

**ENTREPRENEURSHIP MOTIVATION: AN ASSESSMENT OF
SMALL AND MEDIUM ENTERPRISES IN RIVER STATE,
NIGERIA**

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ABSTRACT

The paper discussed effect or impact of Entrepreneurships in Rivers State, Nigeria. The success of generating income for majority of rural and urban dwellers with no formal paid employment highly depends on Entrepreneurship. They are the backbone of economic development all over the world and play important role for employment, income and societal changes, particularly in transition economies like Nigeria. This paper is concerned with the nature and the extent to which

entrepreneurship in Rivers State has been so far on the issue on mortality rate, challenges, motivations and opportunity available for an entrepreneurship in Rivers State. The study revealed that such initiatives by government failed abysmally due to over bearing bureaucracies, corruption, inadequate and inefficient infrastructural facilities and maladministration. The paper concludes that entrepreneurship miracle in other country is an engine for job creation; innovation and diversity and Rivers State's entrepreneurs have a long way to go before they can effectively drive changes in the economy and recommends that Government (policy makers) should genuinely recognize the essence of entrepreneurship to economic development by providing the enabling environment for private sector-led investment for economic development and also provide adequate infra-structural facilities.

1. Introduction

Enterprises are generally regarded as the engine of economic growth and equitable development in developing economies. They are labour intensive, capital saving and capable of helping to create most of the one billion new jobs the world will need by the end of the century.

Most Enterprises in Port-Harcourt city (Rivers State) operate as family/sole proprietorship business and are generally classified into commercial, industrial and agricultural categories depending on their activities. Though commercial

Enterprises constitute more than 90% of the entire number, there are 1,200 registered Enterprises in Port-Harcourt city offering various products/services to the general public. Because, Enterprises can be established with minimal capital/registration/managerial skill, there are in the most vantage position for employment generation and promotion of entrepreneurial capacity at the local level. Despite the presence of many SMEs in Port-Harcourt city the high rate of unemployment (28%) in a population of 157,791,115 persons suggests that these Enterprises are experiencing some major challenges that are hindering their performance (Agwu, 2014). It is against this background that it becomes pertinent to discuss the issues, challenges and prospects of small and medium scale enterprises in Rivers State.

Entrepreneurial Mortality rate in Rivers State

A recent study in Rivers State on business failure rate gives an alarming picture. Between 2009 and 2014, 834 enterprises had permanently closed their doors. The situation appeared to be worsen in (Rivers State) Port Harcourt City where 5 in every ten small enterprises in manufacturing or processing had either permanently or temporarily gone out of business. Most enterprises in Rivers State die within their first five years of existence, a smaller percentage goes into extinction between the sixth and tenth year while only about

five to ten percent survive, thrive and grow to maturity (Aremu and Adeyemi 2011).

According to Basil (2005), many factors have been identified contributing to this premature death of SMEs in Rivers State. Key among them include insufficient capital, irregular power supply, infrastructural inadequacies, lack of focus, inadequate market research, over-concentration on one or two markets for finished products, lack of succession plan, inexperience, lack of proper book keeping, lack of proper records or lack of any records at all, inability to separate business and family or personal finances, lack of business strategy, inability to distinguish between revenue and profit, inability to procure the right plant and machinery, inability to engage or employ the right caliber staff, cut-throat competition, amongst others. Beckman (1983) contends that most of the problems of SMEs are external to it, among them are those related to capital shortage, taxation and regulations, product liability, patent and franchising abuses. It is also important to note that SMEs in Port-Harcourt City are not immune from the aforementioned challenges in their day to day operations hence it becomes necessary to embark on a study that investigates the issues, challenges and prospects of small and medium scale enterprises in Port-Harcourt City.

2. Challenges Affecting Entrepreneurship Development in Rivers State

Rivers state, despite its abundant natural and human resources, is unfortunately faced with some challenges which in the recent years have surged appreciably. Despite the catalytic role of Entrepreneurship in the economic emancipation some of the major operational challenges in Rivers State Include:

Financial Problems: About 80% of small and medium enterprises are stifled because of poor financing and other associated problems (Fatai 2011).The problem of financing SMEs is not so much the sources of funds but its accessibility. Factors identified inhibiting funds accessibility are the stringent conditions set by financial institutions, lack of adequate collateral and credit information and cost of accessing funds. Capital shortage problem in the small firm 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 turn around to marry new wives, acquire chieftaincy titles or buy houses abroad .

Management Problems: Lack of trained manpower and management skills also constitute a major challenge to the survival of SMEs in Rivers State. According to West and Wood [2000], "...90% of all these business failures result from lack of experience and competence." Rogers (2000), also added that

inefficiency in overall business management and poor record keeping is also a major feature of most SMEs; Technical problems/competence 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.

Inadequate Basic Infrastructure: : Government has not done enough to create the best conducive environment for the striving of SMEs, the problem of infrastructures ranges from shortage of water supply, inadequate transport systems, lack of electricity to improper solid waste management. Nigeria's underdeveloped physical and social infrastructures create a binding constraint to SMEs growth, since they heavily rely on the inefficiently provided state infrastructures and cannot afford the cost of developing alternatives (Awu 2014).

Socio-Cultural Problems: Most Rivers State Entrepreneurs do not have the investment culture of ploughing back profits. Bala (2002) stressed that the attitude of a typical Nigerian entrepreneur is to invest today and reap tomorrow. Also, the socio-political ambitions of some entrepreneurs may lead to the diversion of valuable funds and energy from business to social waste.

Strategic Planning Problems: SMEs often do not carry out proper strategic planning in their operations. Ojiako (2000), stated that one problem of SME is lack of strategic planning.

Sound planning is a necessary input to a sound decision-making.

Location/Economic Problems: Market stores are dominated by absentee landlords who charge exorbitant rates. The ownership of market stores by politicians is crowding real small-scale operators out of the market. The high rents charged by storeowners on good locations have forced real small-scale operators into the streets or at best inaccessible places Osamwonyi (2009). Also, domestic economic problems of deregulation and removal of protection as well as the global financial crisis have been detrimental to SMEs.

Poor Accounting System: The accounting system of most SMEs lack standards hence, no proper assessment of their performances. This creates opportunity for mismanagement and eventually leads to the down fall of the establishment.

Multiple taxation: This has become a major problem especially given the role of tax consultants and agents hired by local governments. They are often crude in their operation, excessive in their assessment and destructive in their relationship with the production process. They tax everything in their bid to generate revenue without considering the net effect to household incomes and employment.

Unstable policy environment: Instability in government policies have caused some SMEs to collapse. One of such policies is that of the 1980s when government specified that cocoa should not be exported in raw, unprocessed form after a

specified deadline. Many SMEs had to import machineries only for government to reverse this policy. This negatively affected so many SMEs in the cocoa industry.

The present high mortality rate of SMEs in Nigeria is awful to contemplate and constitute danger to the entire economic system. It represents serious financial pressure on the nation's economy as well as a waste of valuable resources (Awu 2014)

Entrepreneurial Motivations in Rivers State

According to Agwu (2014), the following institutions and policies be enhanced in order to motivate sustainable economic and entrepreneurship development in Rivers State.

- 1. Provision of soft loans to SMEs:** Rivers state government should encourage banks in Port-Harcourt City to set aside 20% of their annual profits before tax as soft loans to SMEs at a very low interest rate.
- 2. Government guaranteeing of long-term loans to SME**
: Rivers state governments should guarantee long term loans to SMEs in Port-Harcourt City since they lack the necessary collateral to access such funds from financial institutions.
- 3. Establishment of SMEs funding agency:** Rivers state government should set up an agency that will assess the working capital requirement of SME in Port-Harcourt

City and make such funds available to them at a very low interest rate with long-term repayment period.

- 4. Public/Private sector partnership in infrastructural provision:** Rivers state government should partner with the private sector in the provision of efficient public utilities (power supply, water supply, good transport/communication facilities etc.) in Port-Harcourt city to ensure uninterrupted supply of these public utilities.

- 5. Capacity building for SMEs operators:** Rivers state government should liaise with the Port-Harcourt chamber of commerce and other non-governmental agencies in the organization of regular training programmes/seminars for potential and actual SME operators, where they should be educated on how to plan, organize, direct and control their businesses.

- 6. Provision of tax incentives for SMEs operators:** Rivers state government should abolish multiple taxation of SMEs operators in Port-Harcourt city. The use of private revenue contractors/task force in the assessment/collection of taxes from SME operators should be discouraged.
- 7. Provision of security of property:** Rivers state government should provide right and political stability in the country. A volatile political, religious and ethnic climate undermines security of property rights.
- 8. Stable money and prices:** Rivers state government should provide essential for development. A stable monetary environment provides the foundation for the efficient operation of a market economy. In contrast, monetary and price instability generate uncertainty and undermine the security of contracts.
- 9. The market and enabling environment** must be competitive. In a competition, producers must woo consumers away from other suppliers. To do so, they must offer quality and cheaper alternatives. Sellers who cannot provide quality products at competitive prices have no place in a competitive market economy and thus would be driven from the market (Gwartney, Lawson, and Holcombe, 1999).

Entrepreneurial Opportunities

This occurs when an entrepreneur perceives a business opportunity and choose to pursue it. Rivers State is primarily known as an oil producer. These present opportunities for investors. According to a report published online under strategic business team and reported by Agency Reporter (2012), Martins says if you are an experienced entrepreneur or an entrepreneur with guts; then you should know that one of the best places to invest your money and build a business is in a developing terrain. Nigeria is a developing country and one of the best places to invest or build a business.

Fishing

The first of the fastest growing business opportunities in Rivers State is fishing. The major players in this business are usually regional players. What this means in essence is that each major player in the fishing industry is focused only on the people living in that terrain. So all an entrepreneur needs to do is look for a region with a growing demand that has not been covered by a major player and situate your business there.

Importation of Wears

Importation of clothes (designer wears) into Nigeria is another fast growing business opportunity one can tap into; but you will be breaking the law if you engage in this business because there is a ban by the government on the importation of wears. This business opportunity is listed for those who have the

entrepreneurial guts to take calculated risk (Agency Reporter, 2012).

Sewing of Specialized Uniforms

If you don't have the entrepreneurial guts to go into the importation of wears, then you can set up a small scale textile firm that will specialize in sewing uniforms. The demand for uniforms is on the increase in Nigeria; from the crèche to the labour market, uniforms are highly in demand but it is advisable you do your own detailed research before venturing into the business.

Inland Water Way Transport

Despite Rivers State is a river rein area, there is this problem of portable drinking water. Inland water way transport is one of the fastest growing business opportunities in Rivers State. Though there are a few operators in this industry. Another reason inland water way transport business proves viable is because population in Rivers is rapidly on the rise thereby resulting in roads congestion. Since the roads are becoming heavily congested, the next means of transportation for these heavily populated states is water transport. With proper planning, a good management team and adequate funding, you can break into this untapped industry and carve a niche for your business.

Out-Sourced Bus Service

This is similar to haulage and logistics but the cargo in this case is humans. This is not about the regular road transport bus

service. In this case, you are providing transportation services to firms and corporate entities. Some corporate organizations can't afford an in-house transport system for their executive and staff, so this is where you come in. You provide the cars or buses, provide the drivers and you are paid on a monthly basis or contract basis for the use of your transport services. Another area of target is schools. Most schools would like to provide transport facilities for their students but they can't afford it and this is where you step in.

Information and Communication Technology

When it comes to ICT, Nigeria is lagging behind compared to the western world. It may sound like bad news to you but to entrepreneurs and investors, it is good news. ICT is still an emerging trend that has not reached its peak, so a lot of opportunities exist for both local and foreign investors.

E-Services

Just as the world is going e-crazy; so also is Nigeria catching up with the trend. E-services provision is still a virgin business opportunity that has not fully been tapped. Under the umbrella of e-services; you can find the following fast growing business opportunities: E-payment, bulk SMS services, web design and hosting, database management services, e-portal management, etc.

Schools

The need for education is on the increase and the burden to provide quality education is getting heavier for the government

to bear thereby, leaving room for private and institutional investors. A lot of institutional and private investors have gone into building quality schools and providing quality education but this has not been maximized. With a population of over 150 million Nigerians, where 65 per cent are below 40, there is still untapped potential in this area. You can access this business opportunity from different entry levels. You can tap into this niche by providing either crèche, primary, secondary or tertiary education; but all entry levels hold strong good rewards. Carry out your own analysis before investing in any level of these opportunities.

Training Centres

Specialized training or educational centre is another fast growing yet untapped business opportunity in Nigeria. Examples of specialized learning centres are leadership training schools, entrepreneurial centres, training centre for the gifted and physically challenged, training centre for hobbies and crafts.

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