

## **The Role of Government in Financing Small Scale Businesses in Maiduguri**

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**Abstract:** *This study is set up to examine the role of government in financing small scale businesses in Maiduguri metropolis. The study utilizes survey method, which involve the use of both secondary and primary sources of data. The secondary data was used for literature review, while the primary data was used in gathering information from field. Thirty questionnaires were distributed in Maiduguri through simple sampling. The data collected were analyzed with chi square statistics test. Finding revealed mix result, where others feel that government contribute in financing small scale businesses while others reject the view. Therefore, recommended that government should put more effort in financing small scale businesses.*

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### **I. Introduction**

A business, whether small or big, simple or complex, private or public is created to generate income. Business in Nigeria can be classified as small, medium and large. The history of small scale business enterprises started long before the advent of large scale business enterprises because almost all large scale business enterprises of today started as a small and over 95% of all businesses are still properly classified as small. Small scale enterprises are nique in many respects. They have advantages and problems that differ from those of large scale businesses. Therefore, it is necessary to have large number of smallscale business if true competition is to exist, if freedoms of initiative and business enterprises are to be maintained and if we are to continue our progress in extending more goods and services to the increasing number of people in the world.

Perhaps, there has been a lack of agreement in Nigeria and elsewhere as to what constitutes a small scale business. Different authors, associations, institutions and scholars, have advanced different definitions on the subject. For instance, under the Central Bank of Nigeria guidelines, small scale business has been defined as "an establishment whose turn over doesn't exceed ₦500, 000 (five hundred thousand Naira)." The federal ministry of commerce and industries equates business in that sector as "those whose capital is not over ₦ 750,000", etc.

Government plays a great role in the administration of small business in general, because it operates in society controlled by government and in particular because there are micro policies specifically designed to address small business. Governments are also bound to some extent, to interfere with business in any country and to regulate production, distribution and marketing. The control of an economy means the control of the production and distribution of wealth, though a "laissez faire" policy may leave business fairly free to show enterprise in any way they like. Government has a general duty to manage the prosperity of the nation but does not want to run an endless series of nationalized businesses. It tends to offer just enough support to get enterprises going but to encourage self reliance and self financing so far as possible. It is to this end that this research intends to examine the role played by government in financial small scale business.

### **Statement of the Problem**

Small-scale business orientation is part of Nigeria. Evidence abounds in our respective communities of what success our great grandfathers made of their respective trading concerns. So the secrets behind their success of a self reliant strategy does not lie in any particular political philosophy, so much as in the peoples attitude to be enterprising and in the right to which the right incentive is adequate enough to make risk worth taking are provided. In Nigeria, the respective government policies accorded and gave priority to the country's small scale enterprises.

There is no doubt that government contributes a lot in financing small scale business. Though, the contribution of government is whether because of the benefit it derives from small scale business, nobody can tell. Despite the contribution of the government in one way or the other in financing small scale business, there exist some people who are still not aware of such contribution of government. To others the contribution are due to the benefits derives from such businesses. This gives a clear gap, necessary to under take a study in order to identify the role played by government in financial small scale business.

### **Objectives of the Study**

The general objective of this study is to examine the role of government in financing small scale business in Maiduguri metropolis. The specifics objectives are:

1. To examine the contribution of government in promoting small scale businesses in Maiduguri metropolis.
2. To identify the programmes undertaken by the governments in promoting small scale business in Maiduguri metropolis.

## **II. Methodology**

This work was carryout through the use of survey design. The survey design involved the use of both primary and secondary sources of data. It was use because it allows the researchers to objectively sample opinion of the owners of small scale businesses in Maiduguri metropolis on how government helps in financing such businesses. Simple random sampling was adopted in selecting 30 respondents who owned small businesses in Maiduguri. The data collected was analyzed and tested the hypothesis by chi square test statistics.

### **Concept Of Small-Scale Business**

Yakubu (2000), "The origin of Small-Scale Business in the African continent and west African Sub-region is closely tied in most cases to the country's cultural values or tradition." Baba (1985), is of the view that "Nigeria and most other countries Small-Scale Business have their origin from traditional occupation and heritage which reflect the societal cultural values". He further said that "such businesses were defined according to traditional values". For example, in Nigeria during the Babangida regime Small-Scale Business was defined as one that has a total investment of between one hundred thousand Naira (N100,000) and two million Naira (N2,000,000) excluding land, but including working capital. The Federal Government Small Scale Industry Development Plan of (1980) defined Small-Scale Business as any manufacturing process or service industry with a capital not exceeding N150, 000 in machinery and equipment alone.

Bolton Committee (1971) defined Small-Scale Business as "the one that has a relatively small share of the market, managed by its owners or part owners in a personalized way and it is independent". In the United States, the Small Business Administration (SBA), define a small business as one that is independently owned and operated, is not dominant in its field of operation and meet employment or sales standard developed by the agency. The Small-Scale Industries Association of Nigeria (1973), defined small-scale business as those having investment (i.e. capital, land building and equipment of up to N 60,000 per-sap value) and employing not more than 50 persons.

The Central Bank of Nigeria in its credit guidelines classified small-scale business "as these businesses with an annual income/asset of less Half million Naira (N500, 000). In Nigeria, the Third National Development Plan defined a small-scale business as a manufacturing establishment employing less than ten people, or whose investment in machinery and equipment does not exceed six hundred thousand naira only (N 600,000). Lastly, small-scale business has been defined in various ways, which varies one to another. In this study, "a small-scale business is one which scale of operation is less than the average in the form of number of persons employed and in the amount of investment and annual business turn over, self employed and petty traders is also included. Therefore, small business can lake many forms, namely: Sole proprietorship, partnership and private limited liability company. Below are the brief explanations of the different forms.

**Sole Proprietorship:** Is an enterprise owned and managed by a single individual.

**Partnership:** It has to do with two or more people (not exceeding twenty, i.e. minimum of 2 and maximum of 20) coming together to sign a contract or agreement to conduct a business together. Examples: bakery, civil engineering, professional practice such as: law, auditing etc.

**Private Limited Liability Company:** Is a situation where people come together to form a business with the aim of making profit. The membership of a private limited liability company ranges between 2 and 50 (i.e minimum of 2 and maximum of 50).

In Nigeria and Worldwide, there seems to be no specific definition of Small-Scale Business. Different authors, scholars and school of thought have different ideas as to the differences in capital outlay, number of employees, sales turnover, fixed capital, investment, available plant and machinery, market share and the level of development. These features equally vary from one country to the other.

### **Programmes for Financing Small-Scale Business**

Watts BKR (1988), continued saying that "the successful. Lobbying by small-scale businesses through out the 1970s, for greater government help to over come the knowledge gap," created a more favorable climate to supporting for small-scale businesses as follows.

The Department of Trade and Industry's Small Firm service was established to provide free sources of supply to government legislation through its small firms centre shops located in most majorities. They also

operated as forwarding agents, putting people in touch which experience business people who may have faced similar problems or directing enquiries to the appropriate institutions. Other examples:

- In Scotland, the small firm's service was provided by the Scottish Development Agency.
- In Northern Ireland an information service was provided by the department of commerce etc.
- Local Enterprises Agencies (LEAS) were established in 1981 to complement the work of small firm service. The LEAS are usually run by business people, bankers and other professionals seconded for a few years by the company or by Local authorities sponsoring the local scheme.
- The Training Commission provided a comprehensive range of training programmes for small-scale businesses the main courses are:
- The Business Enterprise Programme: A free six day course which covers business structures, sources of finance, and self forecasting.

The Private Enterprises Programme: Free for a new business and cover finding new products, marketing and managing growth.

- Firm Start; Designed for existing but growth businesses
- Graduate Gateway Programme: Give new graduate 15 weeks experience in small firms.

### **Financial Institution from which Small-Scale Enterprises can obtain Finance**

Small-scale enterprises can source their finance from the following financial institutions in Nigeria.

- Micro Finance Bank/Community Banks: Community banks are established in accordance with provisions of decree 46 of 1992. These financial institutions are owned and managed by their respective communities. They are self sustaining financial institutions within their communities; hence the sourcing of funding for small-scale business is made even less cumbersome and much cheaper. There were 881 community banks in Nigeria In year 2000.
- Development Banks: These are specialized financial institutions which are mostly established by government for the purpose, of financing commercial agricultural and industrial enterprises. Nigerian government has set up a number of development banks. Which include the following?
  - Nigeria Bank of Industry; This bank formed in 2001 through the merger of the following development financial institutions;
    - a. Nigerian Industrial Development Bank (NIDB).
    - b. Nigeria Bank for Commerce and Industry (NBCI)
    - c. National Economic Reconstruction Fund (NER FUND)

The Bank of Industry was to be funded with an initial base of about ₦ 50 billion and was expected to make credit facilities available at a much lower rate than the commercial rate. The bank has been established primarily to improve coordination and effective credit delivery facilities to small-scale enterprises.

- Nigeria Agricultural Co-operative and Rural Development Bank (NACRDB); This Bank was established from the merger of the following institutions:
  - People Bank of Nigeria (PBN).
  - Nigerian Agricultural Co-operative Bank (NACB).
  - Family Economic Advancement Programme (FEAP).

But now, the above banks are called Nigerian Agricultural Insurance Corporation (NAIC). This was established from the merger of the above banks, according to Decree No. 37 of 1993 enabling the corporation, its functions include the following:

- To implement, manage and administered the Agricultural Insurance Scheme established by section 6 of decree No. 37 of 1993.
- To subsidize the premiums chargeable on selected crops and livestock policies from the grants obtained from Federal, States Government and the Federal Capital Territory, Abuja.

Also, this bank is to take off with capital of ₦ 4.5 billion.

The bank was created to streamline the administration of credit facilities to small scale farmers.

It is expected that the bank would assist federal government to achieve its objectives of increasing agricultural production in Nigeria.

- ✓ Federal Mortgage Bank of Nigeria: This Financial Institution was set up in 1977 to provide long-term credit facilities for the purpose of developing real property in Nigeria.
- ✓ Nigerian Stock Exchange Market: Stock exchange market is a market for buying and selling financial securities such as bond, shares, debentures through accredited members.

Nigerian Stock Exchange is a significant part of Nigerian capital market which was established in 1960 with the aim of providing finance to both small and large scale enterprises. A small scale enterprise incorporated as a limited liability company can raise funds on the floor of the stock exchange market by selling its shares provided. It is listed under Second Tier Security Market (STSM).

The Second Tier Security Market was created in 1985 in order to encourage small-scale business to be listed on the exchange market.

**The Nigerian Government Participation in Small-Scale Industries**

The relationship that exists between the government and business goes along way to determine the existence, growth and development of small-scale business operations. The government is a super body that exerts enormous power in a given nation state. By implication, it has the capacity and ability to formulate policy for the good of small-scale business and other economic activities as a resources allocator.

Government acts as participator, regulator and facilitator, in the success of small-scale business. The government is seen as a participator where it is actually involved in and controls business

Enterprise, by owning and managing such enterprise, it acts as a business regulator with the overall aim of helping to maintain a climate of confidence, sanity and to stimulate the activities of the enterprises so that they can have the respect for the rule of competition. Onuaha (1990), Identified some of usual justification for government regulatory activities in business including what they. Hope to achieve, they are;

- Government control business as a way of ensuring that foreigners Do not dominate the economy.
- Government control of business is durable because, it is one of the methods by which government raises Revenue, the revenue comes in the form of registration fee, excise duties, Educational levies e.t.c.
- To create an environment which permits the enterprise to exist in an atmosphere of stability and co-operation?
- To fix and distribute public and social burden in a supportable and equitable manner, taking in to consideration the differences in size of various enterprises and the economic activity of the country.
- To protect the Interest of the consumer against exploitative actions of business or specific measures against sub-standard or dangerous product.
- Government control business as part of her fundamental responsibilities to-wards exercising her sovereign rigor or all activities within her jurisdiction, business inclusive.

Apart from regulatory functions, government facilitates small business in many ways which include;

- Beneficial investment policies
- Institutions capacity building
- Favorable economic and fiscal policies.
- Encourage and support the growth development

**Presentation And Analysis**

An analysis and interpretation was done from the data collected through the designed questionnaires. They are presented serially in tables in accordance to each question as below.

**Table 1: Contribution of Government in Promoting Small Business**

<b>Respondents</b>	<b>Number</b>	<b>Percentages</b>
Strongly Agreed	8	26.67
Agreed	5	16.67
Undecided	3	10
Disagreed	6	20
Strongly Disagreed	8	26.67
<b>TOTAL</b>	<b>30</b>	<b>100.01</b>

Source: Field Survey 2014

The above table reveals that 26.67% of the respondents strongly agreed that government contribute in promoting small scale business, while 16.67% of the respondents agreed with the view. In the other hand 20% of the respondents disagreed that government contributes in promoting of small scale business as well as 26.67% who strongly disagreed with the notion. Only 10% of the respondents those are in different on the government contribution to small scale businesses. This shows that majority of the owners of small scale business do not recognizes the contribution of government in promoting small scale businesses, even though there are some who witness it.

**Table 2: Government Strategies toward Small Scale Business**

Respondents	Number	Percentages
Strongly Agreed	6	20
Agreed	8	26.67
Undecided	2	6.67
Disagreed	8	26.67
Strongly Disagreed	6	20
<b>TOTAL</b>	<b>30</b>	<b>100.01</b>

Source: Field Survey 2014

From the above table, 20% of the respondents strongly agreed that there strategies put in place by government toward encouraging small scale business, as well as 26.67% respondents also agreed with this view. 26.67% of the respondents disagreed with the view that there are government strategies toward encouraging small scale businesses, and 20% of the respondents strongly disagreed with the statement. But only 6.67% of the respondents they failed to decide. This clearly indicate that half of the respondent are aware of the strategies put in place toward encouraging small scale businesses while half of them were not aware.

**Test of Hypothesis**

As stated earlier, the hypothesis was tested by the use of chi-square statistics.

Chi-square computation method

$$x^2 = \frac{\sum(o-e)^2}{e}$$

Where,  $x^2$  = chi-square

o = observed value

e = expected value

o-e = differences between observed and expected value

To find critical table value, the degree of freedom (df) will be calculated

$$df = (r-1)(k-1)$$

Where, r = row numbers

K = column numbers

In testing the hypothesis 5% (0.05) level of significance is chosen by the researcher.

**Decision Rule:**

If the calculated chi square value is greater than the critical table value, the null hypothesis will be rejected. However, if the chi-square value is less than the critical table value, the null hypothesis will be accepted.

**Hypothesis**

H<sub>0</sub>: government dose not contribute properly in promoting small scale businesses.

Refer to table 1.

$$X^2 = 30$$

$$e = \frac{30}{5} = 6$$

**Table 3: Hypothesis Testing**

Variable	o	e	o-e	(o-e) <sup>2</sup>	(o-e) <sup>2</sup> /e
SA	8	6	2	4	0.67
A	5	6	-1	1	0.2
U	3	6	-3	9	3
D	6	6	0	0	0
SD	8	6	2	4	0.67
<b>TOTAL</b>					<b>4.54</b>

Therefore  $X^2 = 4.54$

$$df = r-1 = 5-1 = 4$$

From the chi square table df of 4 under 5% = 9.48

**Decision**

Since the calculated chi square value is 4.54 and the critical table value is 9.48. We should therefore accept the null hypothesis because the chi square value is less than critical table value (4.54 < 9.48).

That is, government does not contribute properly in promoting small scale businesses.

### **Findings**

The following are the findings discovered from this study.

1. The contribution of government in financing small scale business in Maiduguri is less and majority of small scale business raise their capital from personal saving.
2. Some of the small scale business owners were not aware of the government strategies put in place toward encouraging small scale businesses
3. There is communication gap between government and the majority of small scale businesses owners
4. Majority of the small scale business owners were not aware of the various training and skills of operating a business
5. Most of the people were in business not because they are expecting anything as contribution from government in order to boost their businesses.

### **III. Conclusion And Recommendation**

**Conclusion:** The history of small scale business enterprises started as long as the beginning of human being in the earth. This is because man in his quest for survival has to engage in businesses activities. These businesses help in generating income by the individuals who owned them. It also serves as sources of generating employment to our teaming youth. Equally, government generates revenue from the small scale businesses. Therefore, concerned effort should be put in place by government in promoting small scale businesses in Nigeria as well as non governmental agencies.

### **Recommendation**

- The government, banks, and other financial institution should increase the scope of the loan scheme for small scale businesses and the scheme should be more liberal to enable an average small scale industrialist get access to loan from them.
- Government and other agencies such as SMEDAN, NAPEP etc, should organize workshops, seminars conferences and encourage publication in order to create proper awareness and enlighten the small businesses owner on the existing of some programmes toward promoting small scale businesses.
- Government should encourage the staff of small scale business to benefit from the training programme of the Industrial Training Fund (ITF), Administrative Staff College of Nigeria (ASCON) and Centre for Management Development (CMD). This could be done by making such training a request for government loan.
- Government should make effort to stands for entrepreneurs who have no collateral security, but who are with meaningful and purposeful ventures. That is the credit facilities to be available to each and every body willing and able with regardless to his identify.
- Government should provide the basic infrastructural facilities likes' pipe borne water, electricity, roads and others at the business site to minimize individual project cost.

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