to achieve this, the government has three (3) major roles to perform. These are:

(i) The government is expected to give every necessary support needed to boost and encourage both indigenous and foreign entrepreneur investment. Providing incentives in terms of low interest and subsidized loan, transitional tax exemptions and so on will ensure that investment in this sector will be in the right direction.

(ii) The government should also provide assistance, in terms of service cost reduction; to other service sector such as transportation and public utility whose services are needed and crucial in the development of the business sector.

(iii) It is also pertinent for the government to give adequate support to the development of industrial and skilled labour training in order to boost intellectual capability of business managers and also other technocrats which aided the technical support of the present set of industrialist.

In the same vein, the industrial sector is also expected to raise product quality, production efficiency rate, productivity and maintaining minimum input cost in order to be able to compete favourably in the international market.

In conclusion, considering the current situation in the global market, it’s imperative for the government of Nigeria to design industrial policies just like it has been previously
suggested. These policies are expected to foster competitiveness in both local and also in the international market, while also giving support to the local industries in order to make Nigeria an emerging market opportunity for potential international investors.
List of References:


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Appendix 1: Questionnaire for the survey.................................................................59
Questionnaire for Industrial development survey in a developing nation

The questionnaire has been designed with the intention of obtaining relevant information from SMEs in Nigeria with the hope of forming an opinion about the impact of economic development on SMEs’ business activities. We hope you will spare us a few minutes of your time to fill this questionnaire.

Thanks for your co-operation.

Part 1: Background Information (Please mark appropriately)

1. Gender
   ( ) Male
   ( ) Female

2. Age
   ( ) 0-30 years
   ( ) 31-40 years
   ( ) 41-55 years
   ( ) Above 56 years

3. Educational Background
   ( ) Elementary School
   ( ) Middle School
   ( ) High School
   ( ) University

4. How long have you been managing this business?
   ( ) 0-10 years
   ( ) 11-25 years
   ( ) 26-40 years
   ( ) 41-55 years
Part 2: Information on the impact of the state of the economy on the business performance of SMEs in Nigeria (Please mark appropriately)

5. How will you rate your business performance over the years?
   (   ) Unsatisfied
   (   ) Satisfied
   (   ) Very satisfied
   (   ) Delighted

6. What are the difficulties being experienced doing business in this economy?
   ………………………………………………………………………………………
   ………………………………………………………………………………………
   ………………………………………………………………………………………

7. Based on your experience, how much impact do you think the state of economy has on business performance?
   (   ) No impact
   (   ) little impact
   (   ) Huge impact

8. What area of your business is the most challenging?
   (   ) Operational
   (   ) Financing
   (   ) Regulation and Law
   (   ) Others, please specify………………………………………………………………
   ……………………………………………………………………………………

9. What are the strategies you have employed in order to ensure the successful operation of your business despite these economic challenges?
   ………………………………………………………………………………………
   ………………………………………………………………………………………
   ………………………………………………………………………………………
10. Are there challenges for SMEs in this economy?

(   ) Yes, Tell us …………………………………………………………………………
…………………………………………………………………………………………
(   ) No, 

11. If yes, how have you being able to combat them?
…………………………………………………………………………………………
…………………………………………………………………………………………
…………………………………………………………………………………………
…………………………………………………………………………………………
…………………………………………………………………………………………

12. What facility do you enjoy the most in this economy? ………………………………
…………………………………………………………………………………………
…………………………………………………………………………………………

13. What are the things that you think need to be improved on by the government?
…………………………………………………………………………………………
…………………………………………………………………………………………

14. How best do you think the government can be of help? …………………………
…………………………………………………………………………………………
…………………………………………………………………………………………

If you have any additional information, feel free to comment here……………………..
…………………………………………………………………………………………