AN ASSESMENT OF THE SUSTAINABILITY OF SMALL AND MEDIUM SCALE MANUFACTURING INDUSTRIES IN KADUNA METROPOLIS, NIGERIA.

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Declaration

I declare that this thesis entitled **"**An Assessment on The Sustainability of Small and Medium Scale Manufacturing Industries in Kaduna Metropolis" has been carried out by me in the Department of Geography, Faculty of Science, Ahmadu Bello University, Zaria.The information derived from the literature has been duly acknowledged in the text and a list of references provided. No part of this thesis was previously presented for another degree or diploma in this or any other university.

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Certification

This thesis entitled "An Assessment on The Sustainability of Small and Medium Scale Manufacturing Industries in Kaduna Metropolis" by Patrick Bunmi Victoria meets the requirements governing the award of the Master of Science Degree in Geography, Faculty of science, Ahmadu Bello University, Zaria and is approved for its contribution to knowledge and literary presentation

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Dedication

I dedicate this thesis to God Almighty who saw me through successfully. I also dedicate it to my parents for their care and support.

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ABBREVIATIONS

BDS	Business Development Service
CBN	Central Bank of Nigeria
CIRD	Center for Industrial Research and Development
CMD	Center for Management Development
DFIs	Development Finance Institutions
FIIRO	Federal Institute for Industrial Research Oshodi
FMI	Federal Ministry of Industries
GDP	Gross Domestic Product
IDC	Industrial Development Centers
ITC	Information Communication Technology
MAN	Manufactures Association of Nigeria
MFBs	Micro Finance Banks
NBCI	Nigeria Bank for Commerce and Industry
NERFUND	National Economic Reconstruction Fund
NIDB	Nigeria Development Bank
NIPC	Nigeria Investment Promotion Commission
NISER	Nigeria Institute of Social and Economic Research
PRODA	Project Development Agency
SAP	Structural Adjustment Programme
SMEs	Small and Medium Scale Enterprises
SMIEIS	Small and Medium Industries Equity Investment Scheme
SSI	Small Scale Industries
UNDP	United Nation Development Programme
UNTL	United Nigeria Textile

RMRDC Raw Material and Development Council

ABSTRACT

A number of large scale industries in Kaduna metropolis are closed down while the few still in business are producing below capacity. On the other hand small and medium scale enterprises (SMEs) are springing up all over the metropolis. The question then is, are they sustainable? What type of SMES are emerging in Kaduna metropolis, what are the major constraint faced by these enterprises, what factors are necessary for their sustainability, to what extent are these factor being embraced by the industrialist and what role should the government play towards the sustainability of these industries? This study therefore examines the sustainability of small and medium scale enterprises in Kaduna metropolis. Random sampling technique was used to select 36 enterprises within the metropolis. Oral and written interviews were conducted with the management staff of selected SMES to collect information on location factors, funding sources, employment, strategies to sustain production and constraints to effective development. Data collected were analyzed using descriptive statistics. The findings of this study show that the emerging SMES in Kaduna metropolis are putting in efforts to achieve sustainability such as the use of alternative power supply , installation of additional machinery, employment of more workers , selling at discount and , price reduction. The study further shows that the sustainability of emerging SMES in Kaduna metropolis is greatly threatened by poor funding, inadequate power supply, high dependence on imported raw materials, low managerial skill of the entrepreneurs and ethno- religious crisis. The findings of this study show that SMEs in Kaduna metropolis are not sustainable. Based on the finding the recommendation are, the government should intensify their efforts to ensure adequate power supply, the government through the ministry of industries should put in more effort to ensure adequate access to affordable loan facilities and education of entrepreneurs on the need for backward integration. Non-governmental organizations (NGOs) and religious bodies should also intensify efforts to ensure peaceful co-existence within the state.

CHAPTER ONE: INTRODUCTION

1.1 Background to the Study

The National Economic Reconstruction Fund (NERFUND) defines Small and Medium Scale Enterprises (SMEs) as enterprising of assets excluding land, plus cost `of project not exceeding N40 million (CBN, 2001). Under the Central Bank of Nigeria (CBN) Monetary and Credit Policy Guidelines of 2006, SMEs are defined as an enterprise with fixed assets excluding land but including working capital not exceeding N40million. The Centre for Industrial Research and Development (CIRD) at Obafemi Awolowo University Ile-Ife also defines SMEs as enterprises with total assets in capital not exceeding N250, 000,000 and employing not more than 50 full-time workers (Obitayo, 1991).

The history of industrial growth in developed and developing countries has shown that SMEs are the driving force of industrial development due to their small initial capital requirement and their contributions to output, employment and growth (Diejomaoh, 1980). The role of SMEs is dynamic, accelerating increase in per capita income, output, employment opportunities, and enhancing regional economic balance through industrial dispersal, effective resource utilization, development of local technology, diffusion of management skill and stimulation of indigenous entrepreneurship (Adenuga, Ohuche and Ogujuba 2004).

In the mid-1990's, SMEs were reputed to have employed an estimated 22.0 percent of adult population in developing countries of the world (Daniels, 1994). SMEs create employment for a large number of people and provide the opportunities to increase living standard (Jaworeck, 1979). The SMEs sector accounts for about 70.0 percent of industrial employment worldwide (World Bank, 1995).

SMEs have become the focus of industrial policy in recent times as revealed by the Central Bank of Nigeria (CBN, 1997). In the same vein, they have also become the engine of economic growth and development in many nations since such industries are likely to facilitate the development of broad-based indigenous entrepreneurial culture and value added to domestic industrial production (Olorunsola, 2001). In buoyant economies such as that of the United States, SMEs have played an important role in their transition from the industrial age to the post industrial information technology era (Soludo, 2005). In the same vein, Asian countries such as Japan, South Korea, Indonesia, Singapore among others SMEs have considerably contributed to their GDP and served as a linkage between the industrial sector and other sectors of the economy through the production of raw materials, spare parts and machineries (Otaru, 2008). Today, about seventy percent of the values of export of Japanese large enterprises are traceable to SMEs (Soludo, 2005).

Developing countries have since the 1970s shown greater interest in the promotion of the growth of SMEs for three main reasons: (i) the failure of past industrial policies which were anchored on the establishment of large firms to generate efficient self-sustaining growth, (ii) increased emphasis on self-reliant approach to development, and (iii) the greater attention paid to aspects of development other than investment and output growth (Anyanwu, 1996).

Various efforts have also been put in place to stimulate economic growth and development through SMEs in Nigeria. The post-colonial Nigerian governments have evolved various monetary and fiscal incentives and scheme to address the financial constraints facing this category of industries. Such initiatives include the establishment of the Nigeria Industrial Development Bank (NIDB), Nigerian Bank for Commerce and Industry (NBCI), the National Economic Reconstruction FUND (NERFUND).

Export incentives and import duty drawback schemes were put in place for the stimulation and expansion of non-oil exports which include the Nigeria Export Import Bank (NEXIM) and the Nigeria Export Promotion Council specificaly established to administer export stimulation facilities to SMEs (Olurunsola, 2001). In Nigeria, the SME sub-sector has been expanding, especially since the mid-1980s, following the introduction of the Structural Adjustment Programme (SAP) which led to rapid deindustrialization of the economy forcing many large scale enterprises to lay off a large portion of their work force (Bangura, 1991).

Despite the dynamic and important role played by SMEs in economic development, and the various efforts put in place by the Nigeria government, the development of SMEs is everywhere constrained by exogenous and endogenous factors. Exogenous factor are those outside the control of SMEs and includes (i) inappropriate government policies (ii) poor infrastructures and (iii) lack of access to affordable credit. Endogenous factors are internal to the SMEs and include: (i) weak corporate governance, poor management and accounting practices, (ii) poor business partnership /alliance culture, (iii) low human capital development and(iv) low level of technology (CBN,2006).

For the purpose of this research the definition of SMEs by the center for Industrial Research and Development (CIRD) will be adopted. According to CIRD, SMEs are enterprises with total assets in capital not exceeding N250,000,000 and employing not more than 50 full-time workers (Obitayo,1991).

1.2 The Research Problem

In Kaduna metropolis there was a rapid industrial growth in the 1970s and 1980s with over 50 vibrant manufacturing plants and factories spread across the metropolis (Femi, 2009). This growth was largely attributed to stable and favourable economic policies, stable power supply, high control of imports, availability of fuel due to the location of a refinery in Kaduna, and to some extent, low interest rate on borrowings from banks (Femi, 2009).

However, just like other manufacturing centers across the country, Kaduna metropolis has since descended into industrial abyss. The "red flag" was raised in 1990 when Nortex Nigeria Limited folded up. It then became a routine, beginning from 1993 that every year two or more textile mills packed up in Kaduna metropolis. Arewa Textiles, Fintex Limited and Northern Textile Limited, Techno Plastic Limited, Enjoy Sanitary Pad and Kaduna Machine Works ceased to exist due to high cost of production, ageing technology, demand threatened by dumping of second hand and cheaper materials in the market, inadequate supply of raw materials, policy inconsistency and infrastructural deficiency (UNID, 2003).

The situation has worsened since the late 1990s and in September 2008 the United Nigeria Textile (UNTL) PLC closed down, which before had shut down its sister companies Suppertex and Unitex. The rapid de-industrialization in Kaduna metropolis is due to the various problems faced by manufacturing industries in the country. Small scale industries, which are meant to be the heart of the nation's economy by providing employment opportunities and economic growth and development to the society, are, unfortunately, at the receiving end of most of the manufacturing problems in Nigeria.

In the 1970s, Nigeria was advancing in industrialization with a contribution of about 9.7 percent to the GDP before falling during the oil boom to 7.0 percent in 1973 due to over reliance

of the country on the oil sector, it increased to 11.4 percent in 1981. Since the 80s however, there has been a decline in industrial contribution to the GDP as many manufacturing industries closed down, and those still producing do so below capacity. At the same time however, small and medium scale manufacturing industries were springing up in many urban centers in Nigeria. In Kaduna metropolis there has been a growing increase in small scale manufacturing industries despite a growing decline in large scale industries. The question then is, what factors are responsible for the emergence of these small scale manufacturing industries and what can be done to ensure their sustainability to avoid the factors that led to the closure of large scale industries in the area? ”

Various studies of SMEs have been conducted in Nigeria. Akande (1999) examined the problems and prospects of small industries in Nigeria; Taofik (2009) examined the challenges facing small scale industries, while Charles (2002) studied the industrialists' perception of SMEs growth constraints in Nigeria. These studies concentrated on the problems of SMEs and were able to establish inadequate finance, lack of competent managers, unfavourable government policy, poor infrastructure, competition from imported goods and irregular power supply as the major problems of SMEs in Nigeria. These studies also established that the SMEs sector has a great potential for growth if these problems are adequately tackled. Abubakar (2007) examined only finance as a key factor in the development of SMEs in Nigeria.

Literature search revealed that the issue of sustainability of SMEs in Kaduna metropolis in the face of rapid decline in large scale manufacturing industries has not been given due attention. This study therefore seeks to address the following issues in respect of the sustainability of SMEs in Kaduna metropolis.

i. What types of small scale industries are emerging in Kaduna metropolis?

ii. What are the major constraints to effective development of these small scale industries?

iii. What factors are necessary for the sustainability of these emerging industries?

iv. To what extent are these factors being embraced by the industrialists?

1.3 Aim and Objectives of the Study

The aim of this study is to assess the sustainability of small and medium scale manufacturing industries in Kaduna metropolis. This will be achieved through the following objectives which are to

i. identify the various types of small and medium scale manufacturing industries in Kaduna metropolis

ii. examine the factors responsible for their growth

iii. assess the major constraints towards an effective development of the identified small and medium scale industries and how they can be effectively managed

1.4 Scope of the Study

This study focuses on the sustainability of small and medium scale manufacturing industries in Kaduna metropolis. The main concern of the study is to examine the extent to which the emerging SMEs in Kaduna metropolis are working to meet the requirements that would make them able to remain in business for a long time. The study will focus on selected bottle water, fruit drinks, yoghurt, bakery, paint production and animal feeds SMEs within the metropolis established 1997 to 2008. The content scope for the study includes;Year of establishment, factors influencing location of industries, source of raw materials, source of raw energy, skill of employees, source of start-up capital, nature of expansion since inception, attitude toward securing loan, major constraints faced by the industries, strategies for sustainability .

1.5 Justification of Study

The Small and Medium Scale Manufacturing industries if strategically positioned have a great potential to generate employment, create wealth, reduce the prevalence of poverty and sustain economic growth and development. The sector is also capable of improving per capita income, increase value addition to raw materials supply and improve export earning and step up capacity utilization in key industries and as such contribute significantly to the country's GDP . A research of this kind is therefore very important in providing useful information that can be used to ensure their continued contribution to the national economy.

CHAPTER TWO: CONCEPTUAL FRAMEWORK AND LITERATURE REVIEW

2.1 CONCEPTUAL CONSIDERATIONS

2.1.1 The concept of small and medium scale enterprises

The concept of Small and Medium scale Enterprises (SMEs) is relative and dynamic; hence there is no universal definition for small and medium scale enterprises. Each country tends to adopt definitions based on the needs of public policy, the level of economic development, the role SMEs are expected to play in the economic development of that country and the programme of assistance designed to achieve the goal (Emmanuel, 2003).

Small businesses do not conform to any neat parameters because much of their activities depend on the industry in which they operate also the personalities and aspirations of those in charge of these businesses. These factors vary from manufacturers to retailers, professional managers, high growth, high start-ups that are funded by venture capitalists to self-financed tradesmen and women for the purpose of making a living (David and Nicholas, 2006). The first attempt to overcome this definition problem was by the Bolton (1971) which formulated an "economic" and a statistical" definition of SMEs .Under the economic definition, a firm is regarded as small if it has a relatively small share of the market place, managed by the owner or part-owners in a personalized way, is independent in the sense of not forming part of a large enterprise. Under the statistical definition, a firm is regarded as small if its markets share is not enough to influence the price of goods as well as quantity sold in the market to a significant effect.

According to Baumback (1983) attempts made to define "small business" in terms of employment, asset value or sales volume have proved unsatisfactory because a firm in one industry may loom large relative to its competitors, yet be small in employment, assets and sales

relatives to the firms in other industries or vice versa. Storey (1994) also identified three key distinguishing features between large and small firms. The first is the greater external uncertainty of the environment of operation and the greater internal consistency of its motivation and actions. Second they have different role in innovation and thirdly is the greater likelihood of evolution and change in the smaller firms.

Definitions of SMEs vary across countries and business environment as a result of differences in industrial organization at different levels of economic development in some parts of the same country (Sule, 1986).Loveman and Sengenberger (1990) recounted that, "Small enterprises" or "small and medium enterprises" are elusive concepts. They do in fact hide a large heterogeneity in the types of the firms. Definitions also change overtime, owing to changes in price levels , advances in technology, etc even in the same country, definition may vary within institutions, depending on their policy focus (Emmanuel, 2003) . For instance, prior to 1992 in Nigeria different institutions like the Central Bank of Nigeria, Nigeria Bank of Commerce and Industry, Centre for Industrial Research and Development and the National Economic Reconstruction Fund adopted different definitions to achieve the objectives of the programme they wanted to execute. The criteria that have been used in the definition include annual turnover, gross output, capital investment and employment. In 1992, the National Council on Industry streamlined the various definitions in order to ensure uniformity and provide for its review every four years. The definition adopted used a combination of capital investment and employment for the categorization of the industries. The definitions were first revised in 1996 and then in 2003 as follows:

- Micro/cottage industry – Enterprise with total cost (including working capital but excluding cost of land) not more than N1.5milion, with a labour size of not more than ten workers
- Small scale industry –enterprise with total cost (including working capital but excluding cost of land) above N1.5 million but not exceeding N50 million with a labour size of between eleven and one hundred workers
- Medium scale industry – enterprise with total cost (including working capital but excluding cost of land) above N50 million but not exceeding N200 million, with a labour size of between 101 and 300 workers
- Large scale industry –enterprise with total cost (including working capital but excluding cost of land) above N200 million and a labour size of over 300 workers (Ayoola, 1999).

The National Economic Reconstruction Fund (NERFUND) also defined SMEs as enterprises with assets excluding land, plus cost of project not exceeding N40 million (CBN, 2001). In the Central Bank of Nigeria (CBN) Monetary and Credit Policy Guidelines (2006), SMEs is defined as an enterprise with fixed assets excluding land but including working capital not exceeding N40million. The Centre for Industrial Research and Development (CIRD) at ObafemiAwolowo University Ile-Ife also defined SMEs as enterprise with total assets in capital not exceeding N250,000,000 and employing not more than 50 full-time workers (Obitayo, 1991). Clarke (1972) indicated that the confederation of British industries defined SMEs as industries with less than two hundred employees. Small and medium enterprises equity investment scheme proffered the following definition of SMEs in 2001 " a small and medium industry is defined as any enterprises with a maximum asset base of N200 million, excluding land and working capital and

with the number of staff employed by the enterprise not less than 10 and not more than 300" (SMIEs guidelines 2006).

The revised current SMEs guidelines have however, modified this definition by removing the upper restriction on the number of employees and expanding the capital base of SMEs to N500 million. The Nigerian concepts of SMEs are somewhat divergent but the Central Bank of Nigeria agrees with the Small and Medium Industries and Equity Investment Scheme (SMIEIS) in their definition of a SME as any enterprise with a maximum asset base less than N200 million (equivalent of about $1.43 million) excluding land and working capital, and with the number of staff employed not less than 10 (otherwise will be a cottage or micro-enterprise) and not more than 300 (CBN, 2001). Moreover, this definition for SMEs was based on the revised definition by the National Council on Industry in 2001.

2.1.2 Characteristics and roles of SMEs in economic development

A major characteristic of SMEs worldwide is that they are generally managed by their owners either as sole proprietorship or partnership (Adamu, 2004). SMEs are characterized by simple management structure resulting from the fusing of ownership and management in one or very few individuals. Thus SMEs tend to strongly revolve around the owner-managers rather than operate as separate entities. There is often greater subjectivity in decision making and the prevalence of largely informal employer-employee relationship. SMEs have very limited access to long-term capital and their access to short term financing is often limited and sometimes obtained at a penal rate of interest based on the perception of the sector as risky by the formal financial institutions (Emmanuel, 2003). The lack of fund often results in the non-adoption of modern technology and the resort to labor-intensive production processes. This coupled with very poor inter and intra-secotral linkages do not allow the enterprises take advantage of the

benefits associated with economies of large scale production. SMEs are more widespread and resilient as a result of the greater use of local raw materials. Emmanuel (2003) summarized the roles of SMEs in economic development as follows:

i. Technological/industrial development: They have short-term gestation period and high potentials for quick yield on investment. They therefore provide promising alternatives for countries that desire the fast option for industrial development.

ii. Employment generation: It has been observed that more jobs per unit of investment capital and per unit energy consumed are created worldwide by SMEs than large -scale enterprises.

iii. Technological acquisition: They provide opportunities for the development of local skills and technological acquisition. In Nigeria "Aba made" syndrome is a clear manifestation of such technological acquisition.

iv. Human capacity building: They provide a training avenue for the creation of local entrepreneurs in several areas of economic activities. They are regarded as the 'university' where a large class of Nigerian entrepreneurs usually receives training. It is therefore more important to lay a good foundation of an industrial class by promoting small entrepreneurs than it is to build a few large factories.

v. Promoting Growth: Most are involved in primary and secondary economic endeavours that rely heavily on locally sourced materials, equipment and parts. As a result they achieve high local value added by operators.

vi. Increased standard of living: Sound development of SMEs has positive implications for improved standard of living of the citizenry and generates foreign exchange for further development of the economy.

vii. Industrial dispersal or spread: They could easily be located in rural areas because they can survive on rudimentary industrial infrastructure. Consequently, they serve as major facilitators for industrial dispersal and rural development and thus help in mitigating the rural-urban drift.

viii. Serving of large -scale industries: Raw materials and goods are supplied to the large-scale industries while they engage in distribution of finished product from such industries to consumers.

ix. Export promotion: Some SMEs engaged in manufacturing serve as channels for import substitution and export promotion.

x. Structural transformation of rural areas: When they are cited in rural areas, they help to improve rural infrastructure and the living standard of the people. Social amenities such as: road, electricity, pipe-borne water, telecommunication facilities, etc, are attracted to the area as a result of the presence of SMEs in the community.

xi. Flexibility: They react swiftly to changes in the operating environment. They therefore provide good testing ground for new products and nascent production technique.

xii. Low Take-off requirements: Take-off capital requirements are low. Small-scale industrialization therefore widens the scope for participation in industrial activities by individuals with limited capital. They are effective instruments of mass participation in industrial development

2.1.3 Requirement for the sustainability of small and medium scale industries.

i. Access to continuous financing

SMEs need to have adequate access to continuous financing if they must stay in business for a long time. Money is needed for effective running of SMEs, expansion of factory building, purchase of machines, and increase in product line. Adamu(2004) stated that continuous

financing is very crucial in the Nigerian society because SMEs spend a great percentage of their fund in generating power, transportation of raw materials and finished products, and sourcing for alternative water supply.

In Nigeria, many SMEs have limited access to foreign exchange and institutional credit facilities (Venkatarman 1984). Many credit institutions in Nigeria believe that it is risky to finance the SMEs sector due to the nature of the industry. The World Bank's survey on access to finance of Nigerian firms in 2001 demonstrated that most banks are reluctant to provide long term credit to small and medium scale industries in the country and even when they give short - term credit it is often based on high collateral requirements and the facilities do not go beyond one year. This implies that SMEs that depend on bank loan cannot engage in long term planning thereby constraining growth plans and long term investment decision. Majority of them have limited access to foreign exchange as well as institutional credit. Many of Nigerian credit institutions believe that it is risky to finance them due to the nature of the industry.

A study carried out by UNDP and Federal Ministry of Industries (FMI) in Nigeria showed that personal savings funded 1036 out of the 1498 SMEs or 69% of the SMEs and only 3.6% was granted credit by banks. Though banks in Nigeria are now required to contribute 10% of their annual profit before tax for financing SMEs, the industries are still mainly supported by traditional sources because most banks introduce high collateral to discourage the SMEs. Only about 12 out of 90 banks in the country have contributed to the Small and Medium Enterprises Partnership. Issues on financing are a major threat to sustainability of emerging SMEs (Olorunshola, 2001).

ii. Adequacy and appropriate infrastructural support

Basic infrastructures such as electricity, water, transportation, and security are very important to the sustainability SMEs. There is a great need for these facilities to be adequate and effectively available in the country. This will ensure continuity; reduce the cost of doing business and increase profit for the SMEs.

Infrastructural facilities in Nigeria are very inadequate and where available they are in effective. Poor infrastructure is the most significant contributing factor to the poor state of SMEs in Nigeria. Energy supply is epileptic and has contributed to the folding up of many SMEs, road networks in most areas of the country are ramshackle, rail roads are outdated and barely reckoned with, water supply is inconsistent and telecommunications facilities are valuable. Anyaoku (2002) as quoted by Ogunjiuba, Ohuche and Adenuga (2004) wonders why SMEs have to provide basic facilities such as water, electricity, roads and even security required for them to operate. He argued that in no other country do SMEs provide such facilities for themselves and still grow. The point is that the state of infrastructure in Nigeria is unacceptable In addition to high operating costs arising from infrastructural deficiencies, SMEs also have to contend with the high cost of imported raw materials, equipment and spare parts. Consequently SMEs are uncompetitive when it comes to pricing and are faced with rigid competition from cheaper imported goods. All this combined together makes the cost of doing business to be very high.

The National technical working group on SMEs towards the achievement of vision 2020 (2009) indicated that SMEs are uncompetitive when it comes to pricing and are faced with stiff competition from cheaper imported goods due to high operating cost arising from infrastructural deficiencies. Also in a recent study by Manufacturers Association of Nigeria (MAN) it was

revealed that infrastructural inadequacies contribute well over 30 percent to the cost of doing business in Nigeria.

iii. Good corporate governance, management and accounting practices

Entrepreneurs need to develop a good managerial skill, accounting practice ad self-discipline in other to ensure the sustainability of their business. Proper accounting practice is needed to monitor the growth of a business as this will go a long way to determine if the business is running at a profit or lost. Proper management of a business demands great skill in coordinating the various aspects of the business, including the workers to ensure productivity and continuity.

Many entrepreneurs in Nigeria rush out to establish SMEs without having good and adequate management skills. They yearn for the advancement and profit of existing ones without good managerial backdrop. Most SMEs, especially at the micro level, are privately funded and privately owned. Management is at the control of the owner and accounting books are not competently kept. Ogunjiubaetal (2004) identified financial indiscipline and poor management practice as a serious constrain to the growth of SME**.** They also stressed lack of technical and economical counseling as a serious issue since such businesses seldom engage the service of qualified consultants (Ibid).

According to the report of vision 2020 on SMEs there exist little dichotomy between personal and enterprise funds and some SMEs proprietors deliberately divert loans obtained for project support to pretentious expenditure. Auditing is only functional to satisfy regulatory demand, where one exists, is often manipulated to avoid taxation and is of no value in enhancing managerial competence. Workers, in most cases, are disregarded and usually work in appalling working conditions hence motivation is low. Key management positions are not subject to merit

but are usually occupied by relatives of the owner. All these factors combine together lead to the gradual and eventual collapse of an enterprise.

iv. Institutional support

The sustainability of SMEs is tied to good policy framework, coordination among various programmes, linkage programmes, quality and adequate data base, ease in doing business, adequate legal framework. The report of Vision 2020 indicated that these factors are lacking in Nigeria.

Although the federal government has formulated good policies they are lacking in comprehensiveness, and implementation and control have always been the problem (Beyene, 1999). Instability in government policies had caused some establishments 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 industries had to import machineries only for the government to reverse this policy. This actually affected so many in the cocoa industry. Lack of good framework for the monitoring, implementation, and evaluating performance of policies is a major issue. Heavy tax burden through indirect taxes and flat rate levies including trade liberalization and the competition of external producer adversely affects the sustainability of SMEs.

Coordination amongst the various SME-related programmes are not harmonized and there seems to be no conscious effort to merge activities to meet specific SME needs such as the commercialization of Research and Development findings, upgrading of SME products and services, enhancement of productivity etc. presently there are yet no programmes to create inter-firm linkages amongst SMEs and between SMEs and multinationals. The local content policy is not strengthened.

Nigeria's legal framework brings under its ambit business registration, recognition of individual property rights and dispute resolution. However provisions within this framework are not regularly updated to replicate the current reality and hence are unsupportive of SMEs development. The present framework to grow the SME sector is ineffective; hence there are more SMEs in the informal sector than formal.

Policy, legal and institutional deficiencies contribute to the Nigeria's poor ranking in World Bank's 'ease of doing business' indicators. Other culprits include multiple charges or taxes, high port tariffs and cumbersome importation procedures. Insidious corrupt practices are also major issues to the development of SMEs. Absence of readily available and reliable data on SMEs makes planning SME sector difficult and impedes investment studies for persons intending to participate in the sector. Consequently poor data issues have combined to reduce the growth of the SME sector.

iv. Social and Political peace and stability

This factor is very important to the sustainability of SMEs in Nigeria. Political peace will go a long way in determining the wiliness of entrepreneurs to invest in expansion and up grading their business facilities which will in turn increase productivity and ensure sustainability. Riots, ethnic clashes, etc have become the order of the day in Nigeria, which have resulted in loss of lives and properties of entrepreneurs. In recent times, Nigeria has had a lot of ethno-religious disturbances in places like Kaduna, Kano, Jos ,Lagos, Warri, Ife-Modakeke, etc. When such happens, it becomes very difficult for some SMEs to come out of the predicament.

vi**. Access to adequate raw materials**

Availability of quality raw materials in sufficient quantity is very crucial to any manufacturing sector. This factor is very important to the sustainability of SMEs because when

SMEs have adequate access to raw materials, it will help increase their productivity, reduce running cost and increase their profit.

Some SMEs in Nigeria depend on externally sourced raw materials and fluctuation in foreign exchange does not give room for good planning, destabilize business. SMEs regard the paucity of raw material supplies as a major constraint on their firms, despite the abundance in Nigeria of such materials. The SMEs buy their raw materials individually and therefore purchase only small amounts. The cost per unit is higher than for bulk purchase and results in a minimal return to the supplier, who relies on a reasonably high turnover. Wholesalers have the advantage of buying in bulk, thereby reducing handling costs for the suppliers. Foreign buyers are also preferred over SMEs as they provide much needed foreign exchange (Brautigam,1994). SMEs are often overlooked in favour of "big buyers" and are often referred to the wholesalers. The wholesalers often hoard raw materials and thus create artificial shortages resulting in a "liquidity trap" for the buyers. The wholesalers also prefer to sell their products to those able to pay in foreign exchange.

vii. **Training and retraining of staff**

Staff training and retraining will help ensure upgrading of workers skills, exposure to improved and better ways of production which will in turn improve and increase productivity and ensure sustainability. Despite the importance of this factor to the sustainability of the SMEs in Nigeria, most SMEs in the country do not see the need to invest in this, they see it as additional cost burden and as such they shy away from it.

2.2 LITERATURE REVIEW

2.2. 1 The Relevance of SMEs To Economic Development In Nigeria

SMEs have contributed to the Nigerian Economy in some ways. A few years ago SMEs represent about 90 percent of the industrial sector in terms of number of enterprises but contribute a scanty 1 percent of gross domestic product (NIPC 2002). This is insignificant when compared to countries like Indonesia, India and Thailand where SMEs contribute almost 40 percent of their GDP. In many other countries SMEs form an important part of the business landscape, but they are faced with significant challenges and obstacles that compromise their ability to function and to give or contribute to the national economy. The Corporate Affairs Commission in Abuja estimates that 90 percent of all Nigerian businesses in 2001 employed less than fifty people. Similarly, a study by the International Finance Corporation during the same period estimated that 96 percent of all business in Nigeria are SMEs, compared to 53 percent in the USA and 65 percent in the EU (NIPC 2002). The SMEs in the latter two parts of the world accounts for 50 percent of their respective country's GDP. This clearly shows that given necessary support, SMEs could become an important player in the development processes of the Nigerian economy as it has proved to be one of the most viable sectors with economic growth potential. A broad insight into the investment activities and the earnings of SMEs can be gained by examining and analyzing the findings of the Nigerian Institute of Social and Economic Research (NISER) which has been surveying business conditions, experience, expertise and expectations of the operators of the Nigerian manufacturing sector for almost a decade. NISER survey included SMEs in major industrial clusters in Kano, Asaba-Onitsha-Nnewi, Kaduna-Jos and Lagos in Nigeria (Ibid).

Another significant role of the small and medium scale enterprises in Nigeria shows that they have been identified as the source through which several problems have been approached and solved e.g. job creation, poverty alleviation and industrial growth. SMEs in Nigeria have gradually and steadily become an important topic in the recent years, apart from the numerous goods produced by SMEs; they provide a large employment because they are labour intensive, they also provide training grounds for entrepreneurs, mainly because they rely more on the use of local materials. Unlike the large-scale industrialization strategy, which is the category of import-substitution industrial strategy practiced by Nigeria without any success, small-scale industrialization has made a very significant impact on the economy of nations.

2.2.2 Government contributions towards the development of SMEs in Nigeria

The government over the years in Nigeria has been addressing the problems that impede the growth of SMEs by putting several programmes and policies in place that would provide an enabling operating environment. These support programmes include export promotion, technical services for innovation, financial services, training and investment promotion. Furthermore, much of these government interventions are targeted at approaching the institutional and market failures, and the constraints to the survival and growth of SME by providing financial support programmes. The financial support programmes include incentives in the form of targeted subsidized credit schemes administered through Development Finance Institutions (DFIs) and sectoral interventions through selective credit controls contained in the credit guidelines issued by the Central Bank of Nigeria. The others are technical training support and the classification of SMEs as a preferred sector. The first systematic effort at supporting SMEs was the setting up of the Industrial Development Centers (IDC) in Zaria for the north, Owerri for the east, and Oshogbo for the west. These were complemented with the establishment of DFIs such as the

Nigerian Industrial Development Bank (NIDB), Nigerian Bank for Commerce and Industry (NBCI), National Economic Recovery Fund (NERFUND), and the Nigerian Export and Import Bank (NEXIM). Subsequently, the specialized and subsidized targeted credit schemes such as NERFUND and World Bank SME 1 and SME 2 loans were established. These credit schemes provided interest rate subsidy and included the participation of the commercial banks and merchant banks to administer loans.

<URL:http://www.cenbank.org/OUT/PUBLICATIONS/GUIDELINES/DFD/2006/REVISED%20SMEEIS%20GUIDELINES.PDF>

The Nigerian government has been making efforts to minimize environmental and operational factors that might militate against efficient service delivery. The use of collaboration is also an effective tool in providing synergy in this field. Synergy is needed between the intervention of microfinance banks, universal banks, donor agencies and all the three tiers of government. According to Adebusuyi (1997),the strategies and policies adopted by the federal government can be grouped into, four namely, (i) fiscal incentives, (ii) export incentives,(iii) financial support and (iv) technical assistance programmes.

1. Fiscal Incentives : this include tax relief for small enterprises during the first six years of operation, granting of pioneer status for a period of five years with a possible extension of two years for enterprises located in economically disadvantaged areas, provision of relief for investment in infrastructures, capital allowances and minimal local raw material utilization.
2. Export incentives: this is aimed at encouraging firms to produce for export and diversify the government revenue base. To achieve this objective the government provided a package of incentives which include the following: the introduction of the manufacturers

in-bond, import duty draw back and export credit and insurance schemes. Also, cash inducement was provided through the export development fund and export adjustment schemes fund. Tax relief was granted on interest income arising from export activities and additional capital allowance was made for turnover by exporting companies. To protect the SMEs industrial sector from dumping, the government adopted the use of higher tariff rates to discourage the importation of good that can be produced in the country and a complete import ban on variety of industrial product.

3. Financial Support Programmes: financial support was given to SMEs through the establishment of development financial institution which include Nigeria Agricultural Cooperative and Rural Development Bank , the Banks of Industries etc, the introduction of the Small and Medium Industries Equity Investment Schemes (SMIEIS) that enable Banks to invest equity of SMEs, the establishment of the National Directorate of Employment (NDE), The SME 11 Loan Scheme, and the Fund for Small Scale Industries Credit Scheme. The Central Bank through its credit guidelines requires all money deposit banks to allocate a stipulated minimum credit to the preferred sectors including the SMEs.

4. Technical Assistance Programme: to enhance entrepreneurial development in various aspect of Small and Medium Enterprises Management, the government provided an array of technical assistance prograrmmes. The programmes were aimed at providing the needed skills in the area of proper evaluation of viable opportunities, mobilization of necessary resources and project implementation. Agencies charged with these responsibilities include the Industrial Development Centre (IDCs), Centre for Industrial Research and Development (CIRD), Centre for Management Development (CMD),

Project Development Agency (PRODA), Federal institute for Industrial Research ,Oshodi (FIIRO), Raw Material Research and Development Council (RMRDC) These agencies were charged with the responsibility of rendering technical and managerial assistance to SMEs toward the establishment of new enterprises, development modernization, promotion and growth of exiting SMEs. They are also to provide technical services in selecting appropriate machineries, assist in equipment installation, undertake machine repair and maintenance as well as provide on the job training facilities to SMEs in the handling of machines.

2.2.3 Country experiences in SMEs development

The relevance of SMEs can be really appreciated by considering briefly their impact in some selected countries.

- **Mauritius**: The potential of SMEs for job creation was well demonstrated in Mauritius in the early 1980s, when economic recession led to high unemployment and it was noted that the SMEs could create job for 10 percent of the cost of jobs created by larger enterprises. As a result of the insights, a package of polices targeted at large enterprises was adapted to the needs of SMEs. The government of Mauritius spearheaded an initiative, which was supported by a wide range of institutions (Emmanuel, 2003). Credit was made available at preferential interest rates, advice was provided to SMEs, and tariffs were waived for machinery and parts. The encouragement of SMEs reduced unemployment from 21.0 percent in 1983 to1.6 percent in 1996. During the same period, the SME share of employment rose from 33.0 percent to 43.0 percent. It was also

observed that between the periods of 1992-1996, large enterprises generated only 7000 jobs while SMEs generated nine times more opportunities (CBN 2003).

- **Thailand**: Small and Medium Enterprises constitute more than 90.0 percent of the total number of establishments in the manufacturing sector in Thailand. They employ about 65.0 percent of industrial workers and contribute about 47.0 percent of the total manufacturing value added. The policy of the Thai government is to use SMEs as instrument to create employment, to harness and effectively use given natural resources and to narrow income gap. The policy measures provide by government for the promotion and support of SMEs can be classified into three key areas, namely: investment promotion; financial assistance; and technical training and consultancy through various administrative organizations dealing with SMEs promotion activities. Industrial subcontracting is one of the strategies used to help SMEs development and to encourage the growth of supporting industries in Thailand (Emmanuel, 2003).
- **Malaysia**: Malaysia has transformed from a commodity producing nation to a manufacturer of industrial products, geared towards exports. The small and medium industries account for more than 80.0 per cent of the total manufacturing establishments in the nation. The SMEs also helped the county's industrialization programme through the strengthening of both forward and backward industrial linkages. The government encouraged the sector through policies and programmes that integrate the SMEs into the main stream of industrial development (CBN 2003).
- **Philippines**: SMEs comprises 99.0 per cent of the total manufacturing establishment in the country. The sector contributes 54.9 per cent in employment generation and 28.1 per cent of value –added production. There exist a variety of support programmes and

services offered by both government and community volunteer groups that address the compelling concerns of the Philippines (Emmanuel, 2003).

- **Pakistan**: SMEs constitute 90.0.per cent of business in the country and account for 80.0 per cent of the total employment and contribute 30.0 per cent to the GDP. The SMEs are primarily in the informal sector and rely on traditional technology and are linked to the large scale industries and generate 25.0 per cent of the export earnings of the country (Emmanuel, 2003).
- **China**: In China, SMEs account for 60% of industrial output, 55% of its GDP and 75% of employment. The most remarkable aspect of China's small and medium enterprises is their rapid growth despite their inability to tap the official financial system. An SME promotion law has been instituted codifying the official definition of SMEs and clarifying what support government will be making available to them. In the 1990s the Government created a network of credit guarantee agencies for SMEs which ensures loan repayment to banks and assisting them in relaxing their financial constraints (Global Competitiveness Report 2008 - 2009).
- **India:** In laying a solid base for industrial development, the Government of India directed a reasonable part of policy on the development of small scale industries. It provided the small scale industries necessary policy support, needed protection, facilities and incentives. As early as the 1950s and 1960s, through the Industrial Policy Resolutions, the government provided support for small scale industries on a protective basis by providing subsidies, concessions, small scale industry reservations and direct government support. With the changes that took place since 1991 when the Government of India announced the Small Scale Industries (SSI) Policy Statement, a great deal of

entrepreneurial spirit has emerged, which is being nurtured for future growth. Many of the older restrictions on business ownership have been removed and fewer clearances are now required for foreign partnership and direct investment.(Global Competitiveness Report 2008 - 2009).

- **United Kingdom**: The UK has a well-developed SME sector. Most of the businesses are SMEs providing 54.1% of employment and contributing over 50% of the country's annual GDP. There are 3.7 million SMEs in the UK, that is, one enterprise for every ten people of working age. From 1983 to 1988, the British Government administered a credit guarantee scheme of 750 million pounds in business expansion and tax relief to entrepreneurs in quoted companies; and effectively linked SMES with appropriate technologies and educational institutions. 19,000 SMES benefited from the program (Global Competitiveness Report 2008 - 2009).

9. **South Korea**: The Korean government initially placed the burden of industrial development on the giant industries, but over time the government realized the importance of a dynamic, flexible and efficient SME sector that can provide specialized subcontracting services to the large firms. Laws were passed to promote SMEs, leading to a perceptible rise in their share of economic activities. The system of policy support was crucial to the reversal in their performance. The policy options covered the setting up of specialized banks to finance SMEs and the promotion of subcontracting by large-scale industries (Global Competitiveness Report 2008 – 2009)

2.2.4 Opportunities for the SMEs sector in Nigeria

The report of the National technical working group on SMEs towards the achievement of Vision 2020 (2009) identified various opportunities available to the sector which if adequately

harnessed will make SMEs to serve as a resource base for multinationals, a potential channel for mobilizing local savings to ensure a more equitable distribution of income and a means to reduce urban-rural migration and arrest the brain drain syndrome affecting Nigeria. These opportunities include:

1. **Factor endowment**: The Nigerian economy is factor-driven based on its large population and natural resources. Revenues from oil ensure there are budget surpluses which go to swell external reserves. These factors tend to promote macroeconomic stability which is critical for all businesses, including SMEs.
2. **Large market**: Nigeria's large population, coupled with rising, albeit slow, living standards provide a huge growing market for SMEs.
3. **Nigeria's strategic location**: Nigeria is so strategically located it can conveniently tap the regional market potentials of West and Central Africa and with access to seaports SMEs should find it easier to participate in export markets.
4. **Penetration of ICT, innovation and other technologies**: The penetration of ICT in Nigeria is remarkable. The country is one of the fastest growing in terms of GSM utilization. This and recent investments in space technology will bring in their wake great technological advancements that will benefit SMEs.
5. **Research Institutes**: Efforts in research and development provide great opportunities for production of innovative and more competitive products and services. SMEs are needful of the numerous R&D efforts of various research institutes however, to turn them into opportunities, special funds are required to commercialize and utilize any findings.

6. **Size and spread of tertiary institutions**: With the large number of tertiary institutions spread throughout the country, the training and dissemination of entrepreneurial skills can be facilitated to the advantage of SMEs

7. **International SME support organizations**: The importance of SMEs to the global economy is illustrated by the emergence of organizations around the world devoted to helping them thrive. Bodies like the Organization for Economic Cooperation and Development, the U.S. Small Business Administration, the World Bank, the UNDP and others, are all dedicated to helping existing SMEs in Nigeria grow into bigger employers with higher turnovers by helping with areas of particular challenge for SMEs, such as administrative costs, bureaucratic burdens, and financing of new initiatives.

8. **Financial sector reform and funding**: The initial reform and successful consolidation that have taken place in the financial sector could provoke yet another reform that would boost financial intermediation and open new windows for SME funding. Financing options are now diversified with the capitalization of commercial banks and setting up of a number of micro finance banks (MFBs). Similarly, development finance institutions (DFIs) and bank of industry in particular are making funds available to SMEs for their growth and development. Despite the global economic meltdown, the Nigerian capital market is still vibrant enough for SMEs to play a major role.

9. **Pooling of resources**: SMEs can reduce infrastructure and operating costs by pooling their resources in industrial clusters and enterprise zones clustering e.g. Clusters in Aba and Nnewi.

10. **Vast and rich agricultural and mineral resources**: Nigeria possesses vast agricultural and mineral resources to provide abundant raw materials in various SME sub-sectors

including: agricultural production, processing and storage; industrial manufacturing; culture and tourism; estate and urban development; mining, metals and fabrication; and professional services delivery.

11. **Business Development Services (BDS)**: In developing the required capacities among SMEs to meet new challenges, the government, private institutions and NGOs should devise appropriate mechanism to deliver business development services (BDS) to a large percentage of SMEs so that they continue to grow and develop, contributing to both the economic and social goals of a nation. Business development services should focus on supporting self-employment and facilitating the running of businesses, thus discouraging the eternal dependence of SMEs on private/government institutions' assistance. Some of the new forms of BDS that could help improve the competitive strength of SMEs are technical assistance with quality improvement and technology use, marketing advisory services and awareness building on issues affecting SME businesses.

2.2.5 Past research work on SMEs in Nigeria

Ikotun (2011) in his study on financing small and medium scale enterprises in Nigeria: interest rate implication evaluated the impact of government policy on various sources of finance available to SMEs. His study revealed that deregulation of interest rate made it difficult for the SMEs to secure loans due to high interest rate, short-term and the loan are small in amount which are usually not sufficient for meaningful investment. Another study by Ekpenyong (2009) examined the characteristics, problems and sources of finance to SMEs. The study revealed that much of initial financing for SMEs came from personal savings of the operators themselves and from informal financial institutions. The study further revealed that by their nature SMEs have

insufficient acess to formal financial institutions, and as a result, rely more and more on their own or friends and relatives' savings and on the informal financial institution for investment capital.

Aremu and Adeyemi(2011) in their study on SMEs as a survival strategy for employment generation in Nigeria revealed that the wide spread of SMEs in Nigeria have a multiplier effect on the rest of the economy that can enable them to be the engine of economic progress. It also noted that SMEs are the main driving force behind job creation, poverty reduction, wealth creation, income distribution and reduction in income disparities. The study further revealed that most of government interventions failed to create a much needed transformation due to poor coordination and monitoring and policy inconsistencies. His findings have revealed that most SMEs in Nigeria die within their first five years of existence, smaller percentages goes into extinction between the sixth and tenth year while only about five to ten percent of young companies survive, thrive and grow to maturity. Key among the factors responsible for the premature death include insufficient capital, lack of focus, inadequate market research, over-concentration on one or two market for finished products, lack of succession plan, inexperience, lack of proper book keeping, irregular power supply, infrastructural inadequacies, lack of proper records or lack of any at all, inability to separate business and family or personal finances, lack of business strategies, inability to distinguish between revenue and profit, inability to procure the right plant and machineries, inability to engage or employ the right caliber staff, cut-throat competition (Basil 2005).

Omobolanle (2009) in his study on problems of establishing small business enterprise in Nigeria also emphasized the problems above and stated that small business cannot thrive effectively except these problems are tackled. Adejuyigbe and Dahunsi(2010) also

surportedthese findings in their study on SMEs industrial development in Ondo state, Nigeria. Their study revealed that the successful development of SMEs in Ondo state have numerous profitability but the factors that prevent the state from achieving good industrial development must be addressed. These studies placed emphasis on the importance of SMEs, their problems and potentials.

CHAPTER THREE: STUDY AREA AND METHODOLOGY

3.1 STUDY AREA

3.1.1 Location

Kaduna metropolis is located between the coordinates of $10^{o}3'$ and 10^{0} 9' North of the equator and between longitude7^{0} 5' and $7^{0}28^{'}$ south of Greenwich meridian north of the equator and covers a land area of over 43,460 km^2 (Laah, 2003). Its natural sphere of influence covers approximately 122 km east to west and 80 – 96 km north to south (Lock, 1967) .This area cuts across four local government areas which are Kaduna North, Kadun South, Chikun and Igabi. (Figures 3.1 and 3.2).

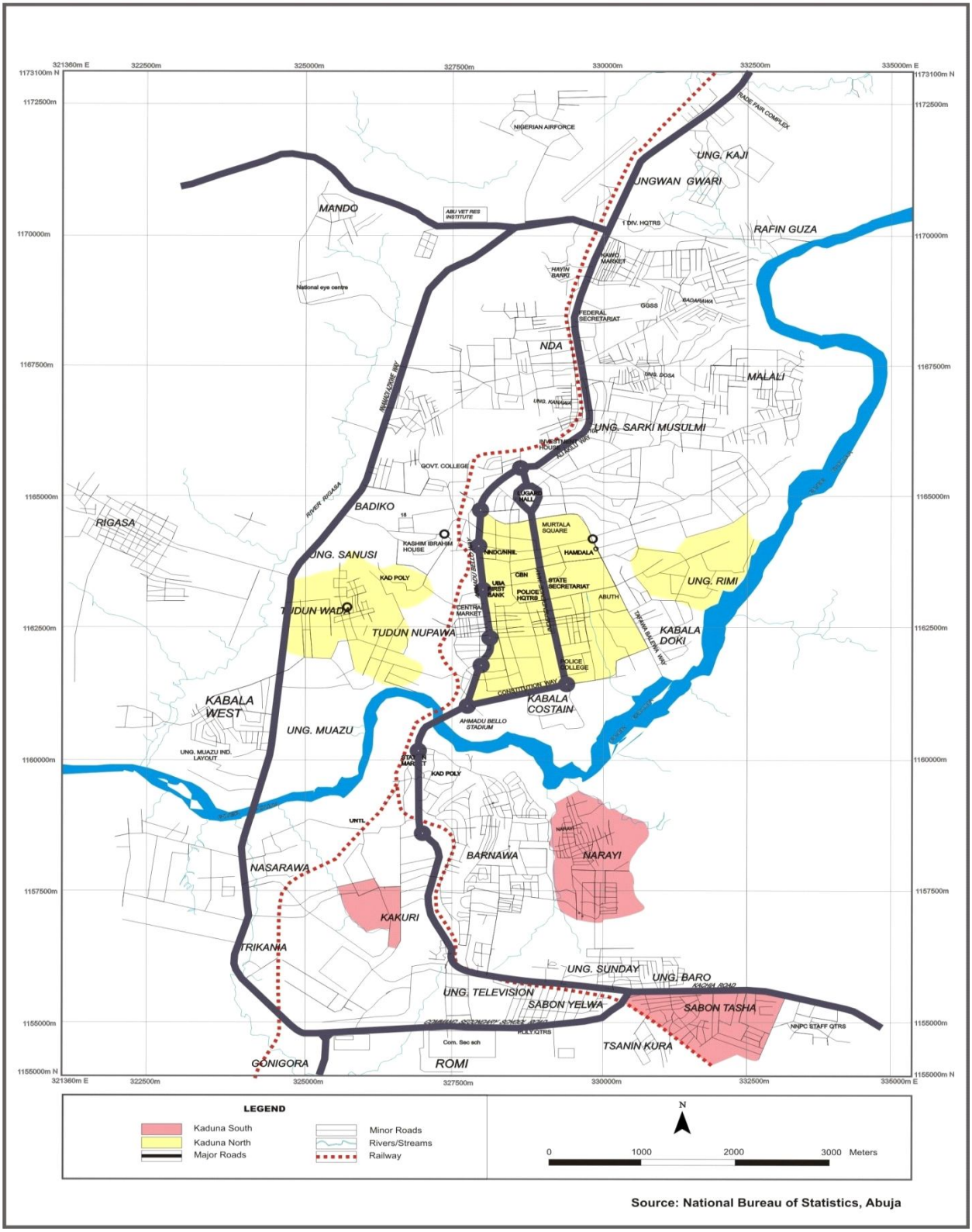


Fig.3.1. Kaduna Metropolis

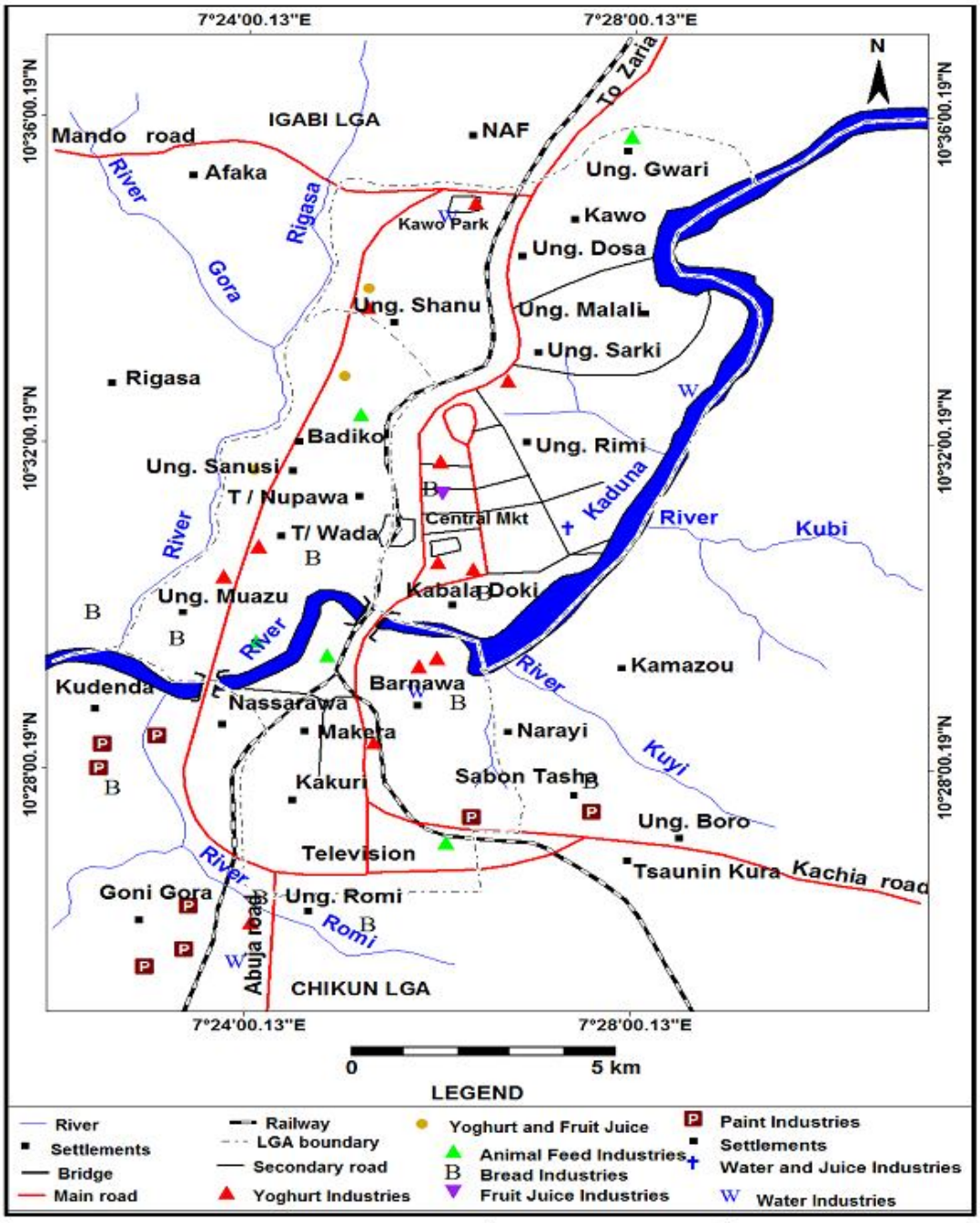


Fig. 3.2 Location of Selected SMEs in Kaduna Metropolis

Source: Derived from Kaduna street guide map. 2013

3.1.2 Geology and relief

Kaduna metropolis is located on the high plains of the Hausa land which predominantly consists of the Precambrian rocks of the Nigeria Basement Complex. These basement complex rocks consist of biotic gneisses, older granites, schist and quartzite in different composition (Barbour, 1982). The relief is a gently undulating plain that is about 600 meters above sea level a product of prolonged denudation of the Basement Complex rocks which underlie the area (Thorp, 1972).

3.1.3 Climate

The study area experiences typical continental climate with distinct seasonal regimes, oscillating between cool to hot dry and wet seasons (Adejuwon, 1998). These two seasons are the result of the tropical continental and equatorial maritime air masses, which blow over the entire country leading to a pronounced difference between the dry season and the rainy season. The variation in the on-set of the rainy season is attributed to the fluctuation of the boundary between these two air masses. The rainy season normally last for about 7months (April – October) with a peak in August and decline by September and October. The highest temperatures for Kaduna are recorded in April and the range is between 35^0 and 41^0C, the lowest temperatures are recorded in January and range between 7^0C and 13^0C, when the cold harmattan winds are fierce and dominate the region (Nizah, 2008).

3.1.4 Soils and Vegetation

The soil of the region where Kaduna metropolis is located is typical red-brown to red – yellow tropical ferruginous soils containing about 30-40percent clay at reasonable depth due to intensive leaching and eluviation from above. The soils in the upland areas are rich in red clay and sand but poor inorganic matters. However, soils within the fadama areas are richer in

kaolinitic clay and organic matters very heavy and poorly drained characteristics of vertisoils. Soils in the region have favoured the growth of many crops such as maize, sorghum, millet, yams, tomatoes and cotton (Lock, 1967).

The vegetation is basically that of northern guinea savannah grass land with scattered trees that have long taproots, develop thick barks, and shed their leaves to survive the dry season. The grasses have a durable root which springs up at the onset of the raining season.

3.1.5 Drainage

Kaduna metropolis is drained by river Kaduna which has it source at Kwal on the north central Jos plateau and it is a main northern tributary of River Niger. River Kaduna is the major source of domestic and industrial water supply to the metropolis. The flow of water in the river is perennial, with a high volume during the rainy season and a low volume during the dry season. Kaduna metropolis is not very rich in underground water. Generally, the topography of the environment is an undulating terrain of about 700 meters above sea level on an average (Nizah, 2008). Most shallow wells usually dry during the dry season when the water level falls drastically, this can be attributed to a shallow weathered regolith.

3.1.6 Historical Development of Kaduna Metropolis

Kaduna metropolis was founded in direct response to the administrative and economic initiatives of the colonial administration in 1917 on the river Kaduna by Lord Lugard as the administrative center of the Northern Protectorate (Ayeni 1982). The early growth of Kaduna town was owed much to the growth of the colonial economy. In 1927 it became a major rail junction and passenger change trains from Kano, Kaura Namoda, Port Harcourt and Lagos. It also became the regional headquarters of the Northern Nigeria in 1954, and has since then grown to be a major commercial, industrial and administrative center and a state capital.

At inception, Kaduna metropolis was made up of two parts; the north and the south. The north which was the European commercial –cum- administrative area was separated from the south by river Kaduna and a 450 wide open space, which in 1964 became the site of the Ahmadu Bello stadium. Today, the north retains its administrative function, educational, commercial and military institutions. The old European reservation has become the government reservation area. The southern part of Kaduna metropolis was also refer to as "African city" is laid out in a grid iron pattern, it was inhabited by lower class industrial workers. All the major main industries are located in the southern part (Ayeni, 1982).

3.1.7 Population Composition and Growth

The population of Kaduna metropolis has shown a steady increase since 1919. The city rose from only 3,000 in 1919 to 10,653in 1931, 44,540 in 1952, 150,000 in 1963 and 800, 000. The 1991 population census figures for Kaduna was 1,076,283 and consisted of Kaduna North, Kaduna South and part of Igabi and Chikun Local Government Areas (FGN 2009a). The most recent population census in 2006 figures for Kaduna Metropolis was 1,570,331 (FGN 2009b) with a population density of about 130person per square Km.

3.1.8 Agriculture

There are two forms of agriculture practices around the metropolis. The most common practice is the smallholder farming using simple technology. There are also a few large scale mechanized farms such as Niya Farms, Wusishi Farms and Sambawa Farms. Both practices are based on intensive agriculture using then same land year after year. In the dry season, large areas of the fadama region, especially along River Kaduna, are being used for valuable market garden for growing tomatoes, sweet pepper, okra, onion and sugarcane.

3.1.9 Industrial Activities

Kaduna metropolis is second only to Kano in the whole northern states in terms of industrial concentration (Ayeni, 1974). It is estimated that Kaduna has over 50 medium and large scale industries such as the textile mills, beer and soft drinks industry, pulp and paper, industries, metalwork, auto mobile plants, fertilizer and ceramics industries, flour mills etc. These industries were spread across the metropolis and included government owned and private owned industries. Over the years, many of these large scale manufacturing industries have closed down and majority of existing ones are producing below capacity (Femi 2009). Many small and medium scale manufacturing industries are springing up in the metropolis most of which are private and majority are consumers oriented product such as yogurt, fruits drinks, water, confectioneries etc.

There are also a lot of services oriented industries in the metropolis such as banking, insurance, entertainment, advertisement, education etc. These industries are a direct response to the rapid population growth of the metropolis.

3.1.10 Infrastructural Facilities

Kaduna metropolis is blessed with wide ranges of social infrastructures such as education, health care delivery, water supply, network of road connectively etc. The metropolis has a good network of road that has made all parts of the metropolis to be easily accessible. However, the qualities of these roads remain poor in some areas such as UngwanGwari, Sabo Tasha, UngwanRomi, Kudenden e.tc. The water supply network also extends to almost every parts of the metropolis but water supply is inadequate and in some areas it has ceased for over two years due to lack of proper town planning in such areas coupled with population growth and expansion. This has resulted in the construction of wells and boreholes in most part of the metropolis as an alternative to pipe borne water supply.

The metropolis is connected to National electrical power supply, however, the power supply is unstable and highly unreliable especially in the southern part of the metropolis. There is widespread of health care centers in the metropolis which are either privately owned or government owned although the private hospitals appears to be present in every part of the metropolis.

3.2 RESOURSE METHODS

3.2.1 Introduction

A reconnaissance survey of the study area was carried out in order to develop an inventory of all the SMEs in the metropolis. The researcher also conducted a market survey to identify the products in the market that are produced in Kaduna metropolis. Among the SMEs identified within the metropolis six different industries were selected based on their products and wider spread (Appendix I). Using random sampling three to seven establishments were selected from each category purposively based on their market coverage and location in order to have a good spatial coverage of the metropolis.

3.2 .2 Types of Data

The data required for the study include factors that encouraged the growth of selected SMEs, market coverage, sources of funding, source of energy, type of labour being used, constraints facing the SMEs, macroeconomic policies affecting the SMEs, infrastructure required to support the industries, entrepreneurial development need of managers of the industries and the sustainability strategies of the industries.

3.2.3 Sources of Data

Structured questionnaires were developed and used as interview schedules with the management and workers in selected SMEs in Kaduna metropolis. The interview covered six

different types of industries spread across the metropolis. Responses from the managers of the industries were not encouraging as most of them were not cooperative. This attitude was mostly from food and drinks industries that were not registered with NAFDAC.

3.2.4Methods of Data Analysis

The data collected from the interview were summarized using descriptive statistics to bring out the trend of responses to each of the issues of concern in the study. Charts and graphs are used to illustrate some of the key findings in the study.

CHAPTER FOUR: DATA PRESENTATION AND ANALYSIS OF DATA

4.1 INTRODUCTION

This chapter is concern with the analysis of data collected from the field on the sustainability of small and medium scale industries within Kaduna metropolis. The study identified the types of small scale industries in Kaduna metropolis, major constraint to effective development of these industries, factors necessary for their sustainability and government role that can enhance sustainability. The analysis of the results obtained are presented and discussed.

4.2 Types of industries sampled

A total of 36 industrial establishments were served with the survey questionnaire but only 25 completed and returned the questionnaire (Table 4.1). The food and drinks industry has the highest number of response and is more widely spread in the metropolis as compared to other industries. This is because the products of the food and drink industries are finished products ready for consumption. The high population concentration in Kaduna metropolis is suggestive of a high demand for these consumer products. The epileptic water supply condition in the metropolis as well as the poor doubtful quality of tap water in the metropolis contributed to the high demand for bottle water.

Table 4.1: Number of questionnaire given and number returned

Types of industry	No of questionnaire given	No of questionnaire returned	% of total returned
Bottle water	7	5	20
Yoghurt	7	5	20
Fruits juice	7	5	20
Bakery	6	3	12
Paint production	4	3	12
Poultry feeds	5	4	16
Total	36	25	100

Source: Field Work, 2010

4.3 Year of establishment

Table 4.2 shows the age distribution of the selected industries, 24% were established between 1997- 2000, 28% of the industries were established between 2001-2004 while, 48% were established between 2005- 2008. Going by the year of establishment it can be said that the industries are still within their youthful stage. The age distribution is also an indication that prior to the year 2000, small and medium scale industries were not very common in the metropolis due to over reliance on white color jobs. However with the high rate of unemployment coupled with high population growth in the metropolis there has being a great increase in the establishment of SMEs. High population growth has also increased the demand for consumer products thereby encouraging investors to go into manufacturing.

Table4.2: Year of establishment

Types of industry	Year of establishment		
	1997-2000	2001-2004	2005-2008
Water	1	1	3
Yoghurt	1	2	2
Fruits juice	1	1	3
Bakery	1	1	1
Paint production	1	1	2
Animal feeds	1	1	2
Total/%	5 (24%)	7 (28%)	12 (48%)

` Source: field work 2010.

4.4 Factors influencing the choice of location industry

Nearness to market is a major factor in the choice of location for most of the industries surveyed as 72% select their location based on nearness to market, 12% chose the location close to source of their raw materials while 16% of the respondents used the site affordable at the time of establishment (Table 4.3). Proximity to market and affordable site are key to the choice location of industries in the metropolis. About 86% of the industries sampled use water as a major raw material in their production which is readily available everywhere. Water is classified as ubiquitous and used with other raw materials in production. Therefore the best location for the industries is close to the market to minimize transport cost. This implies that such industries are market oriented. On the other hand animal feed industry located close to source of raw materials because the finished products are lighter in weight as compared to the raw materials, it makes economical sense to produce at the source of raw materials to minimize the cost of transferring finished product to the market.

Table 4.3: Factors influencing the location of the selected industries

Types of industry	Location factors		
	Nearness to market	Nearness to source of raw material	Only site affordable at the time of establishment
Water	4	0	1
Yoghurt	3	0	2
Fruits juice	4	0	1
Bakery	3	0	0
Paint production	3	0	0
Animal feeds	1	3	0
Total/%	18 (72%)	3 (12%)	4 (16%)

Source: Field Work, 2010

4.5 Sources of raw materials

Only 24% of the industries visited depend totally on local raw materials while the remaining 76% depends on local and imported raw material. Majority of them indicated that they depend more on the imported raw material which are often not readily available as compared with local raw materials that majority of the industrial establishment say are more easily available (Table 4.4).

One of the major problems of industrial development in Nigeria is the high rate of dependence on imported raw materials. This is also indicated in the present study. Fluctuations in the price of commodity in the world market and inadequate supply of imported raw materials have a tendency to adversely affect the sustainability of these industries has this will not allow long term planning.

Table 4.4 Sources of raw material

Types of industry	Source of raw materials		
	Local material only	Imported	Local and Imported
Water	0	0	5
Yoghurt	2	0	3
Fruits juice	0	0	5
Bakery	0	0	3
Paint production	0	0	3
Animal feeds	4	0	0
Total/%	6 (24%)	0 (0%)	19 (76%)

Source: Field Work, 2010

4.6 Sources of energy

The industries do not depend solely on one source power supply. Rather, they depend on both public electrical power supply and generators. However, only 12% of the industries depend more on public electrical power supply while 88% depends more on the use of generators (Table 4.5).

The large scale manufacturing industries also depend largely on generators for the supply of electric power. However due to their large scale production running cost can be effectively managed to ensure profit maximization while for the small and medium scale industries production is greatly affected by the increase in running cost from the use of generators.

This can further lead to increase in the production cost which will lead to high prices of their products. The high prices may lead to fall in demand for such products and consequently reduce profit thereby threatening their sustainability.

Table 4.5 Source of energy

Types of industry	Major Source of Energy	
	Generator	Electric power
Water	5	-
Yoghurt	5	-
Fruits juice	5	-
Bakery	3	-
Paint production	2	1
Animal feeds	2	2
Total/%	22 (88%)	3 (12%)

Source: Field work 2010

4.7 Categories of Employees By Skill In The Sampled SMEs

The sampled SMEs employed a total of 201 persons. Some of them are unskilled, semi skilled and technically skilled workers. However, 20% of the industries use more of technically skilled workers, 58% use semi skilled workers while 22% use unskilled workers (Table 4.6).

This indicates that the industries depends more on semi-skilled labour which can be attributed to it easy availability and cheapness. Most of the industries employ less of technically skilled workers as a means of reducing their running cost. However there is a need for these industries to employ more technically skilled workers, as it will help them to improve their product line and to also diversify. The employment of more semi and skilled workers is also an indication that these industries are labour intensive.

TABLE 4.6 Category of employees by skill in the sampled SMEs

Types of industry	Skill of employees.		
	Technically skilled	Semi skilled	Unskilled
Water	8	20	8
Yoghurt	10	25	10
Fruits juice	5	15	12
Bakery	8	20	5
Paint production	4	12	4
Animal feeds	4	25	5
Total/%	40 (20%)	117 (58%)	44 (22%)

Source: Field Work, 2010

4.8 How employees acquired their skills

The response from the industries showed that 24% of the industries employ technically skilled workers, 72% train their workers on the job while the remaining 4% send their workers on training (Table 4.7).This is an indication that majority of the industries are not investing in the upgrading of workers through staff training and re-training outside their establishments. This could be due to their low financial capability. To ensure the sustainability of the industries, it is important that these industries send their workers on training, to improve their efficiency and productivity. The industries also need to employ technically skilled and experienced workers.

Table 4.7 How employees acquired their skill

Types of industry	How employees acquire their skills		
	On the job training	Sent for training by the company	Acquired skill before been employed
Water	3	1	1
Yoghurt	4	0	1
Fruits juice	4	0	1
Bakery	2	0	1
Paint production	2	0	1
Animal feeds	3	0	1
Total/%	18 (72%)	1 (4%)	6 (24%)

Source: Field Work, 2010.

4.9 Sources of start-up capital

About 32% of respondents started operations with their personal savings, while a total of 68% combined their personal savings with assistance from friends and relations to get their start-up capital (Table 4.8). This could be an indication that at the point of establishing these industries they were not able to obtain bank loan or they did not have the necessary collateral to qualify for bank the loan. To ensure the sustainability of these industries it is importance that they attract bank loan for expansion and product diversification.

Table 4.8 Source of Start-up Capital

Types of industry	Source of capital			
	Personal savings only	Family and friend only	Regular bank loan	Personal saving and assistance from family and friends
Water	1	0	0	4
Yoghurt	2	0	0	3
Fruits juice	2	0	0	3
Bakery	1	0	0	2
Paint production	0	0	0	3
Animal feeds	2	0	0	2
Total/%	8 (32%)	0 (0%)	0 (0%)	17 (68%)

Source: Field Work, 2010.

4.10 Nature of expansion since inception

About 48% of the industries installed additional machineries, 4% increased output while 48% employed more workers (Table 4.9). Increase in output was most by the yogurt and fruit industries. Some of the fruit and yogurt industries also indicated that they have experience more than one form of expansion i.e. installed additional machinery, increased product output and employed more workers. This could be due to high demand and wider coverage of these products. The nature of expansion from these industries shows that the fruit drink and yogurt industries in particularhavea higher tendency of expansion, increase production and sustainability. The paint industries only employed additional workers without any other form of expansion to meet the growing demand for its production.

Table 4.9 Nature of expansion since inception

Types of industry	Nature Of Expansion			
	Installed additional machine	Expanded Factory Building	Increased Product Line	Employed More Worker
Water	2	0	0	3
Yoghurt	3	0	0	2
Fruits juice	2	0	1	2
Bakery	3	0	0	0
Paint production	0	0	0	3
Animal feeds	2	0	0	2
Total/%	12 (48%)	0 (0%)	1 (4%)	12 (48%)

Source: Field Work, 2010.

4.11 Source of capital for expansion

About 80% of the industries ploughed back their profit while 20% sourced loan from cooperative society (Table 4.10).Also 12% of the industries combined ploughing back profit, personal savings and cooperative society loan, 78% combined plough back profit and personal savings while only 10% combined personal savings with regular bank loan (fig 4.1). Responses from the industries show that they do not have adequate access to credit facilities which is very crucial for expansion and sustainability. Inadequate access to loan facilities is suggestive why most of the industries have not embarked on any major expansion since inception.

Table 4.10 Source of capital for expansion

Types of industry	Source of capital			
	Ploughing back profit into the business	Personal savings	Cooperative society loan	Regular bank loan
Water	3	0	2	0
Yoghurt	4	0	1	0
Fruits juice	4	0	1	0
Bakery	3	0	0	0
Paint production	3	0	0	0
Animal feeds	3	0	1	0
Total/%	20 (80%)	0 (0%)	5(20%)	0 (0%)

Source: Field Work, 2010.

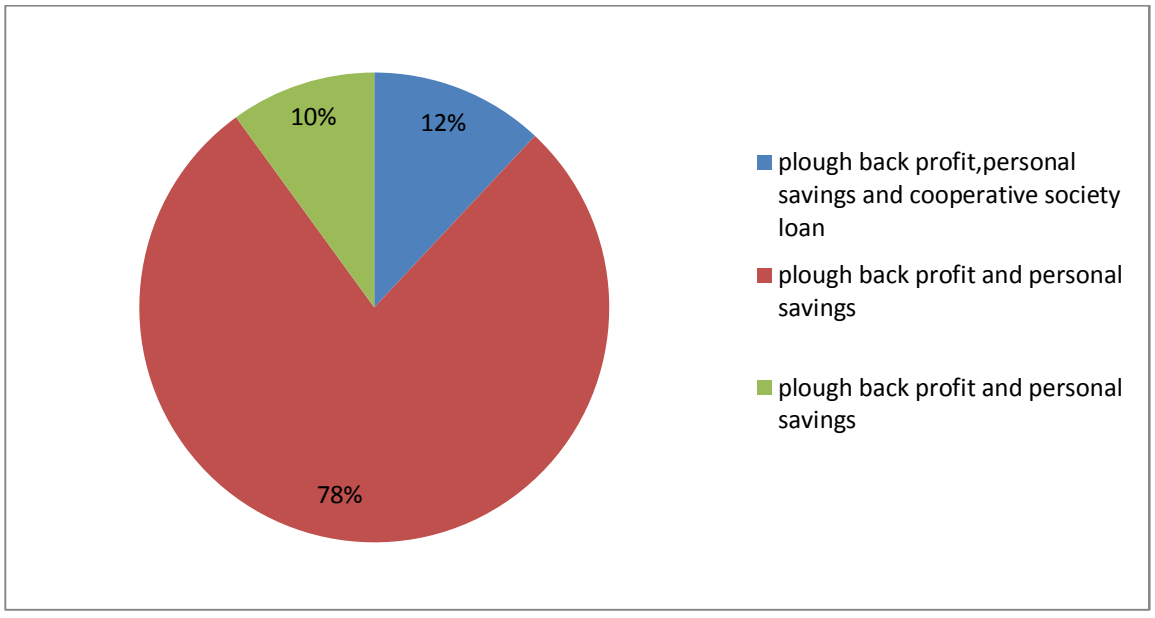


Fig. 4.1: Combined sources of capital for expansion

Source: Field work, 2010.

4.12 Attitude Towards Securing Bank Loan

The respondents indicated their interest in securing loan from the bank for expansion but they were not able to for two main reasons, namely, the high interest rates which banks charge and lack of the necessary collateral for securing of bank loans. Some 63% of the respondents complained of high interest rate while 36% complained of lack of collateral and only 1% claimed to be self sufficient. For these industries to be sustainable, it is very important that they should be able to obtain external credit which will help in the purchase of up-to-date machinery necessary for improvement of product and productivity.

4.13 Major constraints faced by the selected industries

About 52% of the respondent industries mainly those into water, yogurt, fruit juice, bakery and animal feeds production complained about inadequate electrical power supply where some 28% complained about inadequate access to affordable credit facilities while 20% complained about multiple taxation, a situation where the industries have to pay tax to the local, state and federal government (Table 4.11).

About 76% of the respondents' complained that they are affected by all the variables but placed more emphasis on the issue of inadequate electrical power supply and multiple taxation that has led to high cost of doing business. Very crucial to the sustainability of these industries is adequate power supply which will help to reduce the cost of doing business, as well as the removal of difficulties associated with securing bank loans.

Table 4.11 Single most severe constraint faced by the industries

Types of industry	Inadequate electrical power supply	Poor access to Credit	Multiple taxation
Water	2	2	1
Yoghurt	2	2	1
Fruits juice	3	2	0
Bakery	2	0	1
Paint production	1	1	1
Animal feeds	3	0	1
Total/%	13 (52%)	7 (28%)	5 (20%)

Source: Field Work, 2010.

4.14 Ways These Problems Can Be Solved

On multiple taxation, 20% of the respondents suggested unified tax collection system and tax reduction, 20% suggested adequate access to credit facilities while 60% suggested improvement in efficient electricity supply through up grading of the electrical power supply to ensure quality and uninterrupted power supply (Table 4.12). However most of the industries indicated that despite the importance of infrastructural development, adequate access to affordable credit facility is very important for their growth and expansion. This is an indication that these industries are aware of the importance of access to credit facility in expansion.

It therefore becomes very important that as the government is working towards the improvement of it infrastructural facilities, banks should play more active role through re-capitalization and setting up separate desks to manage fund for SMEs and vigorously canvassing the idea such as any other bank product. Mega banks can also provide the much needed funding for SMEs, this will mitigate the problem of weak asset-base and heavy collaterals. In addition the

macroeconomic environment should also be stabilized through proper fiscal and monetary policy coordination to reduce interest rates and stabilize prizes.

TABLE 4.12 Suggested ways of solving the problems of the industries

Types of industry	Suggested ways of solving the problems		
	Unified tax collection and tax reduction	Adequate access to credit	Efficient electricity supply
Water	1	1	3
Yoghurt	1	2	2
Fruits juice	0	1	4
Bakery	1	0	2
Paint production	1	1	1
Animal feeds	1	0	3
Total/%	5 (20%)	5 (20%)	15 (60%)

Source: Field Work, 2010.

4.15 Critical strategies of the selected industries for their long term sustainability

As regards the sustainability strategies, 6% of the respondents indicated staff training and re-training, while 12% aggressive marketing, 12% backward integration, 12% incorporating workers as shareholders in the industry, 18% diversification of product, 22% constant power supply and 18% lobbing for fewer and lower taxes (Fig 4.2) 60% of the respondent that suggested other factors apart from power supply still noted power supply is very critical for the long term sustainability of the industries

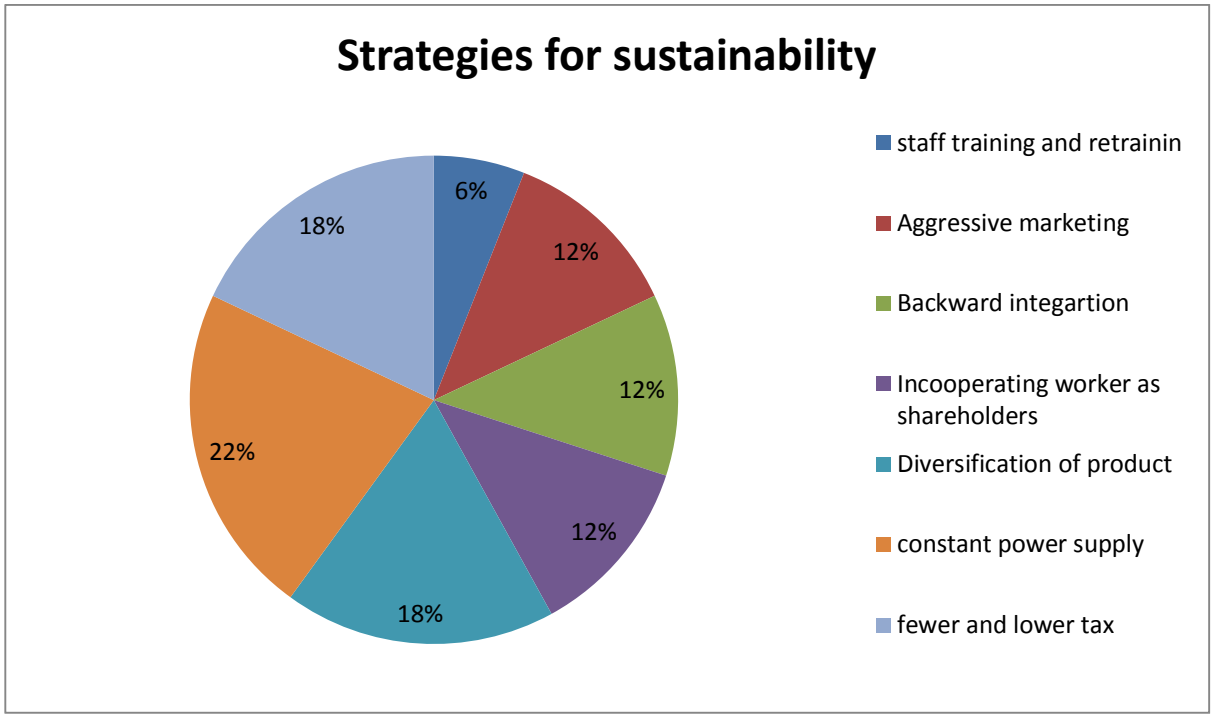


Fig. 4.2: Strategies for Sustainability

Source, Field work 2010

4.15.1 Staff training and re-training

On the issue of staff training only about 6% of the enterprises engage in it. The industries engage mostly on the training of their workers on the job. They are not committed to sending their workers for training outside their establishment due to the financial commitment required for such training and perhaps uncertainty of the workers staying in the industry after acquiring the training. It is very imperative for the industries to invest in staff training and re-training. This will help improve the efficiency of their workers and improve productivity.

4.15.2 Incorporating workers as shareholders

About 88% of the industries do not see the need to incorporate workers as shareholders in the company. The animal feed industries and the fruit juice industries showed a little interest in

incorporating workers as shareholders in the industry. This is however very crucial as workers will be more dedicated and faithful in the discharge of their duties when their investment is involved in the company.

4.15.3 Diversification of product

Most of the industries do not see a need to diversify their product they seems to be satisfied with their present production since little profit is still coming in. Some of the yogurt industries also engage in the production of fruit juice and some of the fruit juice industries engage in the production yogurt while some of them only engage in introducing different flavors as variety. The bakery industries engage in the improvement of their product and also increase their product verities to meet the need of the customers. Diversification is a very crucial factor in sustainability as this will help the industries to have multiple sources of income and they can survive and remain in business if any one of their product lines is suffering a setback.

4.15.5 Adequate power supply

Inadequate power supply has seriously led to the folding up of many large scale industries in the country and the small and medium scale enterprises are not left. The industries are putting in adequate efforts to solve the problem of in sufficient electricity through the use of generators. Despite this effort their sustainability is still threatened due to increase in production cost resulting from over reliance on generators. If sustainability is to be achieved regular power supply will go a long way in increasing productivity, reducing running cost and increasing profit which in turn can help industries to save more for expansion.

4.15.6 Management and accounting practice

Most of the industries except for the well established yogurt, water and fruit drink enterprises are weak in management and accounting practice. Perhaps this is because industries are privately

funded and owned and in most cases records of business and accounting books are not properly kept .This also contribute to financial indiscipline among the business owners which further makes them unattractive to secure external loan since the bank will require such information before granting loan. Sustainability of these industries is therefore greatly threatened since they cannot properly monitor their profit or loss margin.

4.15.7 Political peace

Political and religious crisis has become very prominent in Kaduna metropolis since 2000 and this has greatly affected business. These industries are putting in little effort to ensure the security of their properties through employment of security personnel that are not adequately equipped. Unfortunately this effort cannot properly handle the situation as security is more of a state rather than a private affair. In response to thischallenge proprietors are not ready to invest much in business expansion especially in the area of machineries. Political peace is therefore very crucial to the sustainability of any industry and in Kaduna metropolis.

4.15.8 Access to adequate raw materials

Some of the industries especially the yogurt industries are making effort to see if they can begin the production of their own raw materials but capital is still a big constraint, only two out of the seven yogurt industries have already began production of their own raw materials through the establishment farm where cows are reared. Animal feed industries still mostly source their raw material locally and produce some themselves using grains. Most of the fruit drink industries still depend to a large extent on imported raw materials which are not readily available locally. Most of the fruit drink industries visited admitted to high dependency on imported raw material which are not readily available and even when they are, they tend to be very expensive due to high foreign exchange rate.

4.15.9 Advertisement and promotion

The industries are not doing any major thing about advertisement and promotion of their product. Most of what they are doing centers on price reduction, selling at a discount and selling on credit depending on the prevailing situation. This is an indication that these industries are not investing very well on advertisements and promotion. This need to be improved upon if sustainability is to be achieved as advertisement and promotion will increase awareness of the products availability, increase demand and increase production.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 SUMMARY OF MAJOR FINDINGS

This research on the sustainability of emerging small and medium scale industries is an attempt to identify the prevailing conditions of these industries and the possibility that exist for their long term sustainability. The major findings of this study are summarized here.

There are quite a number of SMEs within Kaduna metropolis which includes water, fruit drink, yogurt, paint, chalk, furniture making, iron smelting, etc. The study however focused on the water, yogurt and fruit drink industry which have being on an increase since around 1997 and also has a wider coverage within the metropolis. The growth of SMEs within Kaduna metropolis is largely due to increasing rate of unemployment resulting from the closure of large scale industries and high population growth which provides large market for producers.

The study revealed that proximity to market is the major determinant in the location of the industries surveyed, closely linked to this is affordability of the site. This is an indication that these industries are putting in effort to reduce the cost of production which will in turn increase their profit.

Majority of the SMEs depends on imported raw materials and the fluctuation in foreign exchange does not allow for good and long term planning. The scarcity of raw materials is another major constraint to the sustainability of these industries. The issue of producing raw materials locally calls for urgent attention because the study revealed that majority of these industries are not making effort to produce their own raw materials they seem to be comfortable with importation.

The study also revealed that personal savings and loan from family and friends funded most of the establishment as access to affordable loan from bank is very low due to high collateral demand and interest rate.

The sustainability of these industries is tied to a good knowledge about the product and adequate knowledge on management skills. Many entrepreneurs rush into business without having good and adequate knowledge on management skills. Most of these industrialists enter into business with only the aim of making money; they have little or no knowledge about the business.

The industries are labour intensive such that most process that can be done mechanically is still manually done. Management position are not based on merit but usually occupied by the owner and relations in some cases. Couple with this is the low level at which these industries employed technically skilled workers to help in effective management of the industry. This situation is not good for sustainability.

The industries are not making serious effort towards expansion in terms of building and purchase of machineries due to riot and ethnic clashes that are common within the metropolis. The major common thing with these industries is their interest in increasing production so as to increase their profit. The SMEs rate low in the development of new production. Issues of product diversification are not taken seriously.

Public electrical supply is epileptic and is a major problem to the effectiveness of these industries. Inadequate access to affordable credit facilities, multiple taxation, insecurity of lives and properties due to religious and ethnic clashes and high cost of doing business are the major constrains faced by these industries.

The industries have resulted to the use of generator as alternative to public electrical supply which in turn led to an increase in the cost of doing business. On the aspect of funding, these industries rely mostly on plough back profit which is not sufficient for the sustainability of the industry. However there are a lot of factors necessary for sustainability which these industries are not doing anything about or putting into consideration. These factors include: staff training and re-training, incorporating workers as shareholders in the company, diversification of product, proper management and accounting practice, advertisement and promotion.

5.3 CONCLUSION

From the foregoing, the long term sustainability of the emerging small and medium scale industries in Kaduna metropolis is greatly threatened by poor financing, inadequate local raw materials, wrong attitude of entrepreneur, epileptic public power supply and social conflicts. Despite the huge potential that lies in stock for emerging SMEs in Kaduna metropolis, if adequate measures are not put in place they are likely to face the same fate as the large scale industries which are gradually becoming history in Kaduna metropolis.

5.4 RECOMMENDATIONS

A lot of potential exists in the small and medium scale sector which when effectively harnessed will help in changing the economy of Kaduna state and Nigeria as well. In the light of the findings of this research the following recommendation proffered for the purpose of enhancing the sustainability of SMEs within Kaduna metropolis.

i. The state and federal government should intensify effort to improve public power supply in the state. This will greatly help in reducing the cost of doing business and increase profit of the industries.

ii. The state or local government can organize seminar on capacity development for both technical and management and make it mandatory SMEs within its jurisdiction to attend. This will ensure high quality manpower that can manage and sustain the industries.

iii. Entrepreneurs should also be encouraged to go for training and re-training to ensure a wider knowledge about their business. This will help in ensuring that entrepreneurs have the right attitude that can help in improving their productivity and enhancing sustainability.

iv. The entrepreneurs will need to diversify their production through new product development to meet the demand of consumers. They can be done through market survey to find out consumers response to their products and likely suggestion for improvement.

v. Industrial research centers will play a huge role in this aspect through development of product varieties to meet the need of every age group in the society.

vi. Industrial research centers can also help in the development of appropriate inter media technology that can make production easier and cost effective. They should also organize seminars and workshop for workers to upgrade and update their skills.

vii. The state and local government should unify their tax collection, lower task and to also encourage emerging SMEs by giving them tax exemption for a number of years. Taxation should be more business friendly and less costly.

viii. Government and nongovernmental organization should provide fund for investment to stimulate the economy. They should also provide financial subventions and set up

economic commission that will oversee the activities and operation of SMEs in order to model and design them to be growth oriented.

ix. Licensing and other registration procedure should be simplified and implementations decentralize to locally accessible locations.

x. SMEs should be encouraged to embark on backward integration. This will reduce the rate of dependency on imported raw materials and also reduce the cost of doing business.There is a need to carry out research on how SMEs can develop their own raw material. This will involve laboratory analysis to ensure that they get the best result that can conveniently compete with imported products in the market.

xi. All three tiers of government, religious leaders, law enforcement agencies and community leaders should engage in dialogue and examine options that will solve the problem of incessant conflict in the metropolis. This will encourage investors to expand their business and source for external funding when they are sure of the security of their investment.

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APPENDIX I

Selected Small and Medium Scale Industries in Kaduna

S/No	Name of industry	Address of industry	Product(s)
1	Niyya foods and drinks company limited.	Kilometer 60 Abuja express way Kaduna, Kaduna state	Fruit drink, yoghurt and water
2	Masters Yoghurt	No 2a, close 4th avenue 401 road Federal housing estate. Goni Gora kaduna south, kaduna state	Yoghurt
s3	Mapo fast food and confectionary Nig . Ltd	Plot No p20c AliyuMakama road Barnawa, Kaduna North, Kaduna state	Fruit drink
4	Precious time fruit drink, BonchrissInd Ltd.	No Eq 15 Bida Road, Kaduna North, Kaduna state	Fruit drinks
5	Topson yogurt,	B 24 Yoruba Street, Kaduna North, Kaduna state	Yoghurt
6	Ansar sweetened yoghurt Nig Ltd	No 7 Bamako Road U/Rimi	Yoghurt
7	Tosco yoghurt	Ahmadu Bello way, Kaduna North, Kaduna State	Yoghurt
8	Jamil Nig. Ltd	Mg 24 130 BakinRuwa, NmmdiAzikiwe express bye-pass kaduna State	Yogurt
9	Baman yoghurt	Barnawa, Kaduna state	Yoghurt
10	Sharan yoghurt	Ali, Akilu road, Kaduna State	Yoghurt
11	God's Time food Nig. Ltd	2 Mohammed Ladan Road, Kakuri Industrial area,s opp. St. Gerad Hospital gate, Kaduna state	Yoghurt
12	Mabel yoghurt Nig Ltd.	No 1 Kagoro close by NnamdiAzikweexrpress Bye pass, kaduna	Yoghurt

13	Ranch sweetened yoghurt	BakinRuwa by NnamidiAzikiwe express bye-pass, Kaduna State	Yoghurt
14	Home fresh yoghurt Nig. Ltd	NamdiAziwke express by pass kaduna, kaduna state	Yoghurt
15	Iasabel investment Ltd.	NamdiAzikwe express bye pass BakinRuwa, kaduna , kaduna state	Yoghurt and Juice
16	Nico drinks company	Federal housing estate, Gonigorakaduna, kaduna state	Bottle water
17	KD water and drinks Limited	E1, Kawo light industrial Area off Nmadiazikiwe way by Mandow round about, kaduna, kaduna state	Bottle water
18	New foods and drinks company (Ltd)	E1 Kawo light industrial Area, kaduna	Yoghurt
19	C-way (Nig) Ltd	GiryDabe road Kaduna, kaduna state	Water and juice
20	Yerima water enterprises	22/24 Niamey street U/Rimi	Water
21	Virgin paint	Behind floor mill, Kudende Kaduna, Kaduna state	Paint
22	Linas chemical plc	AngwanYelwakaduna, Kaduna state	Paint
23	Gelox ventures maker of Gelox paint	Behind floor mill plckudenden Kaduna, Kaduna state	Paint
24	Covenant paint	Behind conoil filling station Goni-Gora Kaduna, kaduna state	Paint
25	Bolux paint	Kaduna, Kaduna state	Paint
27	Confidence paint	Kachia road, Sabon Tasha Kaduna, Kaduna state	Paint
28	Sunrise paint	Kaduna, kaduna state	Paint
29	Fine coat paint	Kaduna, Kaduna state	Paint

30	Kings paint	Kaduna, kaduna state	Paint
31	Bonit paint	Kaduna, Kaduna state	Paint
32	Iyeruokin bakery	AC 7 Fasjari road, AC6 Fasjari close, Tudunswada Kaduna, Kaduna state	Bread
33	Saba industry	SBX6 Saba close Kabala west, Kaduna, Kaduna state	Bread
34	Jovad (Nig) Ltd	AH91 Kastina road kaduna, Kaduna state	Bread
35	Debi Bakery and confectionary (Nig) Ltd	33/35 Kurmi Avenue Ja'afaru estate Kabala costain Kaduna, Kaduna state	Bread
36	Blessed Bakery and confectionary	B21 Banarwa Market Road Kaduna, Kaduna State	Bread
37	Just-up bakery and confectionary	No 47 Kunai street Sabon Tasha kaduna, Kaduna state	Bread
38	Up Right Bakery	Federal quarter off Igari road Trikaniakaduna, kaduna state	Bread
39	Stanfina Bread	No 15 Gora Street UngwarLusawa U/Romikaduna, Kaduna state	Bread
40	Sumfaco bread	L33 ZamboKinkin GRA behind Ruma petroleum U/mazu Kaduna, Kaduna State	Bread
41	Paladin bread	No 7 Abjua express way kaduna, kaduna state	Bread
42	North star feed LTD	Kabala west junction ,Kaduna, Kaduna state	Animal feed
43	Hi_ yield feed LTD	By station round about Kaduna, Kaduna state	Animal feed
44	Prime feeds (nig)LTD	No 10 Nors AYD Road	Animal feed

		UngwanGwariKawoKaduna,Kaduna State	
45	Novo feed	A7 old station road AbakpaKaduna,Kaduna state	Animal feed
46	Standard grains	Opposite television garage Kaduna, Kaduna state	Animal feed
47	Confidence table water	No. 1 confident close,offgwari road beside national water recourses. kaduna	Water

Source: Directory of Business Establishments in Kaduna, 2006 and, Personal field survey (2010).

APPENDIX II

Dear respondents,

The researcher is a post graduate student of geography department Ahmadu Bello University Zaria carrying out a study on the sustainability of emerging small and medium scale manufacturing industries in Kaduna metropolis.

I would be grateful if the questions contained in this form are answered with sincerity ,all responses will be treated as confidential. Thank you for your kind cooperation.

Yours sincerely

Patrick ,Bunmi Victoria INDUSTRIAL INFORMATION

1. Type of Industry_____

2. Year established_____

3. What influence the choice of this location for the industry?

- Nearness to market [ ]
- Nearness to source of raw material [ ]
- Availability of electric power supply [ ]
- Easy road transport [ ]
- The land belongs to the owner of the industry [ ]
- The only site affordable at the time of the industry was established [ ]

4. Name of product of your industry: _____

5. What is the source of your raw materials? [ ] Local [ ] Imported

a. Are they easily available?

b. if no, why ?

6. What is the source of energy in your industry?

Electrical power supply [ ] Solar energy [ ] Fire wood [ ] Generator [ ]

Others specify ----------

7. What informed your choice? ----------

8. Is this industry formally registered with the government? Yes [ ] No [ ].

9. If "yes" to question 12 indicate with which of the following it is registered with:

(a) Local Government [ ] (b) State government [ ]

(c) Federal Government [ ]

10. What is the number of employees in this industry? _____

11. How many are:

(a) Technically skilled _____

(b) Semi-skilled_____

(c) Unskilled _____

12. How did your employees acquire their skills?

(a) On the job training [ ]

(b) They were sent for training by the company [ ]

(c) They had acquired their skills before this industry employed them. [ ]

13. What type of labour do you require for the effective running of your industry?

Skilled [ ] Semi skilled [ ] Unskilled [ ]

14. What was the source of your start-up capital?

(a) Family [ ]

(b) Friends [ ]

(c) Personal savings [ ]

(d) Cooperative society loan [ ]

(e) Regular bank loan [ ]

(f) Microfinance bank loan [ ]

(f) A combination of sources (please specify) _____

15. Has any expansion taken place in this industry? Yes [ ] No [ ]

16. If yes to question 19, what was the nature of the expansion?

(a) Installed additional machinery to increase production [ ]

(b) Expanded the factory buildings [ ]

(c) Employed more workers [ ]

(d) Increased product lines [ ]

(e) A branch of the industry established in another location

(f)) A combination of actions [ ] (please specify)_____

17. In what year did the expansion take place? _____

18. What was the source of the capital use for the expansion?

(a) Family [ ]

(b) Friends [ ]

(c) Personal savings [ ]

(d) Cooperative society loan [ ]

(e) Regular bank loan [ ]

(f) Microfinance bank loan [ ]

(g) A combination of sources [ ] (please specify) _____

19. Do you intend to seek for additional loan in future? Yes [ ] No [ ]

20. If "no" to question 23, please explain why_____

_____

21. If there has been no expansion in this industry please explain why?_____

_____

22. Is your industry experiencing growth since inception?

Yes [ ] No [ ]

23. If "yes" to question 26, indicate, the factors that are responsible for the growth_____

24. If "no" to question 26, please explain why the industry is not growing._____

_____

25. Did the industry at any point in time since inception experience a decline?

Yes [ ] No [ ]

26. If "yes" to question 29, please explain why? _____

_____

27. What are the marketing strategies that have helped your industry to stay in business over the years?

a. Selling at the same price with other competitive industries [ ]

b. Price reduction [ ]

c. Selling at a discount [ ]

d. Selling on credit [ ]

d. Advertisement and promotions [ ]

e. A combination of strategies (please specify) _____

28. Explain survival strategies which this industry has adopted in the face of the current national and global economic crisis._____

_____

29. Which of the following strategies do you consider critical for the long term sustainability of this industry

- staff training and re-training [ ]
- aggressive marketing [ ]
- backward integration (i.e. producing own raw materials) [ ]
- incorporating workers as shareholders in the industry [ ]
- diversification of product [ ]
- targeting products to specific market segments [ ]
- lobbying government against product dumping in the country [ ]
- lobbying for fewer/lower taxes [ ]
- lobbying for lower energy tariffs[ ]
- Others specify ----------

30. What are the major challenges faced in this industry?

Inadequate electric power supply [ ]

High cost of doing business [ ]

Inadequate access to affordable credit facility [ ]

Poor infrastructures [ ]

Inappropriate government policies [ ] (specify) _____

Numerous taxes [ ]

High taxes [ ]

Others (specify)_____

31. Suggest ways these problems can be tackled._____

_____