



## **INSECURITY AND THE GROWTH OF SMALL AND MEDIUM SCALE ENTERPRISES (SMES).**

### **CASE STUDY OF YELWA AREA OF BAUCHI METROPOLIS.**

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#### **Abstract**

**T**his study investigated the effects of insecurity on the growth of small and medium scale enterprises in Nigeria with a case study of Yelwa Area of Bauchi State, Nigeria. The objectives of the study are (i) to determine the effect of insecurity on the growth of small and medium scale enterprises (SMEs) and (ii) to assess the importance of security in relation to the growth of small and medium scale enterprises (SMEs). Primary method of data collection was employed and the researcher employed the use of

tables and percentages for data analysis. The result of the study indicated that insecurity has affected the growth of SMEs and showed that

#### **KEYWORDS:**

*Insecurity, SMEs,  
Growth.*

*a secure environment is needed for a business to thrive. The major recommendation is that the government should improve on the level of security in the country in order to make the country conducive for business operations and for the government to render more support to SMEs to aid their recovery and expansion.*

#### **INTRODUCTION**

**T**he national economy has remained a focal in recent debate owing to the rising level of unemployment, poverty, insecurity, low productivity, human capital flight/ brain drain. The need to advancing the socio-economic, political and technology growth of any nation relies heavily on creativity and technical ingenuity of players/actors in that

economy in transforming the available resource into productive use. It has been stressed by scholars that small and medium scale enterprises (SMEs) is a driving force in developing and developed nations alike the emphasis on SMEs remain recurring decimal in the lexicon of Nigeria and this is not unconnected with the realization of the roles of SMEs in job creation, poverty alleviation and foreign exchange conservation Uimah, 2011; Ikerehon, 2002; Akingunola, 2011). There is no doubt that SMEs play significant roles in the advancement and development of the economy. Some of these roles which have been briefly identified above remain integral to the progress of the nation, for these roles to be fully realized there is need for our educational system to fully repositioned with the aim of accelerating the growth and development of SMEs. The establishment and management of SMEs numerous implications on the economic development of the nation as documented by scholars in the field. The term economic development has been defined by various scholars in different ways. According to MISra and Puri (2003) economic development means growth plus progressive in certain critical variables that determine the well-being of the people. They assert that there are qualitative dimension in the development process which may be missing in the growth of a given economy expressed in terms of an increase in the national product or product per capital. From the foregoing, it becomes obvious that economic development is far beyond the numerical growth in a nation income which politicians often express to draw the attention of unsuspecting electorates. This growth or changes must cut across all the sectors oof the economy an must be felt in the standard of living of the citizens and this is what SMEs seek to bring to reality. The fact that SMEs have not made the desired impact on the Nigerian economy in spite of all the effort and support of succeeding administration and government, gives a cause for concern. It under score the belief that there exist fundamental issues or problems which confront SMEs insecurity has been a major problem of the growth of SMEs. SMEs are generally regarded as the engine of economies. SMEs are labour intensive capital saving and capable to helping to create most of the

billion new job that of the world will need by the end of the century. Insecurity has affected the growth of SMEs in Nigeria.

### **OBJECTIVE OF THE STUDY**

- to determine the effects of insecurity on the growth of small and medium scale enterprises (SMEs).
- to assess the importance of security in relation to the growth of small and medium scale enterprises (SMEs)

### **STATEMENT OF HYPOTHESIS**

H<sub>0</sub> – There is no significant relationship between the growth of small and medium scale enterprises and insecurity.

H<sub>1</sub> – There is a significant relationship between the growth of SMEs and insecurity.

### **LITERATURE REVIEW ON SMALL AND MEDIUM SCALE ENTERPRISES IN NIGERIA**

Small and medium scale enterprises (SMEs) are considered the back bone of economic growth in all countries. They play an important role in Nigerian economic growth as they constitute 97.2% of the companies in Nigeria. They also contribute to national development by positively influencing the distribution of income in both functional and nominal terms.

#### **Empirical review of literatures**

The contributions of SMEs to Nigeria's economy are not contestable as about 10% of the total manufacturing output and 70% of the industrial employment are by SMEs (Aina, 2007). Through the utilization of local resources, SMEs promote industrial and economic development and are responsible for the production of intermediate goods and the transformation of technology (Aina, 2007). Nigeria SMEs not only provide employment and income for majority of citizens but are also recognized as the breeding ground for domestic entrepreneurial capabilities, technical skills, technology innovativeness and managerial competencies for private sector development (SMEDAN, 2005, Aina, 2007).

The roles of SMEs to any economy are obvious as SMEs are known to contribute to the development of several economics in terms of output of goods and services and creation of jobs at relatively low capital cost (Apulu and latham, 2010) SMEs also improve, forward and backward linkages between economically, socially and geographically divers sector of many economics (SMEDAN, 2005). Thus the development of SMEs is an essential element in the growth strategy of many economics including Nigeria.

In another study carried out at the macroeconomic level by Chukwuemeka (2006), it was identified that small and medium scale enterprises experiences difficulties in raising equity capital from the finance houses or individuals. Even when the finance houses agree to provide equity capital, the conditions are always dreadful.

Accordingly, Osotimehin, Akinlabi and Olajide (2012) noted that the problem that emanated from poor financing of SMEs include lack of competent management which is the consequence of inability of owners to employ the services of expert; use of obsolete equipment and method of production because of owners inability to access new technology; excessive competition which result from sales which is a consequence of poor finance to cope with increased competition in the industry,

Lim (2004) carried out a study to investigate the impact of employees training programme on the performance of small medium enterprises in Northern Malaysia SMEs 1997 2005. The findings indicated that capital structure choice decision, in general term has a weak to no impact on firm performance.

Kampumure (2009) carried out a research to investigate leasing competence, lease structure and perceived performance of small and medium scale enterprises in Uganda. The researcher made use of leasing competence and lease structure as the variables that influence perceived performance of SMEs sample of one hundred and thirty two SMEs located in Kampala district was selected and also the data use for this study was collected using questionnaire filled in by SMEs manager and it was analyzed using statistical package for social sciences (SPSS) version 11 and excel software and also regression was used to test the hypothesis. The study

result indicated that there is a significant and positive relationship between leasing competence and perceived performance. This meant that leasing competence of lessee manager leads to improved perceived performance of SMEs and also the study revealed that there is significant and positive relationship between lease structure and perceived performance meaning that the more favourable lease structure, the higher the perceived performance of lessee SMEs.

Chittithawan et al. (2011) in their work determine. The factors affecting business success of small and medium scale enterprises (SMEs) in Thailand. In their study, management and know how, customer and market, SMEs characteristic, the way of doing business and cooperation, product and services, finding also indicate the financial resources are essential factors in the success of the business perceived by small and medium enterprises.

Mudaranhu (2011) identify the determinants of SMEs failure in Zimbabwe. A study in Bindura, the study make use of education, availability of credit, cost or raw material and domestic competition as the determinant or factors that influence SMEs failure whereby the proxy of SMEs failure is return on investment (roi). Data of the study was collected or gathered through formal and informal interviews, questionnaires and also focus group discussion with SMEs which were selected randomly from different clusters that represent various industries and OLS was use as a method of analysis. The result shows that the unavailability of credit, lack of general knowledge of business management; import competition and high cost of raw material are the primary causes of SMEs failure in Zambabwe.

Okpara (2011) investigated the constraints of the growth and survival of SMEs in Nigeria implication for poverty the research make use of financial constraints lack of management, corruption and infrastructure as variable that affect or influenced the performance of SMEs. A questionnaire was used to collect data from two hundred and eleven small business owners and managers located in the cities of Aba, Onitsha, Abuja, and Lagos in Nigeria. The result was analyzed descriptively, and multiple regression analysis was used through SPSS and the result shows that financial constraints, lack of management, corruption and infrastructure constraints

are negatively correlated with small business and also the result of the research work the most constraints that hinders small business growth and survival in Nigeria are mostly lack of financial support, corruption, poor management, lack experience and training, insufficient profits, poor infrastructure and low demand for product and services Mata and Aliyu (2014) assess the relationship between some determinant of SMEs performance in Nigeria. A Qualitative approach. The researcher make use of market orientation and entrepreneurial orientation as the factors that influenced SMEs performance. The study make use of a qualitative interview with one owner/manager of manufacturing SMEs in Kano and Nvivo trial version was used as the method of data analysis. The result of the study indicated that the there is a positive relationship between the construct, meaning. That both market and entrepreneurial orientation correlate with SMEs performance.

Okoye et al. (2014) determine the effect of business development service on performance of SMEs in Kenya. The researcher make use of market access, procurement services and infrastructure facilities as the variable that affect or influence the performance of SMEs cross sectional survey were employed in the study and primary data were also used to collect data from one hundred and fifty enterprises in Nairobi Kenya and linear regression analysis was used to analyzed the data obtained. The findings shows that market access does not have any relationship with the performance of SMEs but while procurement services and infrastructure has a significant and positive relationship influence on the performance of the enterprises.

Ekponyong and Nyong 1992).Akabueze (2002 asserts that the significance of finance in the drive for economic growth is fairly well established and generally accepted for instance, the take off and efficient performance of any industrial enterprises, be it small or large, will require the provision of funds for its capitalization, working capital and rehabilitation needs as well as for the creation of new investments. Apart from entrepreneurship, funds are required to bring together the other factors of production land, labour and capital before production can take place. Provision of fund to the

industrial sector particularly, for the SMEs has therefore, been of prime interest to policy makers in both the public and private sector.

Aladekomo (2003) noted that successive government in Nigeria have since in the last three decades showed great interest in financing the SMEs by establishing specialized bank and other credit agencies scheme to provide customize funding to the subsector to enhance growth and stability in addition to these programmes like the Nigerian detectorate of employment (NDE), better life for rural women, family support programme, child care trust, people's bank national poverty eradication programme (NAPEP), to mention a few, have been introduced most of these institutional arrangement have however performed below expectation over the years owing to operational bottleneck.

SMEs are crucial catalysts for economic development (Aruwa 2006). Banks provide a nation with a function of prolong scattered resources from the surplus to deficit units so as to promote investment innovation, productivity and consequently growth and development the banking industry in Nigeria dominates the financial system.

(Agusto, 2000). Berger et al. (2001) maintains that a well functioning financial system contributes to investment and economic growth every enterprises at it onset before standing firm on its feet, need borrowing.

(Akabueze, 2002). The continuous decrease in commercial and merchant banks loan to SMEs can be attributed to lack of collateral from SMEs to secure the loan and the high lending rates from the bank.

### **Main Sources of Financing SMEs in Nigeria.**

The importance of finance to business organization cannot be over emphasized. Business finance is however not easy to come by especially in respect of SMEs. Yet they acquire funds every source available to meet their asset needs, working capital needs and for expansion. According to Ekpenyong and Nyong (1992), there is a wide consensus in Nigeria that government policies are skewed in favour of the formal factor to the detriment of the informal sector. This skewness is to the great

disadvantage of SMEs in Nigeria since they are more disposed to the funds of the informal sector.

### **Formal sources of Financing SMEs**

The commercial banks, merchant banks and development bank provides the formal sources of finance to SME. The financial system in Nigeria is not in short supply of liquidity, but banks have been very reluctant to grant loans to SMEs, which they regard to as a high risk sector. Most of the banks will rather pay the penalty imposed for not meeting the minimum exposure to preferred sectors of the economy than actually run the risk of being exposed to them.

According to Ojo (1984), the sources of investment finance for SMEs include owners savings and assistance from banks, government institutions, local authorities, co-operatives society, relatives and friends and money lenders. The study shows that almost all the funds came from personal saving (96.4%) with about 3% from the informal sector and .21% from the formal financial institutions. Nigeria institute for social and economic research (NISER) finding shows that about 73% respondents obtained their fund from personal savings while only about 2% obtained their funds from the formal financial institutions.

## **METHODOLOGY**

### **RESEARCH DESIGN**

Research design adopted for this study is the survey research method

### **POPULATION OF THE STUDY**

The population of the study is the Small and medium scale enterprises in Yelwa area of Bauchi metropolis.

### **SAMPLE SIZE**

The sample size of this research is made up of 145 owners of small and medium scale business at Yelwa market in Bauchi State.

### SAMPLING TECHNIQUE

Simple random sampling was use in conducting this work.

### DATA COLLECTION

Primary source of data was use in conducting the research and questionnaire was administered to the business men/women.

### METHOD OF DATA ANALYSIS

Data collected will be analyzed using the percentage method.

### DATA ANALYSIS AND INTERPRETATION

The respondents comprised business men/women of which the male were 65% (78) and the female 35% (42), the years of doing business 29.2% (35) were ranging in between 1 – 5 years, 38.3% (46) were ranging in between 5 – 10 years, 20% (24) were ranging in between 10 – 15 years, 10% (12) were ranging 15 – 20 years and 2.5% (3) were ranging 20 years and above.

<i>Respondents</i>	<i>Demographics</i>	<i>Frequency</i>	<i>Percentage</i>
<i>Gender</i>	Male	78	65
	Female	42	35
<i>Years of doing business</i>	1-5 years	35	29.2
	5-10 years	46	38.3
	10-15 years	24	20
	15- 20 years	12	10
	20years and above	3	2.5
<i>Total</i>		120	100

### SECTION B

Question 1: Has insecurity affected your business before?

23.4 5 (28) of the respondents said yes insecurity has affected their business while 76.6% (92) said insecurity has not affected their business.

<i>Variables</i>	<i>Frequency</i>	<i>Percentage (%)</i>
Yes	28	23.4

No	92	76.6
Total	120	100

Question 2: Do you enjoy doing business now than before?

65% (78) said Yes they enjoy doing business now than before while 35% (42) of the respondents said no they do not enjoy doing like before.

<i>Variables</i>	<i>Frequency</i>	<i>Percentage</i>
Yes	78	65
No	42	35
Total	120	100

Question 3: Has your business or neighbour's been attacked by hoodlums before? 43.5 (52) of the respondents said Yes that their business or neighbour's shop has been robbed and attacked by hoodlums while 56.7% (68) said they have not experience any robbery or attack by hoodlums.

<i>Variables</i>	<i>Frequency</i>	<i>Percentage (%)</i>
Yes	52	43.3
No	68	56.7
Total	120	100

Question 4: Has the cost of goods increased or decreased due to the security challenge? 50% (60) of the respondents said insecurity has affected the cost of purchase while 50% (60) said insecurity has not affected the cost of purchase.

<i>Variables</i>	<i>Frequency</i>	<i>Percentage (%)</i>
Yes	60	50
No	60	50
Total	120	100

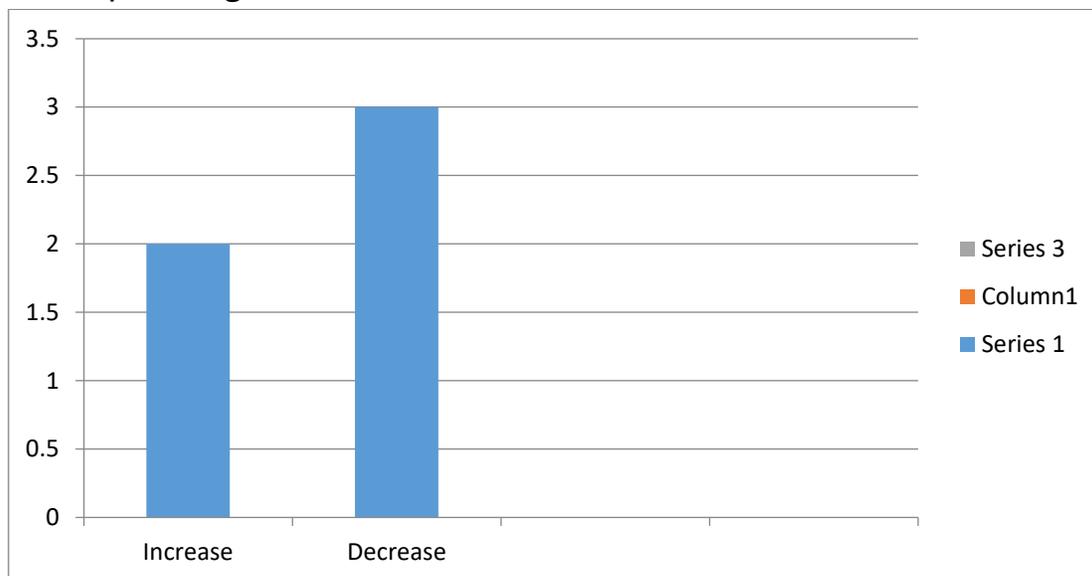
Question 5: Do people patronize you like before?

71.7% (86) of the respondents said the patronage is less than before and 28.3% said the patronage is more than before now.

<i>Variables</i>	<i>Frequency</i>	<i>Percentage (%)</i>
Yes	86	71.7
No	34	28.3
<i>Total</i>	120	100

### SECTION C

Question 1: Has the level of competition increased or decreased 45 % (54) of the respondents said the level of competition of many businesses has increase while 55% (66) said that the level of competition has decrease due to low patronage.



Question 3: Do you think that insecurity has stopped people from opening new shops?

65.8% (79) of the respondents said that insecurity has stopped people from opening new shops and 34.2 (41) said no to the claim that insecurity has stop people from opening new shops.

<i>Variables</i>	<i>Frequency</i>	<i>Percentage (%)</i>
Yes	79	65.8
No	41	34.2
<i>Total</i>	120	100

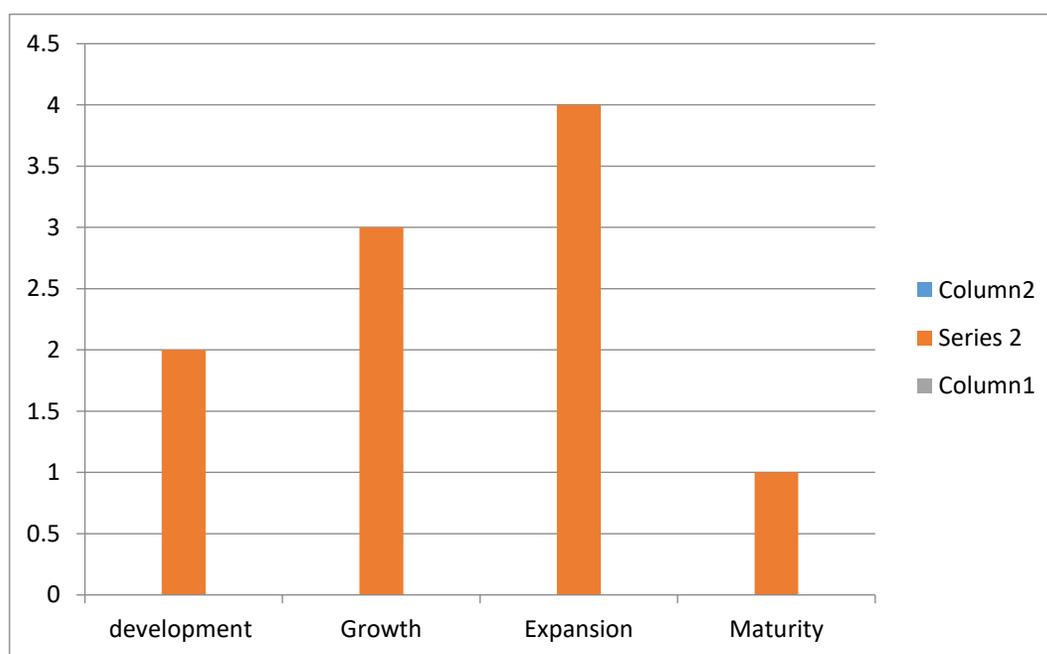
Question 4: Do you buy goods in large quantity and store in your shop or do you have a warehouse somewhere safe?

80% (96) of the respondents store everything they buy in their shops while 20% (24) store in their warehouse.

Variables	Frequency	Percentage (%)
Yes	96	80
No	24	20
Total	120	100

Question 5: what level of growth do you think your business would have experienced in the absence of insecurity?

25% (30) of the respondent said their business would by now be at the development stage, 30.8% (37) said the growth, 40.9% (49) said at the expansion stage and 3.3%(4) said at the maturity stage.



Question (6): what level of development would the state have experience in the absence of insecurity?

94.2% (113) of the respondent said the state would have experience a high level of development while 5.8% said the state would still have experience a low level of development.

Variables	Frequency	Percentage (%)
Yes	96	80
No	24	20
Total	120	100

### STATEMENT OF HYPOTHESIS

Ho = There is no significant relationship between the growth of small and medium scale enterprises and insecurity.

H<sub>1</sub> = There is a significant relationship between to growth of SMEs and insecurity.

### THE TABLE OF OBSERVED FREQUENCIES (fo)

Question	Yes	No	Total
1	28	21	49
3	58	81	139
4	60	61	121
	46	62	108

$$F_e = \frac{RT}{GT} \times CT$$

Where

Fe = expected frequency

RT = row total

GT = grand total

CT = column total

$$F_e (\text{yes}) = \frac{RT}{GT} \times CT$$

$$RT = 146$$

$$CT = 120$$

$$GT = 360$$

$$\frac{146 \times 120}{360}$$

$$= 48.67$$

$$= 48.67$$

$$F_e (\text{No}) = \frac{RT \times CT}{GT}$$

$$\begin{aligned}
 RT &= 220 \\
 CT &= 120 \\
 GT &= 360 \\
 \frac{220 \times 120}{360} \\
 &= 73.34
 \end{aligned}$$

**TABLE OF CHI-SQUARE (x<sup>2</sup>)**

Variables	F	o	F	e	F	o	-	F	e	(F <sub>o</sub> - F <sub>e</sub> ) <sup>2</sup>	(F <sub>o</sub> - f <sub>e</sub> ) <sup>2</sup>			
											F	e		
Y e s	2	8	4	8	. 6	7	-	2	0	. 6	7	427.2489	8 . 7 7 8 5	
Y e s	5	8	4	8	. 6	7	9	.	3	3	8	7.0489	0 . 1 4 4 8	
Y e s	5	0	4	8	. 6	7	1	.	3	3	1	. 7 6 8 9	0 . 0 3 6 3	
N o	9	2	7	3	. 3	4	1	8	. 6	6	3	48.1956	4 . 7 4 7 7	
N o	6	8	7	3	. 3	4	-	5	. 3	4	-	28.5156	- 0 . 3 8 8 8	
N o	6	0	7	3	. 3	4	-	1	3	. 3	4	-	177.9556	- 2 . 4 2 6 4
													1 0 . 8 9 2 1	

**DEGREE OF FREEDOM (DF)**

$$\begin{aligned}
 &= (R - 1)(C - 1) \\
 &= R = 2 \quad C = 3 = (2 - 1)(3 - 1) \\
 &= (1)(2) \\
 &= 2
 \end{aligned}$$

With the degree of freedom of 2 at 0.02 level of confidence = 0.4129

Table value = 0.4129

Calculated chi-square = 10.8921

Considering that the calculated chi-square is greater than the table value of chi-square, we reject the null hypothesis (H<sub>0</sub>) and accept the alternative hypothesis (H<sub>1</sub>)

There is a significant relationship between to growth of SMEs and insecurity.

## DISCUSSION OF FINDINGS

Based on the objectives of the study, the summary of the result of the study will include the following;

- The study which was conducted employing a survey research techniques brings to light the fact that insecurity has affected the growth of small and medium scale enterprises (SMEs) in Nigeria.
- The study equally reveals that SMEs would have grown more than it is now in the absence of insecurity.

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