

Economic Environment and the Development of Small-Scale Businesses in Calabar Metropolis of Cross River State, Nigeria

Ajuluchukwu, E. Ngozi

*Department of Vocational Education
University of Calabar, Calabar, Nigeria*

Akeke, M. N. G.

*Department of Vocational Education
University of Calabar, Calabar, Nigeria*

Eleng, S.N.

*Department of Vocational Education
University of Calabar, Calabar, Nigeria*

Abstract

The study determined the entrepreneurs/managers' rating on the influence of economic conditions and economic policies all aspects of economic environment on the development of small-scale businesses in Calabar metropolis. To maximally achieve the purpose of this study, two research questions and two corresponding null hypotheses were posed and formulated respectively. Survey research design was used for the study. The population use was 325 entrepreneurs/managers in the registered small-scale businesses in Calabar metropolis. A total sample of 150 respondents were selected for the study using purposive and stratified random sampling techniques. A questionnaire titled "entrepreneurs' rating of economic environment and development of small-scale businesses questionnaire" was the instrument used to collect data. The questionnaire contained 12 items and was validated by three experts, two from business education unit and one from measurement and evaluation in the department of educational foundation guidance and counseling. All the experts were from the University of Calabar. Data generated were analyzed using different statistical techniques. The research questions were answered using mean and standard deviation. All the hypotheses were testing at 0.05 level of significance using One Way Analysis of Variance statistics. The result of the analysis showed among others that economic conditions and economic policies greatly influence the development of small-scale businesses in Calabar. Based on the findings, the recommendations made included that both the state and federal government should endeavour to create an enabling environment that would be conducive for business organizations to prosper in without engaging in deceitful practices.

Keywords: Entrepreneurs, managers, economic environment, economic conditions, economic policies and small-scale businesses

Introduction

Businesses across the globe have been classified as small, medium and large businesses. Small scale businesses have been defined variously thus they mean different things to different people and have different characteristics in different parts of the world. Hence, there is no specific and generally accepted definition of small-scale business. However, there are some common criteria used in describing it all over the world. Some authors use the following two criteria in their definition, number of staff and capital, while some use more criteria such as land, capital, number of employees, annual sales turnover, value of assets, net profit, management/marketing skills and the issue of dominance in its field of operation. These characteristics/criteria used in describing small scale business can be described thus: the number of employees - It is a small business, because small number of people are employed, often fewer than 50 employees. Annual Business Turnover: - because initial capital is low, then annual turnover will also be low. The sales' volume and financial strength are minimal. Area of operations - For most small firms, the area of operation is local. The employees live in the community in which the business is located. The Managers are usually independent and they are often responsible only to themselves or to the owners. In a lot of cases the managers are also the owners. The owners of the businesses who are the entrepreneurs actually participate in all aspects of the management making the management of the enterprise to be personalized.

Small Scale Businesses (SSBs) play important roles in a country such as provision of employment, goods and services. Creation of better standard of living, as well as contributing to the growth of Gross Domestic Product (GDP) of a nation among others. Their nationwide spread contributes to a more equitable income distribution among individuals and regions, as well as mitigating rural-urban migration as human beings are consumers and producers of various products and services (Ajuluchukwu 2017). They help to strengthen industrial connections and the integration of industry with other sectors of the economy through production of intermediate products such as raw materials and spare parts. They also enhance the strengthening of business environment, which can be divided into economic environment and Non-economic environment. The economic environment according to Zamil (2014) are economic conditions, economic policies and economic systems of the country. Non-economic environment includes social, political, legal, technological, demographic and natural environment. This study however concentrated on two economic environments as follows: - economic conditions and economic policies. The economic conditions of a country according to Chuthamas, Aminul, Thiyada and Dayang (2011) are a set of economic factors that influence business organizations and their operations. They include gross domestic product, per capita income, buying and selling for goods and services, present of capital, foreign exchange reserve, rise in import and export and value of capital market among others. All these facilitate improvement of economic growth as they affect the development and growth of small scale businesses. Some important economic policies according to Thibault, Wilcock, and Kanetkar (2002) are: Industrial policy, Fiscal policy, monetary policy, foreign investment policy and Export –Import policy. Accordingly, Hedayatpour (2014) gave brief description of these policies thus; that the industrial policy of the government encompasses all those principles, policies, rules, regulations and procedures, which regulate the industrial initiatives of the country and design the industrial development. While the Fiscal policy consists of government policy regarding public expenditure, taxation and individual debt. The Monetary policy includes all activities and interferences that are aimed at smoothing the supply of credit to the business and increasing trade and industry.

The Foreign investment policy aims at moderating the inflow of foreign investment in various sectors for speeding up industrial development. The Export–Import policy is to increase exports and bridge the gap between exportation and importation. Through these policies, the government publicizes various duties/levies. The focus presently is on removing barriers and help control and lower the custom duties. This becomes necessary since with increased access to rapid communications the world's population are made more aware of what businesses are doing. Thus, the government of different countries including Nigeria are mapping out several strategies to encourage the development

of small scale businesses (Eze, Okoli, & Ajuluchukwu, 2019). Umukoro and Ayozie (2013) posited that the Government of Nigeria like other Business Regulator Governments world over do understand and recognize the importance of the business sector to the total development of a country's economy. Accordingly, most of the laws and regulatory measures are basically meant to advance business development and growth.

The government of Nigeria in many ways using demonstrated actions, beneficial investment policies, institutions capacity building, favourable economic and fiscal policies have encouraged and supported the growth, and development of small-scale businesses. They also use protective business laws and direct financial incentives to promote, encourage and support the growth, and development of small-scale businesses. Some of these are: Industrial Development Income Tax Acts of 1971: No. 22. The Nigeria Enterprises Promotion Act of 1977: No. 3. Patent Right and Design Act of 1979: No. 60. Custom Duties (dumped and subsidized goods Acts of 1959: No. 9). Industrial Promotion Acts of 1979: No. 40. Other recent ones include the federal government establishing the Finance and Research Institutions in 2001. The research reports of these institutions are very useful to business organizations. The most noticeable of these institutions is the Raw Materials and Research Development Council (RMRDC). The Nigerian Government also provides Direct Financial Assistance to Small Business Organizations through, the establishment of specific financial and non-financial institutions. Notably among them are the Nigerian Agricultural and Cooperative Bank, Bank of Industry and the Nigerian National Mortgage Bank (NINAM Bank) which came as a result of merging of the Federal Mortgage Bank of Nigeria (FMBN) and the Federal Mortgage Finance Limited (FMFL) in 2001. The government keep on altering these policies from time to time in view of the developments taking place in the economic state, political expediency and the societal needs.

The non-governmental micro credit institutions also give assistance, some of which are assistance given by finance companies and community banks. They also provide funds of micro credit schemes to small and medium scale businesses, rural women credit schemes, artisan's credit schemes, among others for small business owners. Every business firm has duty to follow strictly to the policy framework and also respond to changes in the environment. However, despite this assistance given to the SSBs by government and other agencies to enhance their development, the growth and development of the sector is below expectation in Calabar and Nigeria in general (Basil, 2005, and Abiodun, 2011).

Calabar metropolis is the capital city of Cross River State in Nigeria and is divided into two local government areas of Calabar municipality and Calabar south local government areas. Cross River State is one of the thirty-six states in Nigeria. Cross River State has 18 local government areas. It would not be out of place to expect that small-scale businesses would grow and flourish in this city, but this is not so as several small-scale businesses are seen liquidating regularly causing increase in unemployment. Thus, the need to embark on this study, to assess the influence of the economic environmental factors of economic conditions and economic policies on the development of SSBs in Calabar metropolis.

Statement of the Problem

Small Scale Businesses are instrument of growth and development in most developed and developing nations worldwide. Unfortunately, the state of their growth and development in Calabar and Nigeria in general appears to be very low despite the need for this type of business in the country. Year in year out, government at federal, state and local level in Nigeria and even non-governmental agencies make efforts through their policies to support entrepreneurship development but still Small-Scale Businesses (SSBs) liquidate regularly enhancing the unemployment status in the country.

The Nigerian government in its bid to promote the development of Small-Scale Businesses promulgates several decrees in favour of the Small-Scale Businesses. In the face of all these decrees how effectively small-scale business organizations survive, grow and attain profit maximization is still

a thing of concern. Hence the need to examine the influence of economic environment particularly as it relates to economic conditions and economic policies to the development of small-scale businesses in Calabar Metropolitan area of Cross River State.

Purpose of the Study

This was to find out the perception of entrepreneurs/ managers on the influence of economic environment to the development of Small-Scale Businesses in Calabar. Specifically, the study is to find out:

1. The influence of economic conditions on the development of small-scale businesses.
2. The influence of economic policies on the development of small-scale businesses

Research Questions

These research questions were answered in this study:

1. To what extent do economic conditions influence the development of small-scale businesses in Calabar?
2. To what extent do economic policies influence the development of small-scale businesses in Calabar?

Statement of Hypotheses

These two hypotheses formulated for the study were tested at .05 level of significance:

1. There is no significant difference in the mean ratings of entrepreneurs/managers who sell spare parts, provisions and skilled workers on the extent economic conditions influence the development of small-scale businesses.
2. The mean ratings of entrepreneurs/ managers who sell spare parts, provision and skilled workers do not differ significantly on the extent economic policies influence the development of small-scale businesses.

Method

Survey research design was used for the study. The study was carried out in Calabar Metropolis. The population of the study was 325 comprising entrepreneurs and managers of the registered small-scale businesses in Calabar Metropolis. There were 107 spare parts dealers, 118 provision sellers and 100 registered skilled workers in Calabar Metropolis. (Data obtained from the Ministry of Trade and Commerce in Calabar). The sampling techniques adopted for this study were the purposive sampling technique and the simple random sampling technique. Purposive sampling technique was used to determine the choosing of 50 managers/entrepreneurs from each of spare parts dealers, provision sellers and skilled workers. After this, the simple random sampling technique through balloting without replacement was used to choose these 150 respondents. The instrument used to collect data was a questionnaire constructed by the researcher. The questionnaire titled, “entrepreneurs/managers’ rating of economic environment and development of small-scale businesses in Calabar” had two sections of A and B. Section A was used to collect demographic data. Section B sub divided into two parts I and II of seven and ten items respectively and structured on a four points scale was used to measure the respondents’ opinion on the influence of economic conditions and economic policies respectively all aspect of economic environment.

Each item on the questionnaire required the respondents to express their opinion under Very Greatly (VG), Greatly (G), Poorly (P), and Very Poorly (VP). The instrument was validated by three experts, two from business education unit and one from measurement and evaluation in the department

of educational foundation, guidance and counseling all from the University of Calabar. The reliability of the instrument was ascertained using test retest method and the reliability coefficient obtained was 0.78 using Pearson product moment correlation analysis. Copies of the questionnaire were administered by the researcher with the help of three research assistants personally trained by the researcher. All the copies of the questionnaire were retrieved and used for data analysis. Weighted mean scores were used to answer the research questions. Codes/scores were assigned to each item thus: Very Greatly (VG) 3.50-4.00, Greatly (G) 2.50-3.49, Poorly (P) 1.50-2.49 and Very Poorly (VP) 0.05-1.49. Items with mean scores of 2.50 and above were regarded as having great influence while items with mean scores below 2.50 were regarded as influencing poorly on the businesses. The two hypotheses were analyzed using One Way Analysis of Variance (ANOVA). For the test of hypotheses, the decision was to reject the null hypothesis were the Calculated-F value is greater than the critical-F value; if otherwise the hypothesis was rejected.

Presentation of Results

Data collected for this study were analyzed and the results presented as follows:

Research Question 1

To what extent do Economic Conditions influence the development of small-scale businesses in Calabar? The result of the computation is shown in Table 1.

Table 1: Respondents' Mean ratings on the extent Economic Conditions influence the development of small-scale businesses in Calabar

S/N Economic Conditions	\bar{X}	Sd	Remark
1. Gross domestic product	3.42	.495	Greatly
2. Availability of capital	3.39	.515	Greatly
3. Markets for goods and services	3.41	.494	Greatly
4. Per capita income	3.43	.511	Greatly
5. Foreign exchange reserve	3.36	.571	Greatly
6. Growth of foreign trade	3.22	.578	Greatly
7. Strength of capital market	3.09	.659	Greatly
Cluster Mean	3.33	.546	Greatly

The result in Table 1 showed the respondents mean ratings on the extent Economic Conditions influence the development of small-scale businesses. The result revealed that all the items were rated as greatly affecting the development of small-scale business. The cluster mean value is also within the range of greatly. All the standard deviation values were not up to 1.00. These standard deviation values showed homogeneity of the scores.

Research Question 2

To what extent do Economic Policies influence the development of small-scale businesses in Calabar? The result of the computation is shown in Table 2.

Table 2: Respondents' Mean ratings on the extent Economic Policies influence the development of small-scale businesses in Calabar

S/N Economic Policies	\bar{X}	SD	Remark
8 Industrial policies	3.19	.540	Greatly
9 Fiscal policies	3.19	.595	Greatly
10 Monetary policies	3.21	.563	Greatly
11 Foreign investment policy	3.25	.570	Greatly
12 Export –Import policy	3.19	.576	Greatly
13 Income Tax Acts	3.20	..578	Greatly
14 Nigeria Enterprises Promotion Act	3.21	.563	Greatly
15 Patent Right and Design Act	3.17	.592	Greatly
16 Custom Duties	3.22	.574	Greatly
17 Industrial Promotion Acts	3.23	.568	Greatly
Cluster mean	3.21	.567	Greatly

The data in Table 2, showed that the respondents mean ratings regarding the extent Economic Policies influence the development of small-scale businesses, that all the ten items and the cluster mean had mean values rated in the range of greatly. This clearly implies that economic policies greatly influence the development of small-scale businesses. All the standard deviation values did not reach up to 1.00, indicating that the scores are homogeneous.

Result of the Hypotheses Tested

Hypothesis I

There is no significant difference in the mean ratings of entrepreneurs/managers who sell spare parts, provision and skilled workers on the extent economic conditions influence the development of small-scale businesses in Calabar. The computation is shown in Table3.

Table 3: Summary of result of ANOVA on the extent economic conditions influence the development of small-scale businesses in Calabar

Source of Variance	Sum of Square	df	Mean Square	F-cal	F-Crit	Remark
Between Groups	9.053	2	4.527	.545	3.06	Not Significant
Within Groups	1221.940	147	8.313			
Total	1230.993	149				

The result displayed in Table 3 shows ANOVA statistical result on the extent economic conditions influence the development of small-scale businesses in Calabar. The result showed F-calculated as .545 while F- critical was 3.06 at 2 and 149 degrees of freedom and .05 level of significance. Since the calculated F-value was less than the F-critical value the null hypothesis was not rejected.

Hypothesis II

There is no significant difference in the mean ratings of entrepreneurs/ managers who sell spare parts, provision and skilled workers on the extent economic policies influence the development of small-scale businesses in Calabar. The computation is shown in Table 4.

Table 4: Summary of (ANOVA) result on the extent, economic policies influence the development of small-scale businesses in Calabar

Source of Variance	Sum of Square	df	Mean Square	F-cal	F-Crit	Remark
Between Groups	5.880	2	2.940	1.034	3.06	Not Significant
Within Groups	417.880	147	2.843			
Total	423.760	149				

The result in Table 4, showed that the calculated F value was 1.034 while the F-critical was 3.06 at 2 and 149 degrees of freedom and 0.05 level of significance. Since the calculated F- value was less than the critical F- value the null hypothesis was not rejected.

Discussions, Implication of the Findings and Conclusion

This section is devoted to the discussion of findings from the result of the study. The discussion is presented as follows:

Extent Economic Conditions Influence the Development of Small-Scale Businesses in Calabar

The result of the research question answered show that economic conditions greatly influence the development of small-scale businesses in Calabar. This result is in line with what Alexander and Britton (2000), and Adeoye (2012) posited. Alexander et al. (2000) opined that the dynamic and rapidly changing environment in which most organizations compete had made business environment such as economic conditions to have significant impact on the businesses' survival and performance. Adeoye (2012), observed that environmental changes continuously exert new pressures on company's development and performance. To respond to these changes, some companies within the apparel industry have formulated and implemented strategies to restructure the way goods are manufactured and sent to the final consumers. The impact of environmental factors on businesses' survival and growth is found to have an increasingly stronger interrelationship which require more sophisticated business strategies. The result of the first hypothesis show that there is no significant difference in the mean ratings of entrepreneurs/managers who sell spare parts, provisions and skilled workers on the extent economic conditions affect the development of small-scale businesses in Calabar. This clearly shows that the respondents used for the study, irrespective of the type of businesses they are doing do not vary in their opinion on the extent economic conditions influence the development of small-scale businesses in Calabar.

This is supported by what Azhar (2008) opined, that a high percentage of new ventures closed down during their formative years and many small-scale businesses are closed down every year, indicating that these firms were not able to maintain the alignment with their economic conditions an economic environmental variable. The statement by Akabueze (2002) gives credence to the finding of this study. Akabueze stated that it would seem reasonable to expect that small businesses would develop and flourish, but the rate of small business failure continues to increase because of the difficulties affecting their operations which include economic conditions.

The Extent Economic Policies affect the Development of Small-Scale Businesses in Calabar

Regarding the extent economic policies affect the development of small-scale businesses in Calabar. The result of the research question revealed that the respondents used for this study are of the opinion that economic policies affect the development of small-scale businesses in Calabar greatly. The result of the second hypothesis tested showed that the respondents used for the study, irrespective of the type of business they are dealing on do not vary in their opinion that economic conditions greatly influence the development of small-scale businesses in Calabar.

This result is in line with what Abubakar (2015) opined. Abubakar stated that factors affecting business' growth are many and diverse, and may stem from the external environment. That business undertakings and procedures are directly influenced by the economic policies framed by the government from time to time. Thus, many new ventures are closed down during their first years of life and many small-scale businesses are closed down every year, signifying that these organizations were not able to maintain the alignment with their environmental variables.

The finding of this study is supported by the observation made by Thibault, Wilcock, and Kanetkar (2002) that all business firms have to function solely within the policy framework and respond to the changes in them. These include adhering to the interest rates, taxation changes, economic growth, inflation and exchange rate. They explained that a higher interest rate may adversely affect investment because it costs more to borrow while a strong currency may make exporting and importing more challenging because it may increase the price in terms of foreign currency.

Recommendations

The following recommendations were made based on the findings from this study:

- 1) Both the state and federal government should endeavour to create an enabling environment that would be conducive for business organizations to prosper in, without engaging in deceitful practices.
- 2) The entrepreneurs/managers of small-scale businesses should constantly examine the environment in order to understand the major trends of events and make positive decisions that would not endanger the future of their organizations and the environment.
- 3) The financial institutions should be strengthened so as to make loans available to these business organizations as this would help make funds available for their smooth operations.

References

- [1] Abiodun, F. (2011). Small and medium scale enterprises in Nigeria: The problems and prospects. Ojo: Lagos State University press.
- [2] Abubakar, S. (2015). Effect of environmental factors on small scale businesses performance in kano and sokoto states. Master thesis submitted to the Department of Business Administration. Ahmadu Bello University, Zaria,
- [3] Adeoye, A. O. (2012). Impact of external business environment on organizational performance on food and beverage industry in nigeria. *british journal of arts and social sciences*, 6 (2), 56-65.
- [4] Ajuluchukwu, E. N. (2017). Corporate social responsibility and mobile tele-communication industries in Cross River State towards advancing sustainable development in TVET for post-oil boom economy. *Journal of association of vocational and technical educators of Nigeria*, 22 (2). 151-160.
- [5] Akabueze, B. (2002). Financing small and medium enterprises (SMEs): The small and medium industries equity investment scheme (SMIEIS) option. Lagos: Ola Pub.
- [6] Alexander, D., & Britton, A. (2000). *Financial Reporting* (5th ed). London: Thomas Learning Publishing.
- [7] Azhar, K. (2008). *Strategic Management and Business Policy*. Tata: New Delhi McGraw-Hill Publishing Company limited.
- [8] Basil, A. N. O. (2005). Small and medium enterprise (SMEs): Problems and Prospect. Unpublished Ph.D Thesis Department of Business Administration. St. Clements University. Retrieved August 11, 2016, from <http://stclements.edu/grad/gradonug.pdf>.

- [9] Chuthamas C., Aminul I., Thiyada, K., & Dayang, H. M. Y. (2011). Factors affecting business success of small and medium enterprises (SMEs) in Thailand. *Asian Social Science, Journal*, 7 (5), 11. Retrieved May 2017 from: www.ccsenet.org/ass
- [10] Eze, T. I, Okoli, C. I & Ajuluchukwu, E. N. (2019). Extent of environmental sustainable corporate social responsibility practices of manufacturing companies in cross river state, Nigeria. *International Journal of Scientific and Education Research*, 3, (03) 1-9. www.ijsernet.org
- [11] Hedayatpour, M. (2014). Environmental factors affecting sales. Retrieved March 23, 2020 from https://www.researchgate.net/profile/jorge_morales_pedraza
- [12] Thibault, M., Wilcock, A., & Kanetkar, V. (2002). An exploratory study of factors influencing sales performance of small and medium –sized enterprises.
- [13] Proceedings of the Administrative Sciences association of Canada. Winnipeg, Manitoba. *American International Journal of Contemporary Research*. 3(2); 43
- [14] Umukoro, F. & Ayozie, V. C. (2013) Nigerian Government as a Business Regulator Government. *Double Blind Peer Reviewed International Research Journal*, 1 (3), 85-88
- [15] Zamil, A. M. (2014). Small and Medium Scale Enterprises (SMES) in Nigeria the Marketing Interface. *Global Journal of Management and Business Research*, 13 (9), 3. Retrieved April 3, 2020, from <https://www.researchgate.net>