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CHALLENGES FACED BY SMALL AND MEDIUM ENTERPRISES IN ABIA STATE

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ABSTRACT

This study aimed at examining the challenges faced by small and medium enterprises (SMEs) in Abia State. In this study, descriptive research design was used to study a population of 2400 SMEs operators in Abia State. A sample of 240 SMEs operators were selected in 6 different locations in Umuahia and also in Aba, all in Abia State. The study used questionnaire for data collection. Tables and mean rating were used for data analysis. T-test statistics was conducted to test the significant difference between variables at 0.05 level of significance. The result showed that there is no significant relationship between financial challenges befalling SMEs and their survival in Abia State as they are faced with challenges such as lack of adequate collateral security, poor credit information, high cost of interest rate of paying back loan if collected, fear of default to pay the loan and difficulty to obtain grants from philanthropists and government agencies. The study concluded that small and medium scale enterprises are the backbone of Nigeria economy as they contribute immensely to economic growth through job creation, improved standard of living, but have challenging factors like lack of access to loan because of lack of collateral security, poor credit information, high cost of interest rate of paying back loan if collected, fear of default to pay the loan and difficulty to obtain grants from philanthropists and government agencies, lack of experience and competence, lack of knowledge of information technology, lack of knowledge of problem solving, poor planning and poor knowledge of business assessment, poor market segmentation, poor advertisement and difficulty in accessing global market due to lack of knowledge to operatt social media such as facebook, whatsApp, Instagram, You tube and Twitter. Therefore, the study recommends among others that Abia State government through its ministries and agencies should support SMEs development financially since the enterprise can help to boost economic growth and development. Also, training and development are needed on the side of SMEs operators to acquire skills on innovative management practices and ICT management that suit into 2st century business management and again gain access to global market via social media platforms.

Keywords*:* Challenges; Small; Medium; Enterprise.

Introduction

Small scale enterprises are the commonest businesses across the globe. No countries in this world can say they do not need SMEs industries. SME is a business for big and small people in the society. The sector accounts for almost ninety percent of all the businesses located in rural and urban centres in Nigeria and across the globe. Small and Medium-Scale Enterprises is defined as "any firm employing between five and one hundred workers with an annual turnover of about four hundred thousand Naira (N400, 000). The Federal Ministry of Commerce and Industry defines SMEs as firms with a total investment (excluding cost of land but including capital) of up to N750, 000, and paid employment of up to fifty (50) persons. Fatai, (2021), described SME as an industry with total capital, employed for over N1.50 million but

not more than N50 million including and per a labour size 11-100 workers. The enterprise promotion, Decree of 1989 as amended in 1994 defined SME as any enterprise set up to make the owner self-employed and self-reliant. Such businesses include businesses, business centers, organized mechanics and allied artisans such as electricians; panel beaters supermarkets and gift shops. The Small and Medium industries and Equity Investment Schemes (SMIES) defined small and medium enterprises (SMEs) as any enterprise with a maximum asset base of N200 million excluding land and working capital and with the number of staff employed not less than 10 or more than 300 **(**Olumide, 2004).

Small and medium scale business does not base on a specific amount of capital to start and run it. Also, it does not have a specific number of employees to employ in running the business but it creates employment for the owner. SMEs can exist in the form of sole proprietorship and partnership, though some could be registered as limited liability companies and characterized by simple management structure, informal employer/employee relationship, labour intensive operation, simple technology, fusion of ownership, management and limited access to capital.

Onugu (2015) argued that SMEs serve as a linkage to ownership base or structure, which mainly revolves around an essential man or family. The preponderance of the SMEs is a one-man business (sole proprietorships) or more than one-man business (partnership). Thus, even where the registration status is that of a limited liability company, the real fact of ownership in SMEs is that of a one-man, family or partnership business. Other characteristics of SMEs in Nigeria are outlined as; labour-intensive production processes, easy to relocate, tax free incentive, quick decision making, easy to change and less stress to operate.

Small and medium scale enterprises are the backbone of the economy and a key source of economic growth, dynamism and flexibility. A study done by the Federal Office of Statistics shows that 97% of all businesses in Nigeria employs less than 100 employees, implying that 97% of all businesses in Nigeria are "small businesses" (General Statistics Office, 2017). Mahmoud (2005) maintained that SMEs sector provides an average of 50% of Nigeria's employment and 50% of its industrial output and as such, development of SMEs in Nigeria is a step towards building a vibrant and diversified economy. Adebusuyi (2017) added that developing the SMEs industries will provide more equitable distributions of income in all spheres of Nigeria economy as it accounts for about 70% of industrial employment. The SMEs businesses operate and survive in various environments of the Nigeria economy (Odeyemi, 2013). They are major source of providing job opportunities to the people and also stimulate the development of the countries by promoting business skills and entrepreneurship amongst communities and strengthening the local or domestic production sector as well as the industrial base. Akabueze (2022) asserted that the contributions of SMEs to Nigerian economy are evident, as SMEs are known to contribute to the development of the economy in terms of employment opportunities at a relative low capital cost, more especially in the booming services sector, providing opportunities for developing and adapting to the most appropriate technological approaches, provision of extensive output of goods and services, they provide a road map for the reduction of income disparities, improving forward and backward linkages between socially, economically, and geographically diverse sectors of the Nigerian economy, they develop a pool of skilled and semi-skilled employees as a basis for future industrial expansion.

SMEs offer an excellent breeding ground for entrepreneurial and managerial talent and the rest. Udechukwu (2013) claimed that SMEs have been fully acknowledged and recognized by development experts and the Government as the pillars of economic growth and sustainable development, and SMEs are the major player in promoting or boosting private sectors and partnership development. The coming up or development of SMEs is an essential factor in the growth strategy of the Nigerian economy in particular. Wattanapruttipaisan (2003) posited that SMEs have been universally acknowledged for growth, competitiveness and productivity of the
economy. SMEs contribute simultaneously in improving the living standard of people, it brings about substantial local capital formation and through SMEs high level of productivity is achieved. SMEs are the primary means through which equitable and sustainable industrial diversification and dispersal chores, and also SMEs provide intermediate or semi-processed goods for use by large-scale firms. With this, SMEs provide a lot of industrial linkages between local producers of raw materials and large industrial concern. They equally serve as agents for the distribution of final products of such industries with these, it is agreed that SMEs provide materials to large scale firms. SMEs serve as veritable means of mobilization and utilization of domestic savings as well as increased efficiency through cost reduction and greater flexibility. Therefore, SMEs in Nigeria have been recognized to be an essential engine for obtaining national development goals which include economic growth and poverty alleviation (Mokaddem, 2006).

However, despite the important contribution of SME businesses to Nigeria economy, Onugu (2005) maintained that they are affected by factors such as inadequate to access relevant information, lack of good succession plan, lack of connection to international market, out-dated and inefficient use of technology, high level cost of production due to inadequate infrastructure and wastages, deficiency to distinguish between personal and business finance, limited access to long-term finance, low quality product output, poor management of financial resources, lack of adequate financial record keeping system, inadequate entrepreneurial skills, poor documentation of policies and strategies, ineffective education or technical background, absence of research and development initiative, over-dependent on imported raw material and spare-part, little or no training system and development for staffs, poor managerial skills due to their inability to acquire skilled labour, poor inter and intra-sectorial linkages, high business mortality rate within their first two years, high interest rate charged by banks and weak capital structure among others. Thus, for the purpose of this paper, financial challenge, innovation management challenges and marketing problems befalling SMEs in Nigeria shall be discussed in details.

In other words, **a**bout 80% of Small and medium enterprises are stifled because of poor financing and other associated problems (Fatai, 2011). The burden of financing SMEs in Nigeria is not so much the sources of funds but its accessibility. The issues identified affecting funds accessibility of SMEs are the stringent conditions set by financial institutions. The SMEs is limited to meet with conditions such as lack of adequate collateral, poor credit information and high cost of interest rate of paying back loan if collected from the financial institutions (Adepoju, 2003). The capital shortage problem in the small firms sector is partly one which stems for the uneconomic deployment of available resources by the owner-managers. This view was shared by Ihyembe (2000) who claimed to have seen businessmen take loan for expansion projects only to turnaround to

marry new wives, acquire chieftaincy titles or buy houses abroad. Thus, financing working capital needs of SMEs is the most frequently mentioned problem affecting the survive of SMEs in Nigeria especially in Abia state. Binks and Ennew (1996) expressed the view that the funding challenge of SMEs is primarily due to the behaviour of banks and imperfection of the capital markets.

Also, most of the small scale business operators in Nigeria and Abia state lack the innovative managerial skill to operate businesses in the 21st century. About 90% of all these businesses fail in the 21st century due to lack of experience and competencies, lack of knowledge of information technology, poor finance to acquire ICT infrastructure, lack of knowledge of problem solving, poor cognitive abilities, poor knowledge of planning, lack of ideal business assessment and lack of technology environment adaptation. Rogers (2002), also added that inefficiency in overall business innovation management and poor record keeping are also major feature of most SMEs; technical problems/competencies and lack of essential and required expertise in production, procurement, maintenance, marketing and finances have always led to funds misapplication, wrong and costly decision making.

In the same vein, most of the SMEs operators in Abia state are faced with marketing problems. The marketing problems may be poor market segmentation, poor advertisement, difficulty in accessing global market due to lack of knowledge to operate social media such as facebook, whatsApp, Instagram, You tube, Twitter and among others to sample their goods and services. Thus, these factors affect the productivity and survival of SMEs in Nigeria and Abia state in particular. Hence, this study aims at investigating challenges faced by small and medium enterprises in Abia State.

Purpose of the Study

The major purpose of this study was to investigate challenges faced by small and medium enterprises in Abia State. Specifically, this study sought to;

1. Identify the financial challenges befalling SMEs in Abia State.
2. Examine the innovative managerial challenges facing SMEs in Abia State.
3. Examine the marketing challenges facing SMEs in Abia State.

Research Questions

1. What are the financial challenges befalling SMEs in Abia State?
2. What are the innovative managerial challenges facing SMEs in Abia State?
3. What are the marketing challenges facing SMEs in Abia State?

Hypotheses

$H0_1$: There is no significant difference in the mean rating of male SMEs operators on the financial challenges befalling SMEs and their survival in Abia State.

$H0_2$: There is significant difference in the mean rating of male SMEs operators on the financial challenges befalling SMEs and their survival in Abia State.

Research Method

This research work used descriptive survey method. The study was conducted in Umuahia, Abia state. The population of this study was SMEs operators in Umuahia and Aba, Abia state. The total population was 2400 SMEs operators which consisted of male and female. Percentage method was used to select 10% of the total population in six areas each in Umuahia and Aba. This means that in Umuahia 20 participants were selected in each area given sample 120 respondents. The same process was observed in Aba and 120 respondents were also selected. This gave a total sample of 240 respondents. The instrument used for data collection was a

structured questionnaire. The questionnaire was structured in two sections. Section A provided data about the respondents. Section B answered the research questions of this study. The codes strongly agree (SA), agree (A), disagree (D) and strongly disagree (SD) were used for answering those research questions. The ranking was; 4, 3, 2 and 1 respectively. Content validity was used as the instrument for validation. The instrument was validated by two experts from Department of Technology/ Vocational Education, Faculty of Education of Nnadi Azikiwe University, Awka. The experts made necessary corrections which were effected before administering the instrument.

Pre-test method was employed to ascertain the reliability of the instrument. Eight copies of questionnaire was administered to SMEs operators in Awka in Anambra State which is outside the study area. Coach Apha statistics was employed to test the reliability of the data collected. From the result obtained at 0.81, it was discovered that the instrument was reliable to carry out the study. The researchers administered two hundred and forty (240) copies of questionnaire to SMEs operators in Umuahia and Aba with the help of two research assistants. The researcher and the two research assistants educated the respondents on how to fill the questionnaire. The exercise took one week and all the copies administered to respondent were fully retried and used for data analysis. Tables and mean rating were used to analyze the data collected. The decision rule for accepting the mean was at least 2.5 otherwise it was rejected.

Result and Discussion

Table 1: Mean summary on the financial challenges befalling SMEs in Abia State?

S/N	Items	SA	A	D	SD	$\bar{X}$	Remarks
1	Difficulty in accessing funds from banks.	102	101	26	11	3.2	Accepted
2	Stringent conditions set by financial institutions hinder SMEs operators from accessing funds.	118	114	8	0	3.5	Accepted
3	Lack of adequate collateral limit SMEs operators from accessing bank loan.	140	100	0	0	3.6	Accepted
4	Poor credit information affect SMEs operators from accessing bank loan.	105	103	20	12	3.3	Accepted
5	High cost of interest rate of paying back loan if collected from the financial institutions.	130	100	6	4	3.5	Accepted
6	Fear of default to pay the loan.	150	130	0	0	4.1	Accepted
7	Low profitability from the SMEs business which hinder owners' expansion.	130	110	0	0	3.5	Accepted
8	Unwillingness of family members and friends to support their brothers and fellow friends financial to boost their SME businesses.	120	119	1	0	3.5	Accepted
9	Difficulty to obtain grants from philanthropists and government agencies.	111	104	20	5	3.3	Accepted
	Grand mean					3.5	Accepted

Table 1 above, showed that grand mean of the respondent is 3.5>2.5 point for acceptance. In the opinion of the respondents, difficulty in accessing funds from banks, stringent conditions set by financial institutions hinder SMEs operators from accessing funds, lack of adequate collateral limit SMEs operators from accessing bank loan, poor credit information affect SMEs operators from accessing bank loan, high cost of interest rate of paying back loan if collected from the financial institutions, fear of default to pay the loan,

low profitability from the SMEs business which hinder owners expansion, unwillingness of family members and friends to support their brothers and fellow friends financial to boost their SMEs businesses and difficulty to obtain grants from philanthropists and government agencies are the financial challenges befalling SMEs in Abia State.

Table 2: Mean summary on the innovative managerial challenges facing SMEs in Abia State.

S/N	Items	SA	A	D	SD	$\bar{X}$	Remarks
10	Lack of experience and competencies	125	113	2	0	3.5	Accepted
11	Lack of knowledge of information technology.	114	109	10	7	3.4	Accepted
12	Lack of knowledge of problem solving.	106	105	20	9	3.3	Accepted
13	Poor planning.	116	115	9	0	3.4	Accepted
14	Poor knowledge of business assessment and lack of technology environment adaptation.	125	110	3	2	3.5	Accepted
	Grand mean					3.4	Accepted

In table 2 above, it was observed that the grand mean of the respondent is 3.4 > 2.5. The result showed that the issues of innovative managerial challenges such as lack of experience and competencies, lack of knowledge of information technology, lack of knowledge of problem solving, poor planning, poor knowledge of business assessment and lack of technology environment adaptation affect SMEs in Abia State

Table 3: Mean summary on the marketing challenges facing SMEs in Abia State.

S/N	Items	SA	A	D	SD	$\bar{X}$	Remarks
15	Poor market segmentation.	117	115	5	3	3.4	Accepted
16	Poor advertisement.	115	113	10	2	3.4	
17	Difficulty in accessing global market due to lack of knowledge to operate social media such as facebook, whatsApp, Instagram, You tube and Twitter.	112	100	19	9	3.3	Accepted
18	Poor customer relation service.	120	118	2	0	3.4	Accepted
19	Lack of effective communication.	118	116	6	0	3.5	Accepted
	Grand mean					3.4	Accepted

Table 3, presented analyzed data on the marketing challenges facing SMEs in Abia State. The result showed that with mean value of 3.4, respondents accepted that poor market segmentation, poor advertisement, difficulty in accessing global market due to lack of knowledge to operate social media such as facebook, whatsApp, Instagram, You tube and Twitter, poor customer relation service and lack of effective communication are the present marketing challenges facing SMEs in Abia State.

Hypothesis

$H0_1$: There is no significant relationship between financial challenges befalling SMEs and their survival in Abia State.

$H0_2$: There is significant relationship between financial challenges befalling SMEs and their survival in Abia State.

Table 4: T-test result on the significant difference in the mean rating of male and female SMEs operators on the financial challenges befalling SMEs and their survival in Abia State.

Variables	*N*	$\bar{X}$	***SD***	***DF***	*Sig*	***T.cal.***	***T-crit.***	***Decision***
Male teachers	*100*	*3.62*	*0.81*	*25*	*0.05*	*0.61*	*1.73*	*Not significant*
Female teachers	*140*	*3.6*	*2.82*					

The result of t-test conducted indicated that the computer value t-test at 0.05 level of significance and 25 degree of freedom was *0.61*. Since the computed value of t-test is less than the t-table value of *1.73*, the null hypothesis is not significant. This means that there is no significant relationship between financial challenges befalling SMEs and their survival in Abia State.

Discussion of Findings

The findings of this study revealed that small and medium scale enterprises in Abia State are mostly affected financially by lack of adequate collateral security, poor credit information, high cost of interest rate of paying back loan if collected, fear of default to pay the loan and difficulty to obtain grants from philanthropists and government agencies. Also, lack of experience and competencies, lack of knowledge of information technology, lack of knowledge of problem solving, poor planning and poor knowledge of business assessment limited the innovative managerial ability and success of SME industries in Abia state. In other word, SME businesses despite of their contribution to Nigeria economic growth as they create job for the owners and others, boost production and facilitate private business partnership, their operation, size and productivity are affected by poor market segmentation, poor advertisement, difficulty in accessing global market due to lack of knowledge to operate social media such as facebook, whatsApp, Instagram, You tube and Twitter, poor customer relation service as well as lack of effective communication. Besides, the result of the t-test proved that there is no significant relationship between financial challenges befalling SMEs and their survival in Abia State. This shows that both male and female SMEs operators in Abia state have the same opinion on the challenges affecting them.

Conclusion

This study aimed at investing the challenges faced by small and medium enterprises in Abia state. The study was conducted in Umuahia and Aba precisely. A sample of 240 SMEs operators was studied. The sample of the study consisted of male and female SMEs operator with female counterparts higher in proportion than male counterparts. Descriptive research design was employed to study the selected sample population. Questionnaire was used as instrument for data collection. Tables and mean rating were used for data analysis while hypothesis of the study was tested with t-test statistics. Based on the findings of this research work, it is concluded that small and medium scale enterprises are the backbone of Nigerian economy as they contribute immensely to economic growth through job creation, improved standard of living, but are challenged by factors like lack of access to loan because of lack of collateral security, poor credit information, high cost of interest rate of paying back loan if collected, fear of default to pay the loan and difficulty to obtain grants from philanthropists and government agencies, lack of experience and competencies, lack of knowledge of information technology, lack of knowledge of problem solving, poor planning and poor knowledge of business assessment, poor market segmentation, poor advertisement and difficulty in accessing global market due to lack of knowledge to operate social media such as facebook, whatsApp, Instagram, You tube and Twitter.

Recommendations

Based on the findings of this study, the following recommendations are made;

Abia State government through its ministries and agencies should support SMEs development financially since the enterprises can help to boost economic growth and development. Training and development is needed on the side of SMEs operators to acquire skills on innovative management practices that suit into 2st century business management. Also, SMEs operators should undergo training on ICT management and operation in order to acquire knowledge of accessing global market via social media platforms.

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