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SMALL SCALE ENTERPRISES; CHALLENGES AND PROSPECTS IN BENIN CITY, NIGERIA

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ABSTRACT:

This research has been carried out to examine small scale enterprises; challenges and prospects using Benin City as a case study. Small and medium scale enterprises plays a significant role in the growth and development of any nation due to their massive contribution to the economy. The sector is acknowledge to have huge potential for poverty alleviation, employment generation and wealth creation in any economy. Survey research design was adopted. Primary method of data collection were used, a well-structured questionnaire was designed and distributed to the fifteen (15) sampled water factories in Benin City. The questionnaire was the main research instrument used in the study. A questionnaire is a main document used which contains a set of questions used for soliciting information from respondents as the subject of a research investigation. A total number of 330 questionnaires were distributed out of which 300 were returned. Both descriptive and inferential statistic was used for the data analysis, frequency and percentages were used to analyze the section A of the questionnaire while multiple regression analysis was used for the test hypothesis. The result shows that poor, financing and shortages or unavailability of raw materials and epileptic power supply have a negative and significant effect on the small and medium scale enterprises in Benin City. We concluded that these challenges need to be looked into in other to help the small and medium scale enterprises for sustainability and necessary intervention should be provided. On the part of the government. We recommended that proper monitoring of agencies in charge of loans for SMEs should be put in place and business owners should have proper planning for their business for sustainability.

1. INTRODUCTION

Nigerians who see business ownership and operation as a means of achieving their nation's dream of self-determination are said to practice "small scale business" or "enterprise" in the country. If these category of business owners succeed, the business will no doubt reap the reward of profit, which is the ultimate goal of any business. Various government agencies such as Nigeria's National Directorate of Employment (NDE), Peoples Bank, Community Bank, National Economic Reconstruction Fund (NERFUND), and Nigeria Bank for Credit (NBC) and Commerce, have been established over the years to aid the growth of small business sector in Nigeria (Ekpenyong, 2002). Entrepreneurs who want to start or expand their businesses in Nigeria can rely on these agencies, which Ekpenyong mentions as a source of financing, as well as training programs for those who are interested in starting a business. According to Ekpenyong (2002), none of these government agencies have come up with a well-articulated plan, method, or strategy to ensure that small-scale business enterprises are given adequate attention despite the government's efforts. The Nigerian factor is still a problem for small businesses. When it comes to business, lack of funds is a common issue. Every aspect of a company's operations has a financial impact, from its conception (promotion) to its demise. As a result, it should come as no surprise that obtaining capital is a major concern for small businesses.

Aiyedun (2003) emphasizes that in Nigeria, micro and small enterprises such as restaurants, beverages, and bakeries, are often found to violate health and hygiene laws, traffic rules, as well as construction regulations due to the nature of their activities and locations. For government officials, including police officers, standard organizations of Nigeria (SON), and health inspectors at NAFDAC, such legal violations by small businesses in Nigeria are a common source of bribe money. Small business owners face additional risks and uncertainties such as the seizure of stock or equipment and the demolition of illegally erected shops and workshops without compensation from government authorities. Also, the researchers also identified further problems of small scale business in Benin City as follows; Epileptic power supply, shortages or unavailability of raw materials, poor financing, breakdown of equipment's and operating environment *et cetera*. The study however focuses on poor financing, shortages or availability of raw materials and epileptic power supply and measures that could be taking in addressing these issues. The researcher has the conviction that development and sustenance of small scale business in Nigeria will go a long way in helping Nigerian economic recovery. To this end, the study will investigate the challenges of small scale businesses in Benin City, review previous studies in the literature in order to highlight the gaps in this direction. It is therefore

necessary for one to know the weakness of a business to enable him or her plan it properly to avoid the failure of the business.

Okpara and Wynn (2007) noted that research on small business development has not been commendable enough in developing countries. This is more as the developing countries have recorded a higher failure rate than developed countries. As Arinaitwe (2006) rightly pointed out, small-scale businesses face various challenges including lack of technological know-how, dearth of managerial expertise, dearth of legislation designed to safeguard small businesses from multinational corporations and foreign imports, and scarcity of funding. For many small businesses in Nigeria, credit policies have been discriminatory, resulting in small businesses being forced to rely often and obtain funds from family members or micro credit markets where interest rates can be extremely high and often detrimental. Despite the fact that small-scale businesses have been recognized for their contribution to economic growth, this category of business still face numerous challenges that limit their long-term viability and growth. Indeed, lack of capital, lack of management experience, poor location, laws and regulations, and general economic conditions are among the challenges faced by small-scale businesses (Okpara & Wynn, 2007). The largest corporations have a stranglehold on all avenues of obtaining credit and raw materials. Employees are lured to the company by better wages and benefits, but usually serve as measuring yardstick to secure most government contracts. There are many strategic issues that small businesses face including lack of financial resources, lack of customers and lack of human resources, as well as lack of system controls and technological skills. Managers of small businesses have no prior marketing experience and perform minimal marketing activities. Most small businesses lack managerial expertise and provide little in the way of employee development and training. Poor decision making is a result of the informality and lack of an effective information system. Assuch, Entrepreneurs in smaller businesses are often unable to assess new technological developments that can help them innovate..

Fatai (2014) found that about 80% of Nigeria's small and medium-sized businesses are stifled by lack of funding and other related issues. Even in Nigeria, small businesses fail because such businesses are unable to secure long-term financing. Working capital financing was the most frequently cited issue in a study of Asian small businesses conducted by Bruch and Hiemenz (1984). A study by Scott, et al. (2014) found that SMEs in Nepal, Nigeria, Tanzania, Pakistan, and Uganda were affected by electricity insecurity. Premised on the above, the study was motivated by the need to bridge the research gap from empirical literatures reviewed on small and medium scale enterprises; challenges

and prospects in Benin City, especially as the findings of prior related empirical studies failed to show the shortages or unavailability of raw materials as a constraint to SMEs.

1.1 Objectives of the Study

The main objectives of this study is to identify and analyze the challenges of small scale business in Benin City. The specific objectives of this study are:

1. to examine the effect of poor financing on small scale business in Benin City;
2. to investigate the effect of shortages or unavailability of raw materials on small scale business in Benin City;
3. to identify the effect of epileptic power supply on small scale business in Benin City.

1.2 Research Questions

The following are questions this study will attempt to provide answers to:

1. What is the effect of poor financing on small scale business in Benin City?
2. What is the effect of shortages or unavailability of raw materials on small scale business in Benin City?
3. What is the effect of epileptic power supply on small scale business in Benin City?

1.3 Hypotheses

The hypothesis for this study is stated in null.

H_{o1}: poor financing has no significant effect on small scale business in Benin City.

H_{o2}: Shortages or unavailability of raw materials has no significant effect on small scale business in Benin City.

H_{o3}: Epileptic power supply has no significant effect on small scale business in Benin City.

2. LITERATURE REVIEW

2.1 Conceptual review

2.1.1 Small Scale Enterprises

Small and medium scale enterprises (SMEs) have immensely contributed to the economic growth and development in all countries. These play significant role in Nigeria economic growth and make up the largest proportion of businesses across the globe amidst playing tremendous roles in poverty alleviation, job creation, rapid industrialization using local raw materials and facilitating the growth of non-oil exports. Accordingly, SMEs also contribute to the gross domestic products (GDP) of the country. The sector has contributed adequately to the improvement in revenue growth of government.

Owners of these enterprises pay different taxes to the government at the federal, state or local government levels ranging from income tax, excise and customs duties withholding tax, value added tax, sales tax, land use charge as well as providing income and wages to household. Nevertheless, despite the SMEs significance, it still faces many obstacles that limit their long term survival and growth. According to Arinaitwe (2006), it appears that considering the enormous potentials of the SMEs sector and despite the acknowledgment of its immense contribution to sustainable economic development, it performance still falls below expectation in many developing countries. This is because the sector in these developing countries has been characterized by several factors militating against its performance.

According to Ude (1999), "any modern business enterprise, including all manufacturing and non-manufacturing small activities in commerce, service, maintenance, distribution, construction on production employing limited capital outlet" is a small business. This type of business relies solely on one or at most two or three people to make all of its major decisions. A small and medium enterprise (SME) is defined by Inegbenebor (2006) as an enterprise with a maximum asset base in excess of N200 million, excluding land and working capital. A small enterprise can be defined as a private business that is owned and operated by its owner(s); the owner(s) have complete control over the business's operations and decision-making processes. As a general rule, a company's equity is not publicly traded and its sources of capital are often limited. It's either not the dominant force in its region or it's not a player in Monopoly, depending on your perspective. An SME, according to Nwokeye (1988), is a business that employs between five and 100 people with an annual turnover of at least four hundred thousand naira (400,000). It is defined as a small or medium-sized enterprise (SME) by the federal ministry of commerce and industry by an investment (excluding land costs but including capital) of up to $750,000 and a workforce of up to 50. Sole proprietorships, partnerships, and limited liability companies (LLCs) are all forms of small and medium-sized businesses. Federal Office of Statistics research shows that 97% of all companies in Nigeria employ less than 100 people, which means that 97% of all companies in Nigeria are small businesses. 50 percent of Nigerians are employed by small and medium-sized businesses, which also produce 50 percent of the country's industrial output. Small and medium-sized businesses are seen as a step toward a vibrant and diversified economy, and this appears to be the case in Nigeria.

The Nigerian Industrial Development Bank (NIDB) once again defined small businesses as those with a total project cost of less than N750,000. Small and medium enterprises are defined by the federal ministry of industry as having a capital of less than N200 million and a workforce of fewer than 300

people. Small-scale businesses are defined by the Nigerian Central Bank's definition of N500,000 in annual revenue. As defined by the Nigerian Bank of Commerce and Industry (NBCI), a small enterprise is one that has a capitalization of less than N750,000, which includes working capital but excludes the cost of land. Small and medium-sized enterprises are defined by the Federal Ministry of Industries as having a capital of less than N200 million and a workforce of less than 300. In contrast to small and medium-sized enterprises, medium-sized enterprises are companies with fewer than 10 employees and total assets of less than 50 million. In Nigeria, a greater emphasis has been placed on the higher limits of capital investment and the number of employees, considering the various definitions of small business for official government policy decisions. Small-scale enterprises in Nigeria are not being encouraged by the government's efforts to raise the limit at which they qualify for government credit facilities. It would be reasonable to assume that all industrial establishments, no matter how small their capital investment or the number of employees, should be eligible for recognition in the absence of this low limit that is not supposed to exist. Because of this, cottage and craft industries should be given government support and attention. However, in reality, the vast majority of these small businesses face discrimination. As a result, the government does not give adequate consideration to the issues faced by this group of industrial establishments when developing policies for small-scale enterprises.

2.1.2 Establishing and Financing Small and Medium Scale Enterprises In Nigeria

Small and medium-sized businesses in Nigeria register as a business name because it is simple and convenient to do so. It is exempt from both stamp duty and share capital requirements. The owner's personal tax is treated as a single entity because the owner and the business are seen as one. For small businesses, it reduces the stress of forming a company, as well as other technicalities. A sole proprietorship or a partnership can be used to form a small business. Even though they go by corporate names, these groups aren't legally recognized. Small and medium-sized businesses (SMEs) in Nigeria are required by law to operate in accordance with the rules that govern their operations (Adelowo et al., 2012). Over 1.5 million Naira total capital base, but not more than 500 million Naira total capital, including working capital but excluding land costs and a workforce size of 11-100 employees, can be called "Enterprises." An early-stage investment is often the most difficult and expensive to secure. There will never be a good business idea without the necessary funding to see it through to a successful launch and continue to grow. Personal savings, commercial bank, trade credits, loans from friends and relatives, bank overdraft, equity finance, and higher purchase are the most common sources of initial capital. Many small businesses can naturally expand through the use of retained earnings. Profits are reinvested in the company as soon as they are realized. Another source of financing for a small

business is a term loan, where a bank customer receives a credit facility for a specific project. The Bankers Tariff regime affects the interest rate on a term loan. To quote Ofanson (2002):

The Family Economic Advancement Program (FEAP), The Peoples Bank, and the Nigeria Agricultural Cooperative Bank have come together to form the Nigeria Agricultural Cooperative and Rural Development Bank (NACRDB) (NACB). To better serve the needs of small and medium-sized businesses in Nigeria, they teamed up. A total of N1 billion in authorized capital was used to kick-start operations in 2001. (Central Bank of Nigeria Report 2015). Because of their rural locations and ease of access to agricultural inputs, the merged institutions were able to reach a smaller portion of their target market, but they still had a limited geographic reach because over 80% of their customers do not have any means of accessing their services (Anochie, 2015). Microfinance banks also have the goal of reviving and strengthening community banks so that they can better serve the needs of the poor, less fortunate, and rural populations. It has yet to be achieved in Nigeria because the microfinance banks still have an urban bias in their activities (Central Bank of Nigeria, 2005). As a result, many micro- and small-scale businesses in Nigeria are unable to obtain loans from traditional financial institutions, which contributes to the country's paradoxical situation of oil wealth and poverty. There are many unbanked members of society who can benefit from microfinance, and it is a powerful tool for fighting poverty and promoting economic growth in many regions of the world (Alaro & Alalubosa, 2019).

2.1.3 The Challenges Facing Small and Medium Scale Enterprises (SMEs) in Nigeria

Small and medium-sized businesses in Nigeria and other developing countries face challenges that differ greatly from those in more developed nations. As a result, the governments of these developed countries have implemented policies that support small businesses. Small business enterprises in Nigeria are often cited as being hindered by a lack of management structure and practice, poor record keeping, and a lack of financial discipline (Inegbenebor, 2006). In the same vein, despite the catalytic role of SMEs in the economic emancipation of countries, some of their major operational challenges in Nigeria includes:

2.1.3.1 Financial Problem: About 80% of small and medium-sized businesses are unable to grow because of a lack of capital and other issues (Fatai, 2014). The problem with financing small and medium-sized businesses is not so much the availability of funds but the difficulty in obtaining them. Financial institutions' strict conditions, a lack of adequate collateral and credit information, and the high cost of obtaining funds have all been cited as obstacles to obtaining funds (Harper, 1984). When

a businessman borrows money to expand his business, he often turns around and uses the money to marry new wives, acquire chieftaincy titles, or purchase homes abroad (Ihyembe, 2000). In a study of Asian SMEs, Bruch & Hiemenz (1984) found that the most frequently mentioned problem was the inability to obtain working capital.

2.1.3,2 Management Problems: SME survival in Nigeria is also threatened by a lack of skilled workers and managers. By West and Wood (1972), 90% of all business failures are due to a lack of experience, education or competence. According to (Rogers, 2002), most small and medium-sized businesses (SMEs) suffer from poor record keeping and inefficient general business management, which can lead to money being misapplied and costly decisions being made.

2.1.3.3 Strategic Planning Problems: small and medium scale enterprises do not carry out proper strategic planning in their operations. Ojiako (2002), stated that one of the problems of SMEs, is lack of strategic planning. Sound planning is a necessary input to a sound decision making

2.1.3.4 Inadequate Basic Infrastructure: The government has not done enough to create the best possible environment for small and medium-sized businesses (SMEs) to succeed, which includes issues with transportation, water supply, electricity, and solid waste management, among others. The growth of small and medium-sized businesses in Nigeria is hampered by the country's underdeveloped physical and social infrastructure.

2.1.3.5 Multiple Taxation: The role of tax consultants and agents hired by local governments has made this a major issue. The way they perform their legitimate duties, assess situations, and make decisions can be crude, exaggerated, and destructive to a company's production process. When they tax everything, they don't think about how it will affect household incomes and employment in the long run.

2.1.3.6 Poor Accounting System: Most small and medium-sized businesses' accounting systems are not uniform. As a result, it is impossible to evaluate their work properly. This creates room for mismanagement, which eventually leads to the demise of the organization.

2.1.3.7 Unforeseen Circumstances: The fortunes of small and medium-sized businesses can be adversely affected by unexpected events. Small and medium-sized businesses face numerous challenges due to a lack of readily available raw materials.

2.1.3.8 Unstable Policy Environment: Some SMEs have gone under as a result of the instability of government policies. In the 1980s, the government declared that after a certain date, no cocoa in raw or unprocessed form could be exported from the country. It was only after the government reversed this policy that many small and medium-sized businesses were forced to import machinery. Many small businesses in the cocoa industry were adversely affected by this.

2.1.3.9 Unstable Government Policies: constant change in government policies is one of the major problems disrupting the growth of small and medium scale enterprises in Nigeria. The inability of the government to make policies and implement them is a major constraint of small and medium scale enterprises in Nigeria, and the end result of this is that it discourages investment (Adetola, 2016).

2.1.3.10 Technical Problems: Breakdown of equipment used in the small and medium scale enterprises are common place. The vehicle breakdown and repairs are also classified as technical problems and challenges.

2.1.4 Prospects of Small and Medium Scale Enterprises (SMEs) In Nigeria

Small and medium scale enterprises (SMEs) form the fulcrum of any nations economic development because they are the engine of growth and catalyst for socio – economic transformation, especially country like Nigeria. According to expects, they argued that since government cannot provide full employment for all the citizens, SMEs, readily come to fill the gap in the employment situation in the country by providing jobs, no matter the category, for a larger section of the citizenry. These are enterprises widely recognized as a veritable vehicle for the achievement of national macro – economic objectives in terms of low cost employment and enhancement of apprenticeship. Because of the roles played by SMEs to the Nigerian economy and beyond the shores, the federal government in 2018 initiated the micro small and medium enterprises (MSME) Clinics to address the problems militating against the growth of small business across the country.

The vice president, Prof. Yemi Osibanjo stated that the MSME clinic was part of governments efforts to improve the business in the country and finding lasting solution to the perceptible challenges facing the growth of MSMEs by providing them with practical growth strategies through the adoption of a time saving approach. Describing the Nigerians especially the youth as hardworking people endowed with great entrepreneurial skills that can boost the economy, Osinbajo emphasized that small scale businesses mostly managed by youths, hold the future of the country. The vice president, further said that the clinic was a platform for MSME entrepreneurs to discuss existing opportunities and the challenges confronting their businesses. The Minister of Information, Trade and Investment Okechukwu Enelamah said that this category of enterprises contribute nearly 50% to the nations Gross Domestic Product (GDP). Okechukwu Enelamah further noted that the Federal Government inaugurated the National Council on Micro, Small and Medium Enterprises (MSME) to sharpen its focus on micro, small and medium enterprises and boost the development of the sub–sector Enelemah said that the government had also increased the access of Micro, small and medium enterprises to finance by providing start up capital for entrepreneurs. (Africana Entrepreneurer (2020) online).

Other schemes aimed at boosting the growth of Micro, small and medium enterprises included the World Bank funded Growth and Employment in States (GEMS) project, which was particularly focused on information, communication and Technology (ICT), agro– processing, entertainment, tourism and construction businesses. The minister recalled that at the end of 2016, the World Bank rated the GEMS project as "unsatisfactory and underperforming" and even considered the outright cancellation of the project. He said that the rating which was unacceptable by the World Bank necessitated the restructuring of the project. According to the minister, over 750 micro, small and medium enterprises had benefited from a training Programme by Business Development Services Provider (BDSPs) and over 21,000 micro, small and medium enterprises had received technical assistance, including training by the Enterprise Development Centre of Lagos Business School (LBS). As regards funding, governor of the central Bank of Nigeria (CBN) Godwin Emefiele, said the bank had disbursed over N100 billion to support the growth of micro, small and medium enterprises in the country. that another N60 billion was specifically set aside to fund Micro, small and medium enterprises in the agriculture and manufacturing sectors. Again, other prospects of small and medium scale enterprises in Nigeria includes;

2.1.4.1Economic Development: The role of small and medium scale enterprises in economic development cannot be overemphasized. This is owing to the fact that the profits made by these entrepreneurs flows as an increase into the national income and thereby increases the nations Gross Domestic Product (GDP) the contribution of small and medium scale enterprises in industrial sector to the Gross Domestic product (GDP) was valued at 37% thereby making it the second largest contributor to the nation's Gross Domestic product (GDP) after the oil sector.

2.1.4.2 Encourage Investment: The introduction of an enabling environment for small and medium scale enterprises in the sub–sector will further attract both local and foreign investors into the private sector of the economy.

2.1.4.3 Structural Balance: Small and medium scale enterprises will enhance structural balance in terms of small and large scale sectors of the industrial as well as bring about rural – urban development.

2.1.4.4 Encourage Technological Development and Innovation: Small and medium scale enterprises will produced specialized items in small quantity to meet current and diverse demands in the market.

2.1.4.5 Healthy Competition: The emergence of small and medium scale enterprises will bring about healthy competition in the market among several competitors.

2.2 Theoretical Review

2.2.1 Sustainability Theory

Sustainability theory was developed by Brundtland in 1987. The sustainability theory encompasses concept of sustainable business, sustainable development and sustainable transformative business. The significant tenets of sustainability theory are that owners and managers use their firm's capacity to increase their economic prosperity by realigning, their business models to be consistent with how they acquire, create, deliver, support and improve their business activities (Mcphee, 20014). Transformative business sustainability (TBS) refers to a firm's management's efforts to achieve business sustainability through the adoption of best business practices (Wagner and Svensson, 2014) the TBS model provide business owners and managers with a feasible framework, for making sound informed business decisions, improving market place practices, reducing uncertainty, addressing specific business goals to enhance business prosperity and sustainability (Teh and Corbitt, 2015). Understanding of sustainability development concepts and how the characteristics required to achieve sustainability interrelate is vital to the effective implementation of business strategy for sustaining a business.

According to Eswarlal and Vellesi, (2014) appraised effective sustainability development as requiring a clear vision with strategic direction, time, and long term focus on the firm's development, survival, and success. The sustainability theory is used as a lens in exploring the strategies that SMEs owners and managers use to sustain their businesses beyond five years. Small business owners and managers need to sustain their businesses by implementing sustainability models within their firms (Biedenbacha and Manzhynski, 2016) Sustainability theory is appropriate for this study exploring the strategies owners and managers of SMEs use in sustaining small and medium scale enterprises (SMEs).

2.3 Empirical Review

In a study of SMEs in Asia, Bruch and Hiemenz (1984) discovered that financing working capital needs was the most frequently mentioned problem. An empirical study that looked at the relationship between profitability, small business age, and business size discovered a significant positive relationship between profitability and business size (Olutula & Obamuyi, 2008). (Olutunla & Obamuyi 2008) emphasized that there is a relationship between age and growth, but that age does not determine profitability. Most small businesses in Nigeria are undercapitalized as a result of owners' reliance on personal and family savings as a source of funding (Opara, 2011). Babajide (2012)

discovered a positive relationship between the size, location, and growth of SMEs. A quantitative study involving 198 respondents aimed at discovering the relationship between owners and managers knowledge, the intensity of competition, marketing and competition, marketing and technical competence revealed the challenges affecting small business development in Nigeria (Shehu et al. 2013). Small businesses in Nigeria face challenges such as poor strategic planning, a lack of understanding of how to use technology in business, a lack of management skills, and incompetence in record keeping. Other challenges include poor economic infrastructure, insufficient and exorbitant power supply, and the prevalence of corruption in many aspects of life in the economy (Shehu et al. 2013).

Personal savings and credit supplies, according to Boating and Abdurahman (2013), are the most visible sources of small business financing in West Africa. Kanayo et al. (2013) discovered that SMEs avoid loans from microfinance institutions because they charge high interest rates that generate profits. Oyelola et al. (2013) discovered a lack of Nigerian interest in small business enterprise as a factor negating the sector's growth and leading to failures in their study on how small businesses could help Nigeria achieve sustainable economic growth. Another study discovered that among the challenges negating the survival of small businesses in Nigeria are poor financing, inadequate social infrastructure, multiple taxations, and a lack of managerial skills of owners and managers (Agwu & Emeti, 2014). The government can guarantee long-term loans to improve small business financing, improve infrastructure, and devise ways to curve multiple taxations to enhance the success of small businesses in Nigeria. Alarape (2014) identified frequent power outages as one of the challenges to small business success in Nigeria, while Faloye (2014) identified power outages as a barrier to small business adoption of e-commerce in Nigeria. According to Fatai (2014), approximately 80% of small and medium enterprises in Nigeria are suffocated due to inadequate financing and other related issues. Similarly, Gbandi and Amissah (2014) identified the inability of small businesses in Nigeria to obtain long-term financing as the primary cause of small business failure.

According to Scott et al. (2014), electricity insecurity has a negative impact on SMEs' productivity in Nepal, Nigeria, Tanzania, Pakistan, and Uganda. Islam (2014) conducted a world bank-supported qualitative survey involving 12,000 companies in 27 countries and discovered a negative relationship existed between the growth of a business and crime, and this negative relationship is stronger in small and medium-sized businesses. Loans from microfinance banks and loans from cooperative societies are among the institutional debt financing options available to Nigerian small and medium-sized businesses (Gbandi & Amissah, 2014). Ozioma Elendinmuo (2015) discovered that a lack of adequate

funding hampered the growth of 100 small businesses in Aba, Nigeria, to become public limited companies in a qualitative study involving 100 small businesses. An applied qualitative survey of 70 small businesses in Sao Paulo, Brazil on the managerial life cycles of small businesses discovered that the owner roles and manager functions changed at different stages of the business's life cycle (Oliveira et. al. 2015). In small businesses, Oliveira et al. (2015) discovered a positive relationship between the role of the owners and the functions of the managers. According to a study conducted by Duo and Banwo (2015), the government of Nigeria's support for SMEs is insignificant in comparison to the size of the sector in the economy.

According to a qualitative study conducted by Cole and Sokolyk (2016), most small businesses do not apply for loans from financial institutions due to the bureaucracies involved in loan application procedures. Similarly, Taiwo et al. (2016) discovered that microfinance institutions in Nigeria consider small business size and age when making loans, but prefer higher profitability and growth rate when considering a firm's loan application. According to Ekpo and Bassey (2016), power supply is grossly inadequate to meet Nigerian needs, resulting in the use of generators to power their businesses, resulting in high overhead costs.

3. MATERIAL AND METHOD

The scope of the study is limited to water factories in Benin City. Thus, the study adopted the survey design using fifteen (15) water factories in Benin City, in order to obtain opinion of respondents about small scale enterprises; challenges and prospects. The population of study consists of entire staff of water factories in Benin City. While the sample size is fifteen (15) water factories. This is because they will be sufficient to draw conclusion on other water factories. A questionnaire was objectively developed, organized into subsections according to each research questions. The questions are closed ended in nature. In analyzing the data for this study, the study examines the challenges and prospects of small scale enterprises in Benin City. The method of analysis is descriptive and multiple regression analysis.

3.1 Model Specification

For the purpose of this study, the variable used to investigate the challenges and prospects of small scale enterprises include financing, raw materials and power. Based on sustainability theory, the model capturing the impact of financing, raw materials and power on small scale enterprises is formulated as follows:

SME = F (FIN, RMT, POW)

The explicit form of the model is stated as:

$SME = \beta_o + \beta_1 FIN + \beta_2 RMT + \beta_3 POW + \mu$

Where:

SME = Small scale enterprises

FIN = Finance

RMT = Raw Material

POW = Power

μ = Error (Stoclastic term)

The SME is regarded as the dependent variable while the independent variables are poor financing on SME, shortages or unavailability on raw materials in SME and epileptic power supply on SME.

4. RESULT AND DISCUSSIONS

4.1 Data Analusis

Table 1: Reliability Statistic test

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.729	.783	24

Source: Researcher's Computation (2023). SPSS Version 23

Table 1 above which shows the reliability test of the variables. The result for the variable shows an excellent result of 0.729. Based on this we assumed that the degree to which an instrument yields was consistent.

4.1 Research Questions Analyses

The tables below shows the percentage distribution of SMEs by Working capital parameters

Table 2: What is the effect of poor financing on small scale business in Benin City?

	Statements	**SA**	**A**	**U**	**D**	**SD**	**Mean**	**STD**
PF	**Poor financing on Small Scale Enterprises**							
PF1	The big firms dominate every opportunity for obtaining loans	8 (2.7%)	194 (64.7%)	59 (19.7%)	37 (12.3%)	2 (0.7%)	2.44	0.77
PF2	Shops are demolished by government officials without adequate compensation	9 (3.0%)	277 (92.3%)	7 (2.3%)	7 (2.3%)	0 (0%)	2.04	0.38
PF3	Market/shops got burnt with little or no assistance from the government	38 (12.7%)	254 (84.7%)	2 (0.7%)	6 (2.0%)	0 (0%)	1.92	0.46
PF4	The early state financing is usually the most difficult and costly to obtain.	45 (15.0%)	248 (82.7%)	7 (2.3%)	0 (0%)	0 (0%)	1.87	0.40
PF5	Finance plays a significant role in the long term survival and development of a business	43 (14.3)	255 (85%)	2 (0.7%)	0 (0%)	0 (0%)	1.87	0.36

Source: Researcher's Computation (2023). SPSS Version 23

Table 2 above shows the response of the respondents to the questions raised on the effect of poor financing on Small and Medium scale enterprises in Benin City. The result above shows that majority of the respondent agreed with the first statement "The big firms dominate every opportunity for obtaining loans", 2.7% (8) strongly agreed, 64.7 %(194) agreed, 19.7 %(59) were undecided while 12.3 %(37) disagreed and 0.7 %(2) strongly disagreed with the statement. The mean and the standard deviation are 2.44 and 0.77 respectively. For the second statement "Shops are demolished by government officials without adequate compensation", 3.0% (9) and 92.3% (277) were strongly

agreed and agreed respectively while 2.3 %(7) were neutral and equally disagreed with mean of 2.04 and standard deviation of 0.38. 12.7 %(38) and 84.7 %(254) strongly agreed and agreed with the third statement "Market/shops got burnt with little or no assistance from the government", while 0.7 %(2) were neutral and 2.0 %(6) were disagreed. The mean and the standard deviation were 1.92 and 0.46 respectively.15% (45) and 82.7 %(248) respondents were strongly agreed and agreed with the fourth statement "The early state financing is usually the most difficult and costly to obtain" and 2.3 %(7) respondent were neutral.

Furthermore, 14.3 %(43), 85 %(255) and 0.7 %(2) respondents were strongly agreed, agreed and neutral respectively for the fifth statement "Finance plays a significant role in the long term survival and development of a business". It has a mean of 1.87 and standard deviation of 0.36 respectively.

Table 3: What is the effect of shortages or unavailability of raw materials on small scale business in Benin City?

		SA	**A**	**N**	**D**	**SD**	**Mean**	**STD**
SR	**Shortages or unavailability of raw materials in Small Scale Enterprises**							
SR1	The cost of importing raw materials is very expensive	66 (22.0%)	226 (75.3%)	7 (2.3%)	1 (0.3%)	0 (0%)	1.18	0.47
SR2	The big firms dominate every opportunity for obtaining raw materials	22 (7.3%)	139 (46.3%)	98 (32.7%)	39 (13.0%)	2 (0.7%)	2.53	0.84
SR3	Raw materials needed by some small scale enterprise cannot be sourced for locally	40 (13.3%)	216 (72.0%)	27 (9.0%)	15 (5.0%)	2 (0.7%)	2.08	0.70
SR4	Raw materials plays a significant role in the survival of a business	51 (17.0%)	249 (83.0%)	0 (0%)	0 (0%)	0 (0%)	1.83	0.38
SR5	Shortages or unavailability of raw materials are hindrances and great challenge to SMEs	39 (13.0%)	251 (83.7%)	10 (3.3%)	0 (0%)	0 (0%)	1.90	0.39

Source: Researcher's Computation (2023). SPSS version 23

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Table 3 above shows the response of the respondents to the questions raised on the effect of unavailability of raw materials on Small and Medium scale enterprises in Benin City. The result above shows that majority of the respondent agreed with the first statement " The cost of importing raw materials is very expensive", 22% (66) strongly agreed, 75.3 %(226) agreed, 2.3 %(7) were undecided while 0.3 %(1) disagreed with the statement. The mean and the standard deviation are 1.81 and 0.47 respectively. For the second statement "The big firms dominate every opportunity for obtaining raw materials", 7.3% (22) and 46.3% (139) were strongly agreed and agreed respectively, 98 %(32.7) were neutral while 13.0 (39) disagreed and 0.7% (2) were strongly disagreed with mean of 2.58 and standard deviation of 0.84. 13.3 %(40) and 72 %(216) strongly agreed and agreed with the third statement "Raw materials needed by some small scale enterprise cannot be sourced for locally", while 9 %(27) were neutral and 5.0 %(15) were disagreed and 0.7% (2) strongly disagreed. The mean and the standard deviation were 2.08 and 0.70 respectively.17.0% (51) and 83 %(249) respondents were strongly agreed and agreed with the fourth statement "Raw materials plays a significant role in the survival of a business" with mean of 1.83 and standard deviation of 0.38. Furthermore, 13 %(39), 83.7 %(251) and 3.5 %(10) respondents were strongly agreed, agreed and neutral respectively for the fifth statement "Shortages or unavailability of raw materials are hindrances and great challenge to SMEs". It has a mean of 1.87 and standard deviation of 0.36 respectively.

Table 4: What is the effect of epileptic power supply on small scale business in Benin City?

		SA	A	N	D	SD	Mean	STD
EP	**Epileptic power supply on Small Scale Enterprises.**							
EP1	The power supply in the area my factory is located is commendable	2 (0.7%)	87 (29.0%)	2 (0.7%)	18 (6.0%)	191 (63.7%)	4.14	0.76
EP2	Majority of small scale enterprises incur high cost of running gasoline generators for their business	142 (47.3%)	154 (51.3%)	3 (1.0%)	1 (0.3%)	0 (0%)	1.54	0.54
EP3	Many small scale enterprises rely on plants/generator sets to power their businesses	152 (50.7%)	147 (49.0%)	1 (0.3%)	0 (0%)	0 (0%)	1.50	0.51

EP4	Majority of the foreign investors have left the shores of Nigeria to more favourable climes due to epileptic power supply	121 (40.3%)	179 (59.7%)	0 (0%)	0 (0%)	0 (0%)	1.60	0.49
EP5	Many small scale enterprises has failed due to epileptic power supply	93 (31.0%)	201 (67.0%)	6 (7.0%)	0 (0%)	0 (0%)	1.71	0.50

Source: Researcher's Computation (2023). SPSS Version 23

Table 4 above shows the response of the respondents to the questions raised on the effect of epileptic power supply on Small and Medium scale enterprises in Benin City. The result above shows that majority of the respondent disagreed with the first statement "The power supply in the area my factory is located is commendable", 0.7% (2) strongly agreed, 6.0 %(18) agreed, 0.7 %(2) were undecided while 63. 3 %(191) disagreed and 29 %(87) were strongly disagreed with the statement. The mean and the standard deviation are 4.14 and 0.76 respectively. For the second statement "Majority of small scale enterprises incur high cost of running gasoline generators for their business", 47.3% (142) and 51.3% (154) were strongly agreed and agreed respectively, 1 %(3) were neutral while 0.3 (1) disagree with mean of 1.54 and standard deviation of 0.54. 50.7%(152) and 49 %(147) strongly agreed and agreed with the third statement "Many small scale enterprises rely on plants/generator sets to power their businesses", while 0.3 %(1) were neutral The mean and the standard deviation were 1.50 and 0.51 respectively. 40.3% (171) and 59.7 %(179) respondents were strongly agreed and agreed with the fourth statement "Majority of the foreign investors have left the shores of Nigeria to more favourable climes due to epileptic power supply" with mean of 1.60 and standard deviation of 0.49. Furthermore, 31.1 %(93), 67 %(201) and 2 %(6) respondents were strongly agreed, agreed and neutral respectively for the fifth statement "Many small scale enterprises has failed due to epileptic power supply". It has a mean of 1.71 and standard deviation of 0.50 respectively.

Table 5: Small and medium Scale enterprises

SSE	**Small Scale Enterprises**	**SA**	**A**	**N**	**D**	**SD**	**Mean**	**STD**
SSE1	Small enterprise could be described as a private business which is own and operate by owner(s)	143 (47.7%)	143 (47.7%)	1 (0.3%)	12 (4.0%)	1 (0.3%)	4.43	0.59
SSE2	Only the owner(s) take control over operation and decisions	161 (53.7%)	133 (44.3%)	5 (1.7%)	1 (0.3%)	0 (0%)	4.51	0.55
SSE3	The sources of capital which is usually limited or say fund is personally guaranteed by the owner(s)	158 (52.7%)	134 (44.7%)	5 (1.7%)	3 (1.0%)	0 (0%)	4.49	0.59
SSE4	The equity of small and medium scale enterprises are not publicly traded	154 (51.3%)	139 (46.7%)	5 (1.7%)	2 (0.7%)	0 (0%)	4.48	0.57
SSE5	Most small firms are family businesses, where the owner and the manager are the same person and where the family members are usually involve	150 (50.0%)	140 (46.7%)	6 (2.0%)	3 (1.0%)	1 (0.3%)	4.45	0.62

Source: Researcher's Computation (2023). SPSS Version 23

Table 5 above shows the response of the respondents to the questions raised on Small and Medium scale enterprises in Benin City. The result above shows that majority of the respondent agreed with the first statement "Small enterprise could be described as a private business which is own and operate by owner(s)" 47.7% (143) strongly agreed, 47.7 %(143) agreed, 0.3 %(1) were undecided while 4 %(12) disagreed and 0.3 %(1) were strongly disagreed with the statement. The mean and the standard deviation are 4.43 and 0.59 respectively. For the second statement "Only the owner(s) take control

over operation and decisions", 53.7% (161) and 44.3% (133) were strongly agreed and agreed respectively, 1.7 %(5) were neutral while 0.3 (1) disagree with mean of 4.51 and standard deviation of 0.55. 52.7 %(158) and 44.7 %(134) strongly agreed and agreed with the third statement "The sources of capital which is usually limited or say fund is personally guaranteed by the owner(s)", while 1.7 %(5) were neutral and 0.7% (2) were disagreed. The mean and the standard deviation were 4.49 and 0.59 respectively. 51.3% (154) and 46.3 %(139) respondents were strongly agreed and agreed with the fourth statement "The equity of small and medium scale enterprises are not publicly traded", 1.7%(5) were neutral and 0.7%(2) were disagreed with mean of 4.48 and standard deviation of 0.57. Furthermore, 50 %(150), 46.7 %(140), 2 %(6), 1%(3) and 0.35 (1) respondents were strongly agreed, agreed, neutral , disagreed and strongly disagreed respectively for the fifth statement "Most small firms are family businesses, where the owner and the manager are the same person and where the family members are usually involve". It has a mean of 4.45 and standard deviation of 0.62 respectively.

4.2. Test of Hypotheses

In the research hypotheses, some hypothesis were formulated by the researcher, this has to be tested to verify its validity or otherwise.

Table 6: Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.317[a]	.100	.091	.51146	.693

Source: Researcher's Computation (2023). SPSS Version 23

a. Predictors: (Constant), Epileptic power supply , Poor financing, Shortages or unavailability of raw materials

b. Dependent Variable: Small scale Enterprises

From the table 6 above, The R value is 0.317 which indicate a level of prediction of the dependent variable (poor financing, unavailability of raw materials and epileptic power supply). Also the R^2 which is the coefficient of determination, that is the proportion of dependent variable (poor financing, unavailability of raw materials and epileptic power supply) that can be explain by the independent variables (small scale enterprises). The value of the R^2 is 0.100 that is the independent variables can explain approximately 10% of the dependent variable.

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Table 7: ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	8.636	3	2.879	11.004	.000[b]
	Residual	77.432	296	.262		
	Total	86.068	299			

Source: Researcher's computation (2023). SPSS version 23

a. Dependent Variable: Small scale Enterprises

b. Predictors: (Constant), Epileptic power supply , Poor financing, Shortages or unavailability of raw materials

From the table 7 above (the Anova table) which shows whether the overall regression model is of good fit or not. From the table the value of p is 0.000 which shows that the independent variables are statically significantly predict the dependent variable. This shows that the regression model is a good fit of the data.

Table 8: Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	4.569	.296		15.423	.000
	Poor financing	-.111	.020	.310	5.570	.000
	Shortages or unavailability of raw materials	-.031	.095	-.018	-.330	.041
	Epileptic power supply	-.137	.106	-.072	-1.300	.015

Source: Researcher's computation (2023). SPSS version 23

a. Dependent Variable: Small scale Enterprises

4.2.1 Hypothesis One:

H_{o1}: Poor financing has no significant effect on small scale business in Benin City.

From the table 8, it can be seen that poor financing have a negative and significant effect on small scale enterprises in Benin City, the p value (0.000) is less than 0.05 with a coefficient of -0.111. This shows that an increase in poor financing can decreases the growth and expansion of small and medium

scale enterprises by 11%. Based on this result we can reject our null hypothesis that says **poor** financing has no significant effect on small scale business in Benin City and accept our alternate hypothesis that poor financing has significant effect on small scale business in Benin City.

This conclusion is evidenced by the observation of Fatai (2014) that about 80% of small and medium enterprises in Nigeria are stifled because of poor financing and other associated problems. Similarly, Gbandi & Amissah (2014) found the failure of small businesses to access long-term financing as the main source of small business failure in Nigeria. Also, Bruch & Hiemenz (1984) in a study of SMEs in Asia observed that financing working capital needs was the most frequently mentioned problem.

4.2.2 Hypothesis Two

Ho_2: Shortages or unavailability of raw materials has no significant effect on small scale business in Benin City.

From the table 8, it can be seen that Shortages or unavailability of raw materials have a negative and significant effect on small scale enterprises in Benin City, the p value (0.041) is less than 0.05 with a coefficient of -0.31. This shows that an increase in Shortages or unavailability of raw materials may decreases the growth and expansion of small and medium scale enterprises by 31%. Based on this result we can reject our null hypothesis that says Shortages or unavailability of raw materials has no significant effect on small scale business in Benin City and accept our alternate hypothesis that Shortages or unavailability of raw materials has significant effect on small scale business in Benin City.

Unavailability of raw material reduces the growth of SMEs because when the items needed for production are not available, this directly affect the production and the sales and indirectly affect the profit. This can lead to insolvency of the enterprise and on the long-run collapse the business. The result is evidenced by the 97.3%, 53.6%, 85.3%, 100%, 97%, response of the sample respondent of each of the statement respectively.

4.2.3 Hypothesis Three

H_{o3}: Epileptic power supply has no significant effect on small scale business in Benin City.

From the table 8, it can be seen that Epileptic power supply have a negative and significant effect on small scale enterprises in Benin City, the p value (0.015) is less than 0.05 with a coefficient of -0.14. This shows that an increase in Epileptic power supply may decreases the growth and expansion of small and medium scale enterprises by 14%. Based on this result we can reject our null hypothesis that says Epileptic power supply has no significant effect on small scale business in Benin City and

accept our alternate hypothesis that Epileptic power supply has significant effect on small scale business in Benin City.

this result was supported by the observation of Ekpo & Bassey (2016) who stressed that power supply is grossly inadequate to meet the Nigerian needs which give rise to the use of generators to power their business resulting in high over-head cost. Similarly, Faloye (2014) found power outage as a barrier to small businesses. Also, a study by Scott, et al., (2014) found electricity insecurity to be affecting SMEs productivity in Nepal, Nigeria, Tanzania, Pakistan and Uganda.

CONCLUSION AND RECOMMENDATIONS

The empirical analysis above shows that all the three challenges considered in this study (poor financing, unavailability of raw materials and epileptic power supply) have negative and significant effect on Small and Medium Scale enterprises in Benin City. This shows that poor financing both on the part of the owners and government will affect the SMEs negatively because when there is insufficient funds for business, this may cause less production and low profitability and on the long run kill the business, Also poor financing may not allow the business owners to have access to bulk purchase that can give them enough discount to reduce their cost of production and this will also have effect on the profit and sustainability of the business will be threatened. Also, the study discovered shortages or unavailability of raw materials may have negative effect on the SMEs. This is another challenge to all the small business owners possibly due to unavailability of industry closer to them or the industries productions are not even sufficient for the local environment due to so many other factor. If there is no adequate raw material for a business, this will automatically affect the production, the sales and the profit of the business. If this profit is not sustainable this may collapse the activity of the business,

Finally, it was discovered that a negative effect of epileptic power supply on the SMEs in Benin City. This is another challenge facing the SMEs that affect their activities due to lack of proper system by our government and this increase the running cost of business because they will need to get generator or solar system to power their business, this tends to reduce the profit of the business that supposed to have been diverted to expansion of the business. The government have a big role to play in this because in Nigeria of today the government have fail in this area and this is affecting business and their survival.

The following policy recommendations were offered from the findings of this study.

1. That government should provide means of loan for SMEs in order to expand their business. Also an awareness should be created to enable them to know that there is such opportunity. There should be proper monitoring of the process so as to make sure that such money is not

diverted on the part of the agency that may be put in charge and on the part of the owners of the business too. Such loan should not attract a very high interest to enable them pay back quickly and to attract them to collect it.

2. The business owners should consider the availability of raw materials as part of their plan before stating business and they should decide to collaborate in getting some of those raw materials that are available elsewhere to get it to their place in order not to have interruption in their production process.
3. Government should intervene in the power system and make sure that it work the way it supposed to, because it may not be easy for SMEs to be running Generator for hours. Also, SMEs should consider Generator or Solar System as one of the important equipment that may be needed for their business to survive.

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