

## Entrepreneurial Business Orientation and Economic Survival of Nigerians

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### *Abstract*

*This study examines the effect of Entrepreneurial business operation on the economic survival of the Nigeria people in Ilorin Metropolitan area. Random sampling techniques was used, from which the sample of various SMEs Owners (Entrepreneurs) was drawn through the simple random sampling, a sample of (50) Entrepreneur were selected from a list of registered SMEs-Owner in Ilorin. Fifty (50) Questionnaires were administered and distributed to the Entrepreneurs across the South local government in Ilorin. The responses were analyzed using Statistical Package for Social Sciences (SPSS) analytical package. The results of the research show that small scale business operation has a positive and significant effect on the economy Survival. From the analysis carried out and the data obtained from this research work, the result validates that Small scale business operations contribute to the economic growth of a nation. Also, there is a significant relationship between entrepreneurial business operations and the productivity. Establishment of small scale businesses brings at least 50% increase in profitability and productivity has the age of the business increase. There is positive relationship between small scale business and employment. The higher the small scale business established the more employment of youths increase.*

**Key Words:** *Small and medium scale Business, Business Orientation, Entrepreneurial, Economic; Ilorin, Nigeria.*

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### **Introduction**

Economics means the total/ aggregate sum of buying and selling, production and distribution activities, labour etc. It consists of an economic system which includes production, distribution, consumption and services in a nation. A given economy is the result of a set of processes that involves its culture, values, education, technological evolution, history, social organisation, political structure and legal systems, as well as its geography, natural resource endowment and ecology, as main factors. These factors give context, content and set the conditions and parameters in which an economy functions. Some cultures create more productive economies and function better than others, creating higher value or Gross Domestic Product (GDP). GDP per capital and unemployment are part of the methods by which an economy is measured. Many countries over the decade have designed a lot of means to improve, enhance and have a sustainable economy. This awareness made many developing countries including Nigeria to have a change of direction of industrial development from large scale business to development to small scale development from early 1960s (Dende and Joshua, 2012).

Small and medium scale enterprises (SMES) have been identified to develop and positively improve the economy. Countries such as Japan, China, North America and Asian countries have had such a rapid growth in their economy which is attributed to SMES. Also developing nations, such as Nigeria

characterised as low income earners by the World Bank, value SMES for several reasons. The role of SMES as an engine to economic growth as garnered considerable public attention. It is accepted globally as a tool for empowering the citizens and economic growth (Patrick 2009). For a nation irrespective of its economic ideology, to achieve meaningful and sustainable development, adequate attention must be given to wide spread of economic activities through entrepreneurship and SMES generation.

The SMES development facilitates the mobilization of human and capital resources towards economic development, in general and the rural sectors in particular. They have been identified as a vehicle for employment generation and providing opportunities for entrepreneurial sourcing, training, development and empowerment. SMES constitutes the driving force of industrial growth and development. This basically due to their great potential in ensuring diversification and expansion of industrial production as well as the attainment of the basic objectives of development. SMES utilize local raw materials and technology thereby aiding the realization of the goal self reliance. Also, government at various levels (local, state and federal levels) have in one way or the other focus on the performance of SMES for economic gains.

### Statement of Problem

The Nigeria national economy is characterized by mirage of problems which has constituted a sleepless night to developmental oriented governance. The most disturbing thing in the country is the menace of unemployment. Nigeria is faced with the challenge of curbing increase in crime rate, unprecedented increase in prostitution, high mortality rate, and political thurgery among others which are traceable to youth unemployment (Safiriyu and Njogo, 2012). More so, dwindling economic growth and development attributable to insufficient number of economic activities call for people to engage in entrepreneurship in the form of small and medium scale enterprises especially at such time as this which on the long run will translate to improve and sustainable economic growth and development otherwise, the country will suffer relegation in the committee of nations.

There is need to embark on the study to investigate the effect of small business operation on the economic survival of people in a nation. This study remain germane by examine the influence of entrepreneurial business operation on economy survival of Nigeria people in Ilorin metropolitan area. Specifically, the study will answer the following research question:

- Does promotion and development of small scale business operation improve employment of Ilorin residents?
- Is there any relationship between entrepreneurial process and economy development?
- Is improvement in infrastructure attributed to small scale business operations?

### Research Hypothesis

The hypotheses for this study are stated in the null form as follows:

**H<sub>0</sub>1:** Small businesses orientation does not have effect on the employment, productivity, and economic survival.

**H<sub>0</sub>2:** There is no significant relationship between Profitability and Entrepreneur business process.

### Literature Review

SMEs has been defined in different ways by many authors. What constitutes a small business varies widely around the world. Small businesses are normally privately owned corporations, partnerships, or sole

proprietorships. According to Adelaja (2008), in Nigeria, the small and medium industry enterprises investment scheme (SMIEIS) defines SMEs as any enterprises with a maximum asset base of two hundred million naira excluding land and working capital and with a number of staff employed not less than ten or more than three hundred.

The development of many countries is often measured by such indices as the level of industrialization, modernization, urbanization, gainful and meaningful employment for all those who are able and willing to work, income per capital, equitable distribution of income and the welfare and quality of life enjoyed by the citizenry. However, there has been great increase, over the years, in the interest of nations on SMEs. Also in Nigeria, SMEs represent the overwhelming majority of industrial capacity in developing countries. A fact confirmed by (Ajayi,1997; Ayozie,2011) Where it was postulated that presenting small scale business in Nigeria constitute over 80 percent of all registered companies, occupying positions in agro based and allied industries, rubber based, leather shoes industries, chemical, electronics, general merchandising, restaurants, dress making, cane-chairs ,leather products ,pomade and toiletries ,animal feeds and husbandry, printing etc.

Emmanuel and Daniya(2012) identified problems facing the economy of Nigeria When they said “Despite the abundant natural resources, the country still finds it very difficult to discover her developmental bearing since independence .Quality and adequate infrastructural provision has remained a night-mare, the real sector among others have witnessed downward performance while unemployment rate is on the increase. Basil(2005) suggested that “given the vital and salutary role and contributions, which the SMEs play in other developed economies, and considering the on-going reforms by the government of Nigeria, which are primarily aimed at creating wealth, reducing poverty, generating employment, re-orienting values, and stimulating real economic growth, it becomes compelling for the SME sub-sector to be revamped ,overhauled and energised towards playing its expected roles .He further mentioned that the SMEs remain a veritable vehicle for such an expected complete turnaround in the economy of Nigeria.

In concrete terms, Ayozie (2011) expressed that small scale industries constitute a greater percentage of all registered company in Nigeria, and they have in existence for a quite a long time. Majority of the small scale industries developed from the cottage industries to small enterprises-which is the bases of self reliance and hence, economic growth particularly when SME is manufacturing and export oriented.

Increasingly, economic development experts are abandoning traditional approaches to economic developments that rely on recruiting large enterprises with tax breaks, financial incentives, and other inducements, Instead, they are relying on building businesses from the ground up and supporting the growth of existing enterprises. The first is to develop and support entrepreneurs and small businesses. The second is to expand and improve infrastructure and to develop or recruit a highly skilled and educated workforce. Both efforts depend in large part on improving the quality of life in the community and creating an attractive business climate (Kelly, 2007).

Another justification for the role played by small scale industries in development identified by Yusuf (2010), is that they, small scale industries ensure a more equitable distribution of national income and at the same time facilitates an effective mobilization of resources (which were hitherto lying idle) of capital and skill. This is especially true in Nigeria where incomes are low and domestic market too thin for the development of capital intensive industry to levels large enough to create employment opportunities to any significant level. He further expressed that small scale industries also complement the agricultural sector by providing employment during the agricultural slack season after harvest. In both the developed and developing countries, the government is turning to small and medium scale industries as a means of economic development and a verifiable means of solving problems. It also a seedbed of innovation, invention and employment. Presently in Nigeria, SMES assist in promoting the growth of the country's

economy, hence all the levels of government at different times have policies which promote the growth and sustenance of SMEs. Small scale industries orientation is part of the Nigerian history.

Ahmed (2006) also stated that, “the small and medium scale industry is seen as a key to Nigeria’s growth and alleviation of poverty and unemployment in the country”. Therefore, promotion of such enterprises in developing economies like Nigeria is of paramount importance since it brings about a great distribution of income and wealth, economic self-independence, entrepreneurial development employment and a host of other positive, economic uplifting factors. This is agreed upon by Abiodun, 2010 in his study where he stated that small and medium scale enterprises have been long recognised as an instrument of economic growth and development. This growing recognition has led to the commitment of World Bank group on SMEs sector as core element in its strategy to foster economic growth, employment and poverty alleviation. There is no doubt that small scale enterprises exist in most economic environment (Aremu and Adeyemi, 2011).

### **Impact of SMEs on the Economy**

SMEs have no doubt been indeed recognized as the main engine of economic growth and development, a major variable for promoting private sector, development and partnership. (Basil, 2005). He further said that the key roles of SMEs include mobilization of domestic savings for investment, significant contribution to Gross Domestic Product (GDP) and Gross National Income (GNI), harnessing of local raw materials, employment creation poverty reduction and alleviation, enhancement in standard of living, increase in per capital income, skills acquisition, advancement in technology and expert growth and diversification. Other parameters usually used to measure the performance of SMEs include percentage of working population employed by the SMEs in a given country or economy, the percentage contribution to the country’s GDP, managerial and technical capacity building, percentage of of revenue internally generated or percentage of total PAYE accruing to the government from the SMEs employees, yearly increase in average household income (Basil, 2005). He continued by saying “aside from providing opportunities for employment generation, SMEs help to provide effective means of curtailing rural-urban migration and resource utilization.

By largely producing intermediate product for use in large scale companies, SMEs contribute to the strengthening of industrial inter linkages and integration. Also, Yusufu 2010 agreed by stating that it can, among other things, help promote agro based industries, which is another important threshold for development in industrially backward area of the world. Small scale industries can also help curb rural/urban migration in which cities are prone to, thus, reducing unemployment, crime and other vices as a result of the menace of such movement. Most importantly is that it can complement large industries in producing goods and services which are hitherto imported. In agreement with the others, Ayozie 2011 expressed that SMEs have contributed greatly to Nigeria’s development by the provision of employment, marketing of goods and services and the growth and development if the rural areas. It has also brought about the growth of indigenous entrepreneurship in Nigeria. he further stated that “ the provision of employment, innovation and areas marketing for goods and services which are offered for sales”. A lot of youths, retired workers and out of school graduates are now gainfully employed, thereby reducing the unemployment rate and its attendant’s social complication of armed robbery and white collar crime. They contribute to the labour market by absorbing an ever growing supply. In doing this, they have sufficiently helped to curtail the rising unemployment in Nigeria.

On this premises, Kelly (2007) disagreed with this notion of qualitative impact of SMEs on the economy. He said the overarching question is whether promoting entrepreneurship and small businesses make sense as an economic development strategy. He concludes that it probably does but with some caveats. Small businesses are potent job creators, but so are large businesses. The attribution of the bulk of net job creation

to small businesses arises largely from relatively large job losses at large firms, not to especially robust job creation by small firms. More importantly, data show that on average, large businesses offer better jobs than small businesses, in terms of both compensation and stability. Though, he later suggested that small businesses remain a significant source of new jobs in the United States. However, some scholars have contrary opinion as to the impact of SMEs. One of them said, there is little doubt amongst proponents of private sector development that entrepreneurship is the key to economic growth and development (Etebefia and Akinkumi). Kelly 2007 also suggest in his study that small scale businesses may not be quiet the fountainhead of job creation they are purported to be, especially when it comes to high paying jobs that are stable and offer good benefits. Big film jobs are typically better jobs also, Emmanuel and Daniya,2012 Harnessing the economic potential of SMEs Nigeria is still a mirage since several policies aimed at small and middle scale enterprises development did not stand the test of time due to poor implementation, erratic financing of schemes initiated by the government and other administrative bottle necks.

**Methodology**

The study area was Ilorin, Kwara-State, South-western Nigeria; a choice based on its strategic location as part of largest city with peace business solution, (Nigeria Business group, 2008). Both Primary and secondary data were used. The primary Data was obtained through questionnaires design and administered to small and medium scale business Owner in Ilorin south local government area. The responses were keyed into the computer and analyzed using Statistical Package for Social Sciences (SPSS) analytical. The SPSS has the incredible capabilities and flexibilities of analyzing huge data within seconds and generating an unlimited gamut of simple and sophisticated statistical results including simple frequency distribution tables, polygons, graphs, pie charts, percentages, cumulative frequencies, binomial and other distributions. Non-parametric statistical test Such as ANOVA and Chi-Square was used to test the formulated hypotheses, hypothesis one was analyse using ANOVA while Chi-Square was used to analyse hypothesis using SPSS Package/Software.

**Results and Discussion**

The detailed result obtained during this study is attached in the appendix. A total of 50 respondents with 62% male and 38% female aged between 20 and 50 years were interviewed during the course of this research.

Table 1 shows the age of respondents

Age of respondent				
	Frequency	Percent	Valid Percent	Cumulative Percent
below 20	2	4.0	4.0	4.0
between 20-50	32	64.0	64.0	68.0
above 50	16	32.0	32.0	100.0
Total	50	100.0	100.0	

Source; Survey, 2014.

58% of the respondents were found to have been in business at least five years while 30% of the entrepreneurs started business started business within two to five years while 12% started business less than 2 years.

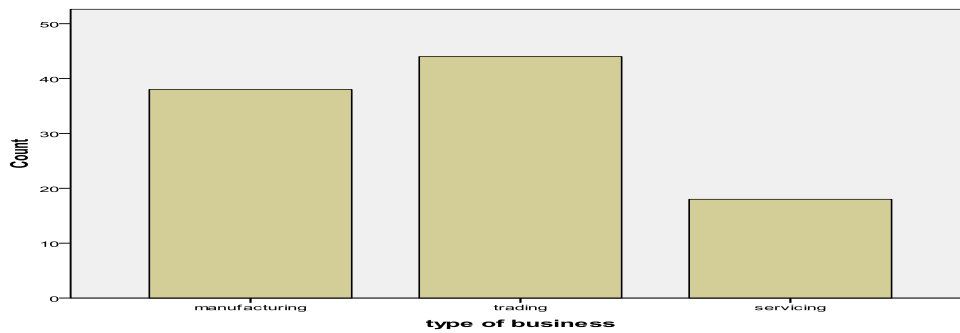
Table 2; shows the age of the business

Age of business				
	Frequency	Percent	Valid Percent	Cumulative Percent
below 2yrs	6	12.0	12.0	12.0
2-5yrs	15	30.0	30.0	42.0
above 5yrs	29	58.0	58.0	100.0
Total	50	100.0	100.0	

Source; Survey, 2014.

A good number of the businesses (44%) are involved in trading of manufactured goods (Fig1). 38% are involved in manufacturing while only 18% are involved in service rendering. Result of analysis from one way analysis of variance show that there is a significant relationship between the type of business (manufacturing, trading and service)and profitability/progress of the business (p=0.009).

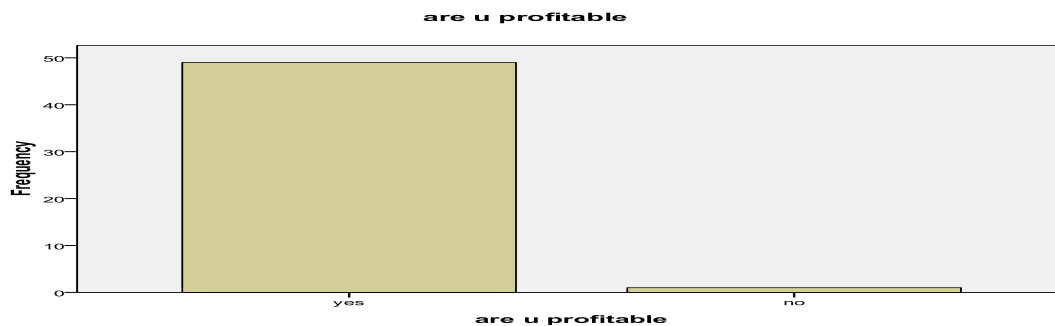
Below figure shows the percentage of respondents that are involved in the different types of Business.



Source; Survey, 2014.

Figure 1; types of small business in Ilorin

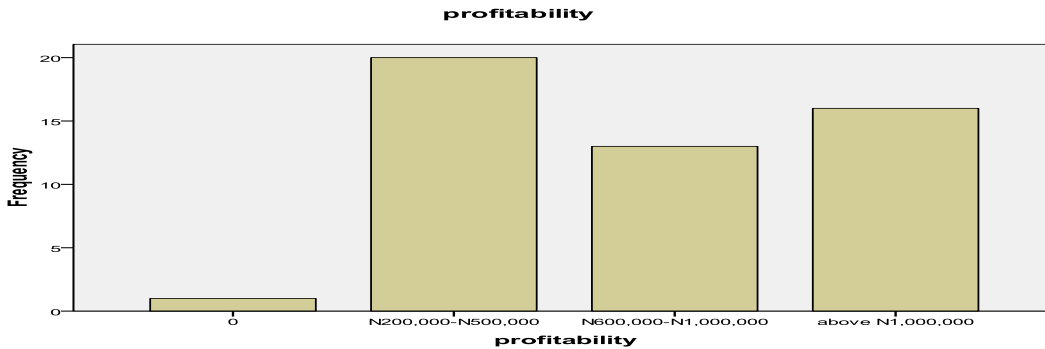
About 98% (Fig2.) of the respondents are profitable in their small scale business with 40% making profit between the range of 1-50%, 26% making double and 32% making more than double. This 32% can be considered as very profitable. The level of profitability is shown in figure2 below.



Source; Survey, 2014.

Figure 2. showing how profitable a small business

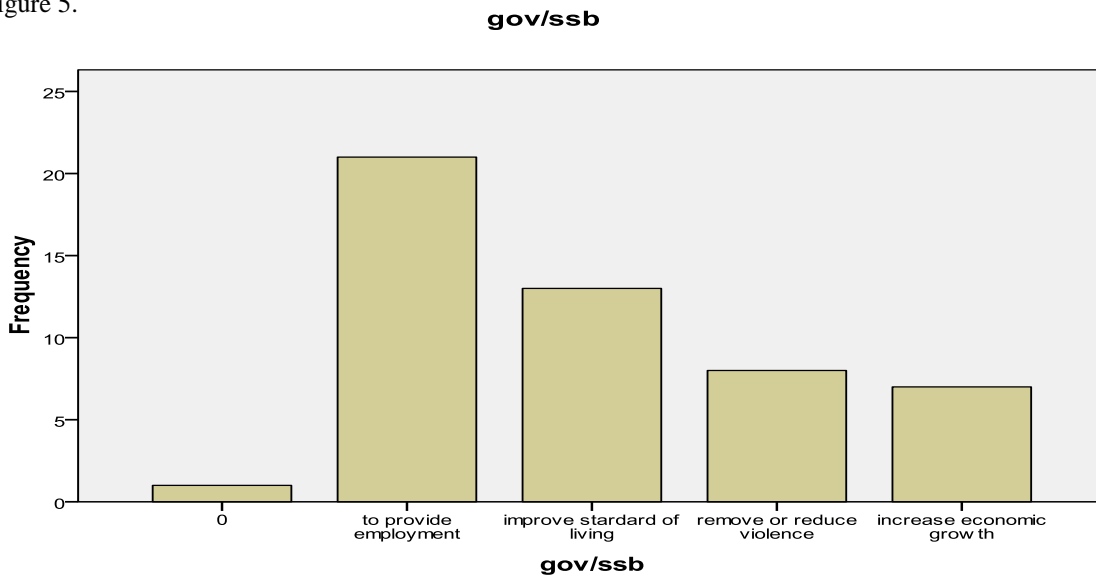
From the analysis, it was observed that even though a higher percentage made profit, a number of them(40%) made a profit of N200,000 – N500,000., while 26% made a profit between N600,000 – N1,000,000 and only 32% made a profit above N1,000,000 annually. This is represented in figure 3 below.



Source; Survey, 2014.

Figure 3. Annual profit of small scale business.

The result of this research as regards employment showed that there is relationship between employment and small scale business. The higher the small scale business, the higher the employment created. The use of analysis of variance showed there is a significant relationship between small scale business and employment ( $p=0.00$ ). Also, 42% of the reason why the government should encourage small scale business establishments as suggested by the people was to improve and increase employment. This is shown in figure 5.

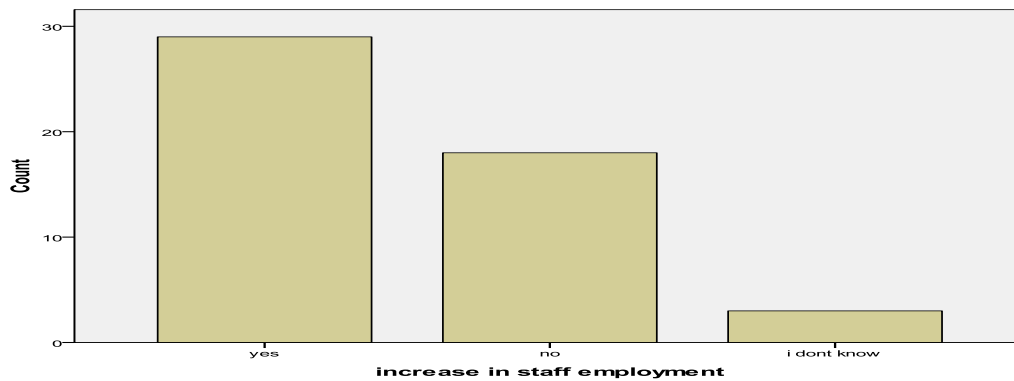


Source; Survey, 2014.

Figure 4. Impact of small scale Business

58% of the respondents agreed to have increased their employment of more staffs while the other percentage still retained the number of people they employed when starting up or have reduce the total number of their employee.

Figure 5 below shows how small scale businesses have increased the number of their staffs over the years.



Source; Survey, 2014.

Figure 5. SMEs Impact on employment Rate.

However, 32% has doubled the number of their staffs, 26% still retain the number of their staffs, while 18% has employed or increase the total number of employment more than half. Also, 70% of those employed fall between the age range of 20-40, this suggest that a higher percentage of youth are employed by small scale businesses. A vast majority of the respondents confirmed that there were infrastructural developments introduced to the area as a result of small scale business operation. The majority of those in business over 5years (58%) agreed that there have been roads, electricity, housing projects etc as a result of small scale business operation in Ilorin. The relationship between infrastructure and the age of the business ( $p \leq 0.03$ ).

The infrastructures that have been introduced as a result of small scale businesses in Ilorin south as gotten by the research is depicted in figure 6 below.

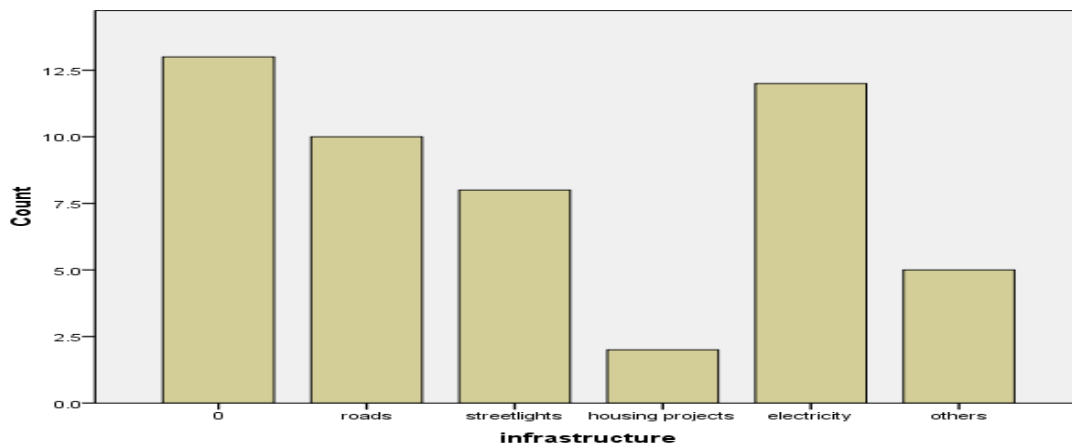


Figure 6. SMEs Impact on Infrastructural Development.

### Test of Hypotheses

$H_{01}$ : Small businesses orientation does not have effect on the employment, productivity, and economic survival.

The rational test of hypothesis was to confirm the doubt about whether small business orientation Influence economic survival in term of employment, Business profitability and infrastructure development.



Table 3: analysis of variance between small business Orientation and Economic survival.

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	21.732	2	10.866	3.790	.030
Within Groups	134.768	47	2.867		
Total	156.500	49			

Source; Survey, 2014.

For there to be a positive effect,  $P \leq 0.05$ . From the ANOVA analysis, considerable level is 0.03. This negates the hypothesis and we reject the null hypotheses and conclude that Small businesses orientation have effect on the employment, productivity and economic survival.

$H_{02}$ : There is no significant relationship between Profitability and Entrepreneur business process.

Table 4a: chi square analysis on profitability and entrepreneur businesses Process.

	Observed N	Expected N	Residual
0	1	12.5	-11.5
N200,000-N500,000	20	12.5	7.5
N600,000-N1m	13	12.5	.5
above N1,000,000m	16	12.5	3.5
Total	50		

Source; Survey, 2014.

The table4b below summarises the outcome of our model data in the chi-square analysis

Table4b: Test Statistics using Chi-square

	Entrepreneur Profitability
Chi-Square	16.080 <sup>a</sup>
Df	3
Asymp. Sig.	.001

Source; Survey, 2014.

The critical value of  $X^2$ , i.e. the table value, at five percent (0.05) significance level = 12.5 Thus, we reject null hypothesis if the calculated value of  $X^2$  is greater than 12.5 and vice versa. Also when  $p \leq 0.05$  reject null, when  $p > 0.05$ , retain null. From the chi analysis table above,  $X^2$  i.e chi value was 16.080 which is greater than the expected value of 12.5. Also the significant level(p value) is equal to 0.001. Thus, we reject the null hypothesis. This means there is significant relationship between profitability and entrepreneur businesses Process.

## Conclusion

This research work investigated the impact of small scale business operation on the economic life of the Ilorin people. The results of the research show that small scale business operation has a positive and significant effect on the economy. From the analysis carried out and the data obtained from this research work, the result validates that Small scale business operations contribute to the economic growth of a nation. Also, there is a significant relationship between small scale business operations and the productivity. Establishment of small scale businesses brings at least 50% increase in profitability and

productivity has the age of the business increase. There is positive relationship between small scale business and employment. The higher the small scale business established the more employment of youths increase. In the long run, infrastructures are improved in the areas where the small scale businesses are operational and located. Infrastructures such as electricity, roads, street lights, healthcare centres, financial institutions etc are established over a time. This is attributed to the presence of small scale businesses.

## Recommendations

Based on the findings, the following recommendations are made:

- Government should allow tax free for small scale businesses especially at the first few years of establishment.
- There should be provision for low interest loan and credit facilities which should be made readily available to the small scale business operations.
- People and consumers should be encouraged to patronize local products and services, this will increase the output of the small scale business as well as increase their profitability.
- Also, there should be creation of training small scale business operators on such things as marketing, ICT, financial management etc as all these skills are necessary to run a successful business.

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