FINANCIAL MANAGEMENT IN SMALL-SCALE ENGINEERING BASED BUSINESSES:

By

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July, 1998.

DECLARATION

I hereby declare that this Project being a partial requirement for the award of the Degree of Masters in Business Administration (M.B.A.) of Ahmadu Bello University, Zaria is a product of my finding.

All sources of information and collection therefore for the purpose of this write-up are clearly acknowledged by means of references.

ABUBAKAR BUBA MAUDE

(Name)

.....

(Signature)

July, 1998.

DEDICATION

This project is firstly dedicated to the Almighty Allah, for His enormous bounties and mercies, to me throughout my life.

And

To my late father and my late grandfather, Alhaji Abba and Alhaji Maude.

And

To my Wife and my Daughter, Dr. Aishatu Suleiman and Karimatu respectively.

ACKNOWLEDGEMENT

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ABSTRACT

Much focus is being given to small-Scale Businesses in recent times, due to an increasing role played by them in providing employment and economic gains in widely clown turned economies globally. Of particular interest are the achievements of the Asian Tiger Countries (S/Korea, Singapore, Malaysia, etc) which are woven around small-scale businesses.

It is widely believed that small-scale businesses' potentials and possibilities in contributing to economic development has not been fully tapped in Nigeria. Furthermore, it is also strongly believed that engineering based businesses in particular apart from contributing to economic development would also help launch the country into a science and technology based economy and hence into an industrialised country.

Management and financial practices have been however, poor in these small business organisations. Hence, this project is an effort towards assessing analysing, and proffering recommendations on such practices.

CERTIFICATION

This project report entitled "Financial Management in Small-scale Engineering based Businesses," A Case Study of Kaduna State" meets the regulation governing the award of the Degree of Masters of Business Administration of the Ahmadu Bello University, Zaria and is hereby approved for its contribution to knowledge and of literary presentation.

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CHAPTER ONE

THE RESEARCH SCHEME

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1.1 INTRODUCTION

Recent understanding of national, regional and global economies based on empirical and historical researches have led to the shift of business and developmental issues to regionalisation and small businesses.

These two, is widely believed would contribute immensely to the economic emancipation of mankind and in particular the Third World. The urge to regionalise economic development led to the formation of several regional economic blocks around the World, such as, the European Union *(EU)*, North America Trade Treaty *(NATT)* and here at home Economic Community of West African State *(ECOWAS)*. It is felt that regionalisation confers the benefit of larger markets, pooling of productive resources and economic comparative advantage in the production and distribution of goods. Regional organisations perform other functions too, like the interesting and successful ***ECOMOG*** which was based on ***ECOWAS*** as a peace keeping and an intervention force.

On the side of the small business, it is felt that as large corporations can neither absorb all employable persons, nor produce all goods, nor do they allow for flexibility and creativity in servicing consumers, small businesses must be given a chance. A large number of people with skills or trading abilities have for long been left unemployed. It is thought therefore, that if all employable and skilled persons can be mobilized to participate as entrepreneurs at whatever scale, or employees, the economy would be better off.

Such feeling have led to the focus by governments, *NGOs* and individuals on small-scale businesses. In Nigeria for example, the Government had encouraged small businesses by its special loans for small businesses, through commercial and development banks. The association of Small-Scale Industries *(NASSI)* was also

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formed. On the global scene, a movement has even started for tiny business loans for the poor based on the ideas of one Muhammad Yunus of Bangladesh who started the Gramean bank, which he intends to be a "bank for the poor", to start or improve their small businesses.

This Gramean bank has become a global emotion and even afforded the founder Muhammad Yunus attendance at the White House of the U.S.A. The movement hopes to give loans to 100 million people by the year 2000. The hope is to reach everybody desirous of it eventually.

Engineering business being either mostly skill and/or machine based span the large, medium to small spectrum of businesses. However, a large number fall in the small businesses category. Importantly, moreover, small engineering businesses are thought to have an even more important role in the economy than ordinary small businesses, as they form part of the fundamental base for the technological development of any nation. Some of them serve not only individual customers but also large national industries (Iron & Steel, Petrochemicals, Fertilisers, and so on). They act not only as businesses that can be started by enterprising technical personnel but also as employers of labour.

Furthermore, they also serve as training grounds for the continuous transfer of know-how and improvement, and as on-the-job apprenticeship centres.

It is however, pathetic that very little is known about small businesses in Nigeria generally and in particular the more technical ones such as the engineering ones, by way of study and documentation, despite their importance and value to individuals, the nation and the global economy.

It was in this regard that Dr. Michael A. Samuel's, the Executive Director, Centre for International Private Enterprise, Washington, D.C. U.S.A, said "... the need to understand the unique contribution of the entrepreneur. Such a person needs to be encouraged and given the skills that would supplement natural inclinations. Such people are different from large co-operations and corporate bureaucrats. They

are the spark that can ignite the economy. They personally assume risk, manage and produce goods or services themselves. Little is known about successful African entrepreneurs. They are often illiterate".

This project is intended to contribute to the knowledge and understanding of this entrepreneurs and their businesses.

1.2 BACKGROUND

Small-scale engineering businesses generally fall into two categories, either making products such as metal (Steel and Aluminum) doors, grinding machines, beds, welding machines or, providing services, such as TV and radio repairs, motor rewinding, automobile repairs, vulcanizing and so on.

Most of those businesses are small in nature with majority being owner-managed. The quality of services offered by these workshops is becoming increasingly important, as consumers are becoming increasingly sophisticated in tastes and concerned about quality. Further at one point or the other, every one must have experienced some anxiety about their household or industrial product which they have handed to one of these outfits for repairs.

The quality of products or services from any business is certainly dependent on the managerial capabilities of the owners and the operators, which in most small businesses is the same person or persons. Of fundamental importance in the general management of any business either big or small is financial management as it is fundamental in starting a business, operating and running a business and even in the possible continuity of a business.

Without proper financial management a business is most likely to incur losses, shrink in size and operations and eventually die off, because, the profitability, success or otherwise of any business organisation depends on how the finance function of the enterprise is carried out along with other functions.

Many technical personnel, such as engineers, technologist, technicians and craftsmen, tend to assume that for a successful running of their own businesses, all they need is their technical skills. On several occasions they have been proved wrong, only too late, when the head is off, after total bankruptcy or loss of customers.

This is what has informed the trend of such technical personnel in taking up managerial course at various levels. In fact generally speaking the lack of managerial know-how and financial management know how in particular must have been the cause of the death of several small-scale businesses.

1.3 STATEMENT OF RESEARCH

This project is set to research into financial management practices and problems of small engineering businesses. It intends in doing this to discover;

1. To what extent do owner-managers or managers of such businesses apply financial management techniques required in, formation, expansion, operations, controls and liquidation of their businesses?
2. What is the general level of financial management knowledge, acquired either on the job or in formal training institutions by these managers?
3. What have been the consequences if any, of lack of knowledge or application or both of financial management on these businesses?
4. And finally, what could be done to enhance financial management know-how and its application in these businesses, towards the overall improvement of these businesses and thus the economy in general?

1.4 . SIGNIFICANCE OF THE STUDY

The significance of the study derives from the significance of finance in any business as is often said, afterall "money is the common denominator in business".

The study is expected to contribute to the increasing knowledge on small-scale enterprises, which are becoming increasingly important

The Small-Scale engineering businesses are as earlier mentioned, possible outlets for the gainful employment of the teeming millions of the unemployed in Nigeria, apart from providing services and products.

The study is thus significant for its intent to scrutinise financial management in small-scale engineering businesses, with a view to providing some understanding of their financial workings and doings. This would not only thus provide some unknown knowledge but, also insight into how they can best be run and improved.

1.5 . SCOPE OF THE STUDY

As small-scale businesses are numerous in type, product, service and size it would be difficult to cover all in this study. Therefore, the scope of the study is limited to small-scale engineering businesses, mainly.

As the functions in a business are numerous, such as production management, marketing, personnel and general management, research and development, maintenance and so on, it would be difficult to cover all in one study. The study thus, mainly limited to financial management within the finance function of these organisations

1.6 LIMITATIONS OF THE STUDY

Various limitations and constraints were faced in the study, the more important of which are:-

1. Many of the respondents were reluctant to give information out. Most were technical men who were secretive, introverts and were more comfortable with the 'clangs of hammers', the 'tingles of pliers, screwdrivers and pinches' and 'the hum of machines' than any speech with humans, talkless of a nosy, student 'doing his MBA project'.

2. In many cases, the questions on the questionnaire had to be interpreted in Hausa and presented like an interview, as some of the respondents were either illiterate or could not understand the questions.
3. Sometimes, it became necessary to give a lecture on the topic and the eventual benefit of the project before any responses could be gotten. Many respondents indicated that they enjoyed the lecture and even requested for questionnaires for keeps.
4. Other limitations were those of time provided by respondents, many of whom felt they were too busy.
5. There was also the problem of costs involved in producing questionnaires and in transportation, which led to limited questionnaires and limited geographical coverage of the study area.

The most important limitation however, was that of reluctance to giving information, as many people in Nigeria are generally secretive about giving information due to a fear of unfair competition, trouble-makers, rumour-mongers and shoddy tax and government officials.

1.7 METHODOLOGY

The primary source of data for this study is the questionnaire method, whereby prepared questionnaires were administered to 30 respondents from among small-scale engineering business entrepreneurs, and information was sought from officials of organisations involved with policies, programmes, monitoring or training of small-scale engineering entrepreneurs or their employees.

The secondary source of information for this study were limited as not many books and documents are available on the topic, however, there are a number of more recent work on the topic as it is gaining increasing attention and importance to government. Some of such documents, books, journals, papers and related publications were consulted extensively.

It is pertinent to mention that most small-scale engineering businesses are workshop based and the entrepreneurs seem to be more concerned with their machines and tools than with records, making information difficult to get about these businesses.

1.8 DEFINITION OF TERMS

1. ***ENGINEERING:-***

   The act of planning, making of machines, roads, bridges and devices. It also involves operations, research, design and development of products, using applied science.

2. ***PRODUCTS:-***

   A set of tangible and intangible attributes including packaging, colour, price, manufacturer's prestige, retailer's services, which the buyer may accept as offering want-satisfaction. An item, a good, a service.

3. ***POLICY:-***

   A way of dealing with public problems that involves some form of concrete social action. Policies also referred to as programmes fail generally due to poor implementation, intergovernmental complexity, vague and unrealistic objectives.

4. ***TECHNOLOGY:-***

   The combination of various types indispensable to carrying out the necessary operations for transforming factors of production into products, the use of that knowledge or the provision of services (committee del Acuerdo de cartegena capules, Italy, 1979).of knowledge

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CHAPTER TWO

LITERATURE REVIEW

2.1. THE CONCEPTS OF BUSINESS AND INDUSTRY

It is generally accepted that a certain amount of goods and services are necessary for a man to live a good life. The nature of such goods, their quality, quantity, priority, production and so on have been studied in various dimensions and at various times.

The level of abundance or lack thereof of such goods and services have made various societies be termed developed or underdeveloped. It is considered that the indices of development are reflected in amenities such as electricity, water, housing, roads, hospitals, drainages and so on and the quality of life as freedom, security, harmony, speed of justice, good and abundant food and so on. The totality of the machinery of systems and functions for the production and distribution of these goods and services is referred to as economy.

In modern times, the economy of a country is generally divided into a public sector to connote the participation of government and the private sector, which refers to the role of individual persons and organizations in the economy. Government is believed to be interested in an economy in order to regulate and ensure equitability in distribution and social justice for all, though in the early 1900 from after the Russian revolution of the 1917 there was a situation where government took an absolute control of their economies referred to as communism. This system has however, collapsed due to its regimental nature which men are generally not totally in agreement to.

The private sector of an economy is propelled by individuals and organisations believed to be seeking for profit. The profit motive according to some scholars is the 'Eternal spring from which so much of the initiality of the free economy flows'[1] (pg.33). Even Adam Smith who is generally believed to be the father of modern

economic believes "That an economy functions best when it operates on the basis of the self-interest and competition",[2] (pg. 2) where self seeking businesses and individuals pursue their own interests without interference from government.

It thus follows that business refers to private concerns or establishments that serve the public through the production or distribution of goods or through the provision of services. There are basically three types of businesses. The production business in which goods are manufactured, the distribution business which involves selling goods to others and the services business in which assistance or need is provided to others but not a tangible good. Business is also defined as the commercial life of a nation. That is all economic activities, banking production distribution, transportation and so on. It is in this respect that an American president Calvin Colidge said 'the business of America is business'3. This is attested to by the fact that the American economy is the biggest, worth 7 trillion dollars and is said to be the first. Today business is recognised as the 'core' of modern society and as the major factor in the development of modern civilisation. Business has changed in form across the ages, it is however generally accepted that business works within the structure of some given system - whether it is capitalism, fascism or called mixed economy. The highest form of business in size and quality is however, recognised to have developed in the United States of America where capitalism is being practised. Capitalism is a situation in which private ownership operates in a free market environment for profit-making. Capitalism is solidly based on the profit-motive as capitalist societies believe profit apart from being the fundamental prime mover of individuals in business has the following five functions [1] (pg. 34).

1. Leads to savings - with which new jobs can be created and economic growth portended;
2. Helps keep stockholders investing in companies for their growth.
3. Help determine consumer preferences.
4. It is yardstick for productive efficiency.

5. Encourages people to take business risk.

No doubt the profit-motive has served a positive function and developed modern society from pre-business capitalist society, through petty capitalism, merchantilism, industrial capitalism, financial capitalism and national capitalism. Business organisations have developed from one-man owner-managed to large industrial enterprises. These big industrial enterprises, which developed within the last 150 years are sometimes so powerful due to their wealth and other resources they control that sometimes they even rival governments.

Large industrial enterprises find it easier to develop as they give financiers the sense of security, leading to availability of more funds for their operations. This industries cannot however, absorb all the available employable hands in a country and in many cases due to bureaucracy involved in their operations find it difficult to react speedily to certain situations. There are also some business activities better done by small industrial firms.

There is also a general fear that unless the growth of large industrial giant is controlled they might become monsters as one author has this to say about them. "but contingent to the emergence of modern organisation and its larger than lifetime calculus is the question of whether the large corporation will really serve society or whether society is being reconstructed to serve it."[3]. These and many other reasons have kept the small industries still in existence and governments the world over are strongly interested in the survival and proliferation of small industries for which they make policies and create programmes to foster positive environments for them.

In Nigeria like many colonised nations, the modern form of industry did not develop through a natural progression of societal development. Rather the colonies were turned initially into raw material sources for the colonising powers. So most colonised countries after freedom have had to almost from scratch develop their own industries.

At independence in 1960 Nigeria was primarily an agrarian country with 80% of her population engaged in agriculture. Also over 85% of Nigerian's foreign exchange earning came from the export of agricultural produce then. The managers of the economy however, realised the need to industrialise, so as to save the country from being just an industrial goods consumer-nation and also to increase the value of the produce rather than just exporting raw materials.

It is however, generally believed that the managers never had a concrete industrial development policy as:-

1. Financing of small and medium scale industries was left to chance.
2. The government was unable to decide whether it is primary to industrialization or it is just a catalyst
3. Government went into all confusion in products to manufacture, by manufacturing mainly consumer goods and import substitution.
4. There was a mountain of red tape in the obtaining of permits, licenses, forms, authorization, procedures and so on.

Several steps have been taken however, over the years since then to rectify this problems. However, the fact still remains that for numerous reasons, up to now the Nigerian nation cannot be said to be industrialised. Far from it, even the basic engineering industries such as Iron and Steel, Petrochemicals, machine tools are still grossly underdeveloped. The economy remains largely commerce based rather than industrial, Goods, capital and consumer are still largely being dumped on the populace, from milk, sugar, drinks, vegetables to vehicles, TVs, radios, medical equipment, textiles are largely imported, as if to belittle the capabilities and resources of Nigerians and Nigeria respectively. A look at Table 1 shows this glaringly, that up to 20 years after independence (1980), the percentage share of manufacturing in total GDP stagnated at about 5 percent. These were some of the factors that necessitated, the structural adjustment programme, which was commenced in 1989.

SHARE OF MANUFACTURING IN TOTAL GDP 1961 - 1991.

Year	*GDP*	*Manufacturing*	*per cent share in total GDP*
AV, 1961-65	2,569.0	142.8	5.56
AV, 1966-70	3,079.5	224.4	7.29
AV, 1971-75	9.184.8	551.5	5.57
AV, 1976-80	30,774.8	1,602.4	5.21
1981	56,602.20	6,110.00	10.80
1982	60,483.14	7,450.00	12.32
1983	63,293.40	6,323.00	9.99
1984	69,950.25	6,656.00	9.52
1985	78,775.84	8,427.00	10.70
1986	79,740.44	9,116.00	11.43
1987	79,280.00	7,660.00	9.66
1988	82,580.00	8,270.00	10.02
1989	83,500.00	6,800.00	8.14
1990	90,400.00	7,400.00	8.20
1991	94,400.00	7,800.00	8.26

SOURCE:- INDUSTRIALISATION IN NIGERIA: A Handbook by Federal Ministry of Industry, 1992.

Furthermore, a comparison of Nigeria's manufacturing share of GDP with other countries on Table 2 shows that Nigeria had the least growth from 5.0% to 8% , that is 3% within 20 years after independence, this performance is grossly poor and disheartening. Even in Africa Egypt had an 8% growth in share of GDP within the some period, while the highest growth was 21.1% by KOREA. This situation definitely called for action, which the government tried to address by encouraging small and medium scale industries.

Table 2.0: Shows the rates achieved by other newly industrialising countries in the same period.

MANUFACTURING SHARE OF GDP FOR SELECTED DEVELOPING COUNTRIES

Country	Manufacturing Share of GDP%		Gross Nat. Prod. GNP per Capita	Pop. 1979 (millions)
	1960	1979/80	US$ 1979	
Brazil	26	28	1.780	116.5
Egypt	20	28	480	38.9
Korea	10.8	31.9	1,480	37.8
Mexico	19.0	24.0	1,640	65.5
Philippines	20.0	26.0	600	46.7
Thailand	13.0	20.0	590	45.5
Turkey	13.0	21.0	1.330	44.2
Nigeria	5.0	8.0	670	82.6

SOURCE: Industrialization in Nigeria: A Handbook by Federal Ministry of Industry, 1992, (pg 30).

2.2. DEFINITION OF A SMALL-SCALE INDUSTRY

There is no one single accepted definition of what a small scale industry is. Small scale industries have been defined variously according to total investment worth, number of employees, number of owners, turnover or physical size. Some authors even say, there are as many definitions of small-scale industries as there are experts on the subject.

However, the Nigerian Industrial Policy discusses small-scale industries ***(SSIs)*** as those with a total investment of between ₦100,000 to ₦2 million, exclusive of land but including working capital. The Central bank of Nigeria credit and monetary guidelines, number 25 of 1991 describes small scale enterprises as those whose capital investment does not exceed ₦5 million (including land and working capital) or whose turnovers are not more than ₦25 million annually.[4]

The Companies and Allied Matters Decree (***CAMD***), number 1 of 1990 section 376 (2) defines a small scale enterprise as a company whose annual turnover

is not more than ₦2 million or whose assets value (net worth) is not more than ₦1 million. Robert W. Davenport a prominent expert on small-scale enterprises describes small-scale industries as "all manufacturing carried on in relatively small establishment [10]. While the small industries division of the Federal Ministry of Commerce and Industry define it as "any manufacturing, processing or service industry with a capital investment not exceeding ₦150,000.00 in machinery and equipment".

Because of rising costs of machineries and material, the Federal Government reviewed in its CBN guidelines, the scope of small-scale industries to cover all those whose capital investment is up to or less than ₦10 million.

Small-Scale industries have also been defined differently, in different countries. For example, the small businesses administration *(SBA)* of the United States of America defines them as those with 1 million to 15 million dollars of annual sales'[5] Whereas in Japan small-scale industries are defined as those having less than 10 million Yen in capital[5]. In Britain, they are referred to as "small concerns" and defined as private companies with net assets of less than 250,000 pounds. In India they are defined as manufacturing enterprises with a capital investment in machinery and equipment not exceeding 2 million rupees and in the case of ancillary small industries not exceeding 2.5 million rupees. With regards to number of employees, in Japan they are considered to be those with less than 300 employees[8], in Britain as those with not more than 200 employees. In Nigeria, the Industrial Research Unit University of Ife regards a small-scale industry as one employing fewer than fifty (50) full-time workers.

It is thus obvious from the foregoing review that the definition of a small-scale industry defers not only by the organisation, defining it for its own purpose but also from country to country. It certainly depends on the level of development of the country in question and the sector one has in mind.

With regards to finance, small-scale industries can also be distinguished from large ones in financial control. According to Fred Western and Eugene F. Brigham, the major financial characteristics of small-scale industry are as follows:-

1. Informal, direct, personal financial control of the firm
2. Provision of the necessary funds from personal savings or borrowed from friends.
3. Difficulty in obtaining loan from banks;
4. Working capital management being the overriding problem .
5. Liquidity becomes crucial with the problem of under-capitalisation.

For the purpose of this study, however, a small scale industry is considered to be one which possesses the following characteristics:-

1. Having a capital investment of up to or below 10 million, according to CBN
2. Having not more than 50 employees on full time basis
3. Having limited access to financial institutions for long term loan and inaccessible to sources of financing through the capital market; and
4. The nature of business operation being either agro-based or in manufacturing or service.

Terms like small businesses, small enterprises and small industry used in this study throughout all refer to small-scale industry. The owners of these industries are also variously referred to as small businessmen, small entrepreneurs, small concern owners, small proprietors and small industrialists. These refer to the businesses not to the physical size of the owners.

2.3 THE ROLE OF SMALL-SCALE INDUSTRIES IN AN ECONOMY

President Ibrahim Babangida in his 1989 budget speech broadcast to the nation, said, "Small-Scale Industries have vital role to play in achieving sustainable growth. Not only are they capable of generating more employment per unit of capital output, they provide the best chance of industrializing our rural areas". He further

said in his 1990 budget speech broadcast that "... one more challenge for the manufacturing sector is the need to encourage small scale manufacturers through forward and backward linkages".

For such statement to come from the apex point of power in the country indicates the importance of small-scale industries to the economy. Furthermore, as large-scale import-substitution industries were discovered to be exposed to external shocks due to continuous changes in the nation's foreign exchange rates and fortunes, it became the only strategy for the promoting of economic self-reliance and accelerated sustainable growth to focus on small and medium scale enterprises.

Small scale industries have both social and economic benefits to the economy among which are:-

1. Employment generation especially for people in rural areas, and hence control of rural-urban migration.
2. Transformation of economy from traditional to modern technology, necessary for the accelerated growth of the economy.
3. Stimulation of indigenous entrepreneurship. Which would serve as the drivers of the private sector, which is hoped would be the engine of the economy.
4. Greater utilisation of local raw materials, we were witnesses to use of locally produced wheat, sorghum, maize, wood for various products locally in recent times. That is resource content of manufacturing sector is increased through substitution of imported raw materials with local ones.
5. Industrial dispersal, through small-scale industries, industrialisation could be equitably distributed among regions, states and even local governments as every locality has something upon which such industries could be developed either agro-allied, mineral or service base. Industrial dispersal is also beneficial for even spread of investment and strategic security of the nation.

6. Mobilisation of local savings, which otherwise would remain dormant and out of productive use for the economy, because less is required in starting small-scale industries than the larger ones.
7. Provision of opportunity for training of managers and semi-skilled workers, for various sectors of the economy in particular through on-the-job training.
8. Enhancement of flexibility and diversification of production of goods and services.
9. Ability to operate profitably in every narrow markets with low purchasing power, as they integrate with and meet the needs of the grassroots (rural) communities in which they are situated.
10. Promotion of wider and more effective linkages among the different sectors of the economy and complement services rendered by big organisations and governments.
11. Preservation of cultural heritage, by planning production according to the needs of the society, the small-scale entrepreneur ensures preservation of the cultural heritage of that society. In many cases their products reflect the cultural background of the community they are situated, thus they are regarded as preservers of culture.

2.4. SMALL-SCALE ENGINEERING INDUSTRIES: Role and Importance

In his Essays in the Public Philosophy of Development, Dr. Pius Okigbo lamented, the technological problems of the nation, thus "it has been difficult to domesticate the technology of manufacturing without a local viable engineering industry as no room is provided for adaptations, innovations or imitations in the design and fabrication of industrial equipment"[15]

Obviously a key factor in the industrialisation of any country is its level of technology and the rate of development of technology, acquired or locally developed. The absence of a viable technology culture and growth leads to a

situation whereby "... the rest of the world moves ahead, raising productivity through innovation, while the cost to Nigeria of protecting industries with outmoded technologies will increase, if not stagnate industrial development "[16] (pg 301).

The technological backwardness of the country could be noted from the following:-

1. The production and consumption of Crude Steel, which is an indicator of the level of use and development of local manufacture of capital good was dismal in Nigeria up to 1993. Table 3 indicates a production of 0.2 million tonnes and a consumption of just 1.5 million tonnes, in a list of even emerging economies Nigeria has a per capita consumption of 16kg per capita compared to Brazil 62 kg/capita, Egypt 42kg/capita, Singapore 81kg/capita. This situation had to be addressed urgently if the nation is to ever industrialise. This led to the development of Nigeria's Iron and Steel Industry sector with ore production, billet production and mills at various parts of the country. Though much is still left to be desired in the iron/steel industry of the country.

Table 3: Production and Consumption of Crude Steel

Countries	Production (million Tonnes)	Consumption (million Tonnes)	Consumption per capita (Kgs)
Brazil	14.7	8.1	62
Egypt	0.9	2.0	42
China	40.0	52.5	56
Czechoslovakia	15.0	11.1	719
Japan	97.2	65.6	548
Nigeria	0.2	1.5	16
Singapore	0.3	2.1	812
USSR	152.5	156.2	576
USA	76.8	94.5	404

SOURCE: Industrialisation in Nigeria. A handbook by Federal Ministry of Industry and Trade.

2. Another indicator of the low technology level to ensure rapid industrial and development is the stock of Scientists, Engineers and Technicians who are the manpower required for such an industrialisation. By 1980 the country had 22,050 scientists and engineers and 111,700 technicians, according to the technology policy, the country would require 225,000 engineers and technologists by 2000 and 2.25 million technicians and craftsmen by the year 2000. Even by a generous extrapolation, it is difficult to see how the country could produce 200,000 engineers and technologists and 1.9 million craftsmen within 20 years. It is obvious that the task is enormous.
3. Due to the technological problems enumerated above, the structure of production had remained agricultural, with dismal performance in manufacturing as shown in Table 4.
4. This performance is associated with inadequate technical cadre of engineers, technologist, technicians and craftmen certainly necessary for the requirement for the industrialisation of a nation.

Table 4: Structure of Production: percentage distribution of GDP

Nigeria	Year	Agric.	Industry	(Manufac- only).	Services
	1965	53	19	(7)	29
	1976	23	50		27
	1980	20	42	(6)	38
	1983	26	34	(5)	40

SOURCE: Industrialisation in Nigeria: A Handbook by Federal Ministry of Industry and Trade, 1992.

The failure of the necessary technological development despite government policies have been attributed to:

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1. Lack of a technological culture and preparedness;
2. Absence of Technological capability

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3. Error of approaching development from above rather than from below and from within.

Recognising the role of technology in industrialisation and development of the economy and the lopsidedness in the world economy due to technological capability, the United Nations made a conscious attempt towards creating a "New International Scientific and Technological Order (***NISTO***)", the call was made in a conference for a New international Economic Order (***NIEO***) in Manila in May 197917. Consequently a conference on Science and Technology for Development (***UNCSTD***) was convened in August, 1979 in Vienna, to explore avenues of creating conditions and structures supportive of the effective utilisation of Science and Technology especially in the Least Developed Countries (***LDCs***).

The situation is quite serious, as the ***LDCs*** realised they have become dumping ground for equipment and machines and their industrialisation and development efforts were being forestalled by the need for machines and equipment which they cannot easily develop at competitive level, nor even maintain, several industries end up facing forced obsolescence and rapid machine and equipment replacement due to rapid technological development in equipment source countries (the West) as spare parts are soon out of reach a while after purchase of an equipment. Many such machines are used and discarded and not maintainable by the level of technical know-how available. Moreover, certain results are treated as secrets for future financial gains and strategic advantages particularly in the field of maintenance and servicing.

It is in the continuos sustenance and development of technical manpower, fostering of innovations and inventions thereby furthering the levels and frontier of locally available technology that the small-scale engineering industries find their greater role. These would be achieved through, on-the-job training, copying, inventions, innovations and sharing of ideas amidst industries, industrialists and their technical and scientific personnel. This is important as "... the productivity of capital,

labour and other resources is enhanced largely by a country's technological capability.."[17] (pg2)

To address the technological problems of Nigeria, the government has additionally changed the educational system to a 6-3-3-4 system, where introductory technology at crafts level is incorporated at secondary school level and an emphasis is placed on practical and applied skill that could make any school leaver employable and even self-employed, rather than just chasing white collar jobs.

2.5. SMALL-SCALE ENGINEERING INDUSTRIES: Classification

These class of industries are very vital for the sustenance of the economy, in particular the manufacturing industry[16] (pg 155). They provide services or transform steel and allied products into various products for both household and industrial uses. Major candidates of this sub-sector are:-

Metal Can Fabrication Steel Industry

Roofing Steel Industry

Pipes and Tubes.

Enamel Ware

Automotive Industries

Machine Tools Including Machining

Electrical/Electronics

Foundry and Forging

Structural Steel Products

Aluminum Products

Construction Materials and Block Industry

Mining and Quarrying

A large part of the output and services of these industries serve as inputs for others leading to consumer and mostly industrial products, which underscores their role in the economy.

2.6. PROBLEMS OF SMALL-SCALE INDUSTRIES IN NIGERIA

Despite the above mentioned positive role and importance of the small-scale Industries, they have their own problems among which are:-

1. High rate of failure, because of inadequate resources of finance and labour expertise, small-scale industries easily fail in particular during economic downturns.

In U.K the high failure rate of small businesses led the Government in 1931 to commission an inquiry, the outcome of which was the formation of the Industrial and Commercial Finance Corporation (***ICFC***) to give small long term loans of ₦650,000.00 - ₦3,900,000.00 to the small scale entrepreneurs. In 1945, the Finance Corporation for Industry (***FCI***) was formed and in 1973 (***FI***) finance for industry an umbrella organisation for ***ICFC*** and ***FCI*** was formed. The Government also gave other incentives such as;

(1) Reduced rate of corporation tax and vat,

(2) Underwriting of and subsidising of loan guarantee scheme,

(3) Over the counter market for small firms,

(4) Formation of small firm investment company.

In 1981, Government loan guarantee scheme was introduced and unlisted securities market was developed. Business expansion scheme for small businesses was also formed in 1983. [11]

All these were incentives and programmes by the U.K Government to reduce failure rate of small-scale businesses.

2. Sociological problems, influence of family and traditional values on the small-scale business which is more often than not owned or ruined by family members is tremendous, as capital and profit are eroded and good business practices impugned upon.

3. Poor accounting standards and record keeping which jeopardises their ability to acquire credit from financial institutions or to disburse it profitably.
4. Loan diversion for purposes other than those which it was granted which makes loan recovery tedious.
5. Restricted access to institutional credit facilities due to inability to provide adequate collateral.
6. Access to big markets not easy due to low promotional capabilities.
7. Per unit production cost high as they are not able to gain advantages of economies of scale.
8. Lack of adequate infrastructural facilities in the rural areas where small-scale industries are expected to be predominant, thus, creating handicaps in the running of the enterprises.

As could be seen from the foregoing, the problems of the small-scale industries are of two categories;

1. The inherent problems, which are there as a result of their smallness;
2. The environmental problems, in terms of the political, economic and technological environment (***PEST***) to enable their performance and success.

The first class of problems could be solved by:-

1. Self-help and mutual aid schemes, within and amongst the small-scale entrepreneurs, that is trade association, unions, etc.
2. Cooperatives, by forming cooperatives, the small-scale entrepreneurs could benefit from more loan considerations, supply economy of scale, cost and price controls and so on.
3. Businessmen's organisations, this could help in training promotional activities.

The other problems of environment require government intervention to solve.

2.7 GOVERNMENT POLICIES AND PROGRAMMES FOR SMALL-SCALE INDUSTRIES.

Associated with economic growth is tendency towards full employment in an economy, this can only come true through job creation. Therefore, the job creators have to be nurtured and encouraged. It was to this end that Dr. Michael A. Samuel's said "Policies and people, not resources are the major determinants to growth" and that "sustained rapid economic growth does not occur by accident, it is the logical result of a coherent set of policies designed to unleash the creative spirit and enterprise of people".[13]. He further concluded that " few if any, African countries have yet figured out what those policies are".

A look at tables 1 and 2 again would serve to remind one that development of industries in Nigeria had been slow and the pace quite discouraging. This is not to say, that the Nigerian Government has not done anything in this regard. Far from it, the problem had it roots in the Colonial policies of the Colonial masters of the country.

The Colonial period

Up to independence in 1960, the colonial masters never developed any industrial base or strategy for Nigeria. They only developed infrastructure that facilitated their transfer of raw materials to their home base in England. That is why at independence Nigeria's manufacturing share of GDP was only 5%. Even in their first World Bank recommended development plan of 1945 costing (457m, emphasis of the colonialists was on improved communication, transport and agriculture, which served their aims.

The 1960's: Industrial Indicators

Immediately after independence, the three regional governments of Nigeria, set about industrialisation of their regions, by establishing industrial estates, for example at Ikeja and Sabo in the Western region. Establishment of Development

Companies such as the New Nigerian Development Company, the ODUA Investments and also encourage local private investors.

At the centre, the Federal Government in the 1st National Development plan (1962-1968) set targets of raising industrial growth rate by 4%, with an investment of 25% of GDP annually, in the productive sector. Vital infrastructures for industralisation such as Kainji Dam and Ughelli Thermal Plants, first oil refinery, a Development bank and the Minting and Security Printing were all completed. Many import substitution industries sprang up, the first Industrial Development centres at Zaria, Owerri and Oshogbo were established. The Companies Decree 51 for registration of new limited liability manufacturing companies was promulgated in 1968.

To this end, the manufacturing value added grew at a compound rate of 10% per annum and manufacturing output grew by 12.20%.

The 1970's: Industrial indicators

These were the oil boom years. This decade witnessed momentous changes in the industrial sub-sector. Several industrial statutes to promote industralisation were promulgated as follows:-

1. Inspectorate Decree No. 53 of 1970 establishing the Industrial Inspectorate Division (IID).
2. Patents and Designs Decree No. 56 of 1970
3. Industrial Training Fund Decree 47 of 1971 establishing the ITF.
4. Nigerian Standard Organisation (NSO) current Standard Organisation of Nigeria (SON) Decree 56 of 1971 establishing the apex body for quality of goods.
5. Indigenisation Decree of 1972, which sought equity interest of Nigerians in economic activities especially in manufacturing.

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6. National Bank for Commerce and Industries (NBCI) Decree 22 of 1973 establishing the NBCI.
7. Nigerian enterprises Promotion Board Decree 3 of 1977 to transfer part or full ownership of economic activities to Nigerians depending on the sector. This is to give Nigerians controlling interests and greater share in the prosperity of the nation.
8. National office of industrial property Decree 70 of 1979.

During the last half of the 1970's, Government tried to develop a capital goods sector, by establishing additional motor vehicle plants, that is Lyland Ibadan, Anammco Enugu and Fiat/Steyr Bauchi, apart from the existing PAN at Kaduna and Volkswagen plants at Lagos.

The 1980's and beyond

During this decade management and industrial consultancy services developed, raw materials deletion programme was initiated, export of natural gas commenced, petrochemicals industry development commenced. Non-oil exports were actively promoted. However, fall in international oil prices of the early 1980s led to Structural Adjustment Programme.

In 1988, for the first time a well-articulated industrial policy of Nigeria was published. It spelt out policy objectives, strategies and measures. It provided comprehensive list of incentives to industry and operational guidelines to both Nigerian and foreign investors, equity structure approved for Nigerian enterprises, relevant laws and regulations for industrial enterprises and institutional framework of the Federal Ministry of Industries and Trade.

The Structural Adjustment Programme (***SAP***) instituted to address the structural imbalance of the economy in 1989 seemed to have awaken a hidden spirit on Nigerian entrepreneurs. They started looking inward for inputs, developing industrial machine and fabricating spare parts. New processes development and

perfected and indigenous technologies now feature prominently in many cottage and small-scale manufacturing enterprises.

The 1990's and Beyond

During this decades, the Government intends to consolidate on the gains of the Structural Adjustment Programme (SAP). The blessings of the SAP are counted as net reduction in public expenditure, stimulation of private sector investment, strengthening of infrastructure, environmental protection, stabilisation of population growth and reduction of unemployment.

New emphasis is being place on completion of viable ongoing and uncompleted viable projects in priority sectors.

Government had embarked on public service reforms, privatisation and commercialization of services and assets and rationalisation of public investment. Government had established fertilizer production company, machine tool industry, aluminum smelting and paper manufacturing plants. Further priorities are completion of Iron and Steel industries, expansion of industrial development centres for small-scale industries and the development of an industrial master plan.

A Raw Materials Research and Development Council, had been developed and specific attention is being paid to standards, quality assurance, testing and metrology. Industrial training for managerial and operative manpower is being enhanced through the activities of the ITF, which was established in 1971. One percent of total payroll or 1/2 percent of turnover is to be levied on employers, 60% of which is to be used for training manpower and consultancy services in industry.

More specifically, taking into cognisance the importance of small and medium enterprises in the economic and social life of Nigeria and their problems, the Federal Government through its various institutions has put in place institutional framework to create a more conducive environment within which the small and medium enterprises can operate.

These include:-

1. ***Establishment of Industrial Development Centres (IDC)***. The first IDC was established in Owerri in 1962 and later between 1970 and 1989, 18 others were established across the country. The IDCs are the major government policy and incentive outlets for small and medium scale industries. They are to introduce modern and efficient management techniques to small-scale entrepreneurs. They train, conduct research, provide consultation, install plants and service them and assist in bulk purchase of raw materials and in supervision of SSI credit scheme.

In relation to finance, they assist in financial counseling and credit arrangement appraise loan applications under SSI credit scheme, train in Book-keeping, Accounting and cost analysis and also conduct in plant studies for cost reduction and improvement of productivity.

The IDCs have their problems among which are transport personnel and financial constraints. To alleviate their finance problems, some IDCs have embarked on commercial ventures such as fabrication of tools.

2. ***The work for yourself programme (WFYP)***. Entrepreneurship Development Programme (EDP), this was initiated to develop entrepreneurial capabilities in particular to address the problems of the unemployed. Under the programme, 524 persons have been trained by 1989 around the country, and as part of the programme, they prepared a Bankable business plan and 434 of them were given provisional letter of intent, 216 received confirmed letters of intent and 36 had fund disbursement by NBCI. The programme has been judged unsuccessful as only 8.29% start-ups were recorded in the three year period (1986-1989). The problem was mainly due to need for certificates of occupancy (CFO) and other credentials. The entrepreneurship development programme serves similar functions as the WFYP.

3. ***SSI Credit scheme***: This was a joint credit scheme established by the Federal Government and the State Government starting from 1974. The main aim was to provide assistance for the improvement, expansion and modernisation of existing SSIs and the establishment of new ones. The scheme is considered unsuccessful due to low debt-recovery ratio and funds diversion.

4. ***Train the Trainers Programme***: This programme was initiated to train entrepreneurs and was supported by the Federal Government and World Bank and run under ITF, CMD and so on.

5. ***Local Government Zoning***: In pursuance of rapid industrial development strategy through small-scale industries, Local Government Areas in the country have been grouped into three zones.

Zone 1: Industrialised and economically developed local government areas.

Zone 2: Less industrialised and economically developed local government areas.

Zone 3: Least industrialised and economically developed local government areas.

This zoning is to facilitate government to make the country attractive to new investors through a package of incentives including:

1. Industrial layouts and estates with;
   (a) Rentable factories
   (b) Roads, water and low voltage reticulation
   (c) Undeveloped plots
   (d) Incubators centres (nurseries) with technical and management support services.

2. Local government craft villages.

Most industrial estate have remained undeveloped due to non-disbursement of budgeted funds.

6. ***The Role of the Central Bank***: The Central Bank regulated monetary and credit policies and affect the whole economy hence SSIs. But in particular, in 1980, the CBN directed that 16% of commercial Bank loans be allocated to SSIs. The directive is as shown below in table 5.

Category	Level of turnover		Bank Credit Allocation Percent
A	Up to ₦25,000.00		1.6
B	Over ₦25,000.00 -	₦50,000.00	1.6
C	₦50,000.00 -	₦100,000.00	3.2
D	₦100,000.00 -	₦200,000.00	4.0
E	₦200,000.00 -	₦500,000.00	5.6

Table 5: CBN Directives to Commercial Banks Loan to be allocated to SSIs.

SOURCE: Industrialisation in Nigeria: A Handbook by Federal Ministry of Industry and Trade, 1992.

Compliance with the guidelines was initially poor but improved with time as shown below:-

	1985	1986	1987	1988	1989
Aggregate loans and advances to all sectors ((m)	12,170.3	15,701.6	17,531.9	24,602.3	28,108.9
Aggregate loans And advances to SSIs ((m)	872.2	1,454.3	3,587.3	5,080.6	5,789.5
% allocation to SSIs	9.3	20.46	20.46	20.69	20.60

Table 6: Compliance with CBN guidelines on SSI loans by Banks.
SOURCE: Ibid.

The guidelines as at 1992 for SME loans was fixed to 20%. And a penalty directive was stipulated for all undisbursed amounts by defaulting Banks to be made available to the NBCI to use in lending to the sub-sector.

7. ***Role of the World Bank***: The Federal Government negotiated a loan assistance to SMES from the World Bank, which was obtained under SME- I whereby the World Bank granted $41m to finance SMES and disbursement was done through the NBCI. SME II - under this second scheme, $270m was planned for between 1989 and 1995. By 1991 only 7.8 % 0f the SME II loan had been disbursed. The performance was thus very poor, because the conditions in obtaining the facility was very tough and Banks were not willing to bear the risk that go with lending to SMES.

8. ***The Role of the NBCI***: This bank was established by decree 22 of 1973 with an objective to improve upon the low success of SSI credit scheme. Funds for

loans to SMES were channeled through the NBCI. In 1981-86 loans approved totaled N55.4 million and N48.5m was disbursed. The NBCI was also involved in the World Bank assisted programme for SMES for the $6 million for technical support. The NBCI also successfully disbursed the special federal government fund of $41m to SMES. Total NBCI disbursement by 1991 is ₦878.9m. The Bank has branches in almost all the state capitals (19). The total NBCI loan had 35.6% disbursed to food and beverages sector while 2nd largest was electric and electrical appliances accounting for 14.9%.

9.***The Role of NERFUND***: The National Economic Reconstruction Fund was established by government by decree 2 of 1989 to act as catalyst toward the stimulation of the rapid rise of manufacturing enterprises in Nigeria. It was mainly for manufacturing and agro-allied projects and was to provide long term loans to ***SMES*** through commercial and merchant banks. The projects are

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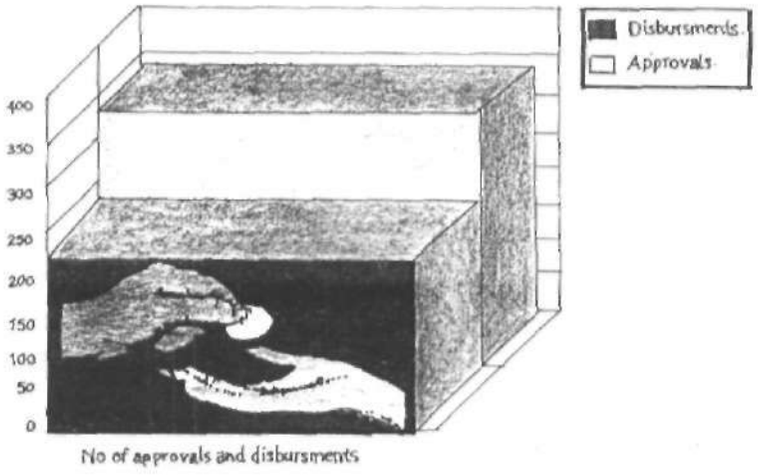
to be wholly owned by Nigerians, with 60% raw material and other inputs locally derived. Preference was given to projects in rural areas.

NERFUND though had about 100 participating banks, has not performed as expected. By 1992, total project approved was about 151 projects worth over N1.2 billion and disbursement was only 58.9% ($ 27m + ₦120.4m). Food and Beverages accounted for 36.9% and chemical for 16.3% [14]. Its highest approval was in 1994. The highest contributor to the loan was the ADB whose contribution came to #3.1 billion which represented 90.6% of funds between 1990-1994. The projects spread was grossly unequal with 30 projects in Lagos alone, while the next was 16 for Ogun State and Ondo, non for several others like Bauchi, Jigawa and Niger (see table 7). Kaduna State had only 2 projects. The various projects had generated about 20,000 jobs in 1994, with cumulative employment being about 79,000 in the periods 1990-1994. Graph I, shows the approvals and disbursement, Direct and Indirect Employment generated and sources of funds between 1990-1994. In Table 8, it would be noted that wood products and furniture, metallic products, equipment and machinery, construction materials, mining and quarrying which are engineering based industries form 25 of the 61 projects, which is over 40% showing the predominance and importance of the engineering SSIs.

10.***Role of State Development Finance Institutions (DFIs),*** these were setup by state governments to finance SMES, the funds were mainly to be provided by the state governments. They have problems however, of lack of funds, and high interest rates have hampered their middle-manship of funds from local capital market.

GRAPH 1

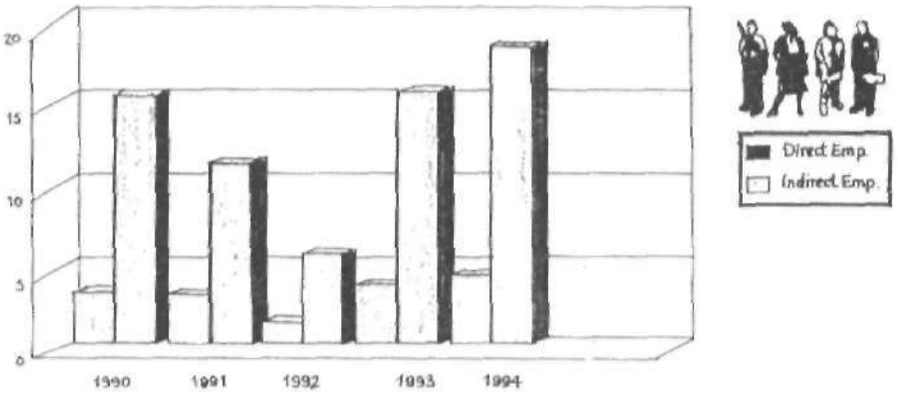
Approvals & Disbursments. (1990-1994)



No of approvals and disbursments

Direct And Indirect Employment Generated
1990—1994

Thousands



SOURCES OF FUND
1990—1994

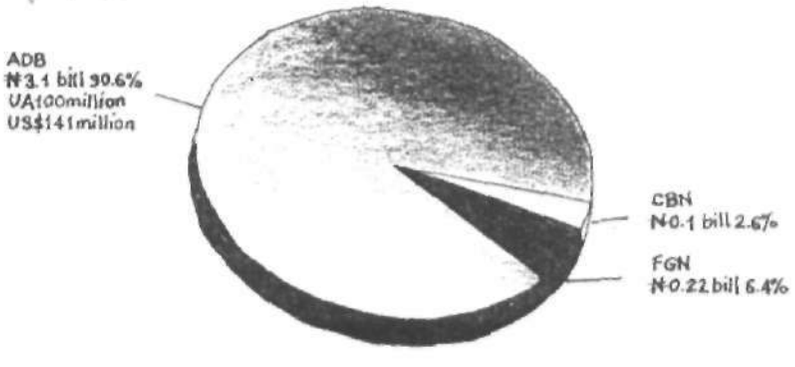


TABLE 7. **State distribution of Approvals and Amounts.**

(1989-1992)

S/NO.	STATE	TOTAL APPROVAL	AMOUNT APPROVED $FC	₦LC
1.	Abia	15	4,944,288.95	24,937,400.00
2.	Adamawa	1	-	4,200,000.00
3.	Akwa Ibom	4	2,169,765.00	9,198,800.00
4.	Anambra	15	6,059,153.89	17,605,708.00
5.	Bauchi	2	397,710.00	3,768,000.00
6.	Benue	3	1,247,311.17	14,395,000.00
7.	Borno	5	6,685,505.10	47,395,000.00
8.	Cross River	5	2,968,878.00	26,621,000.00
9.	Delta	8	3,671,730.00	16,350,000.00
10.	Edo	7	2,320,191.95	14,211,395.00
11.	Enugu	7	3,361,831.00	7,358,000.00
12.	Imo	5	2,531,305.00	10,963,000.00
13.	Jigawa	-	-	-
14.	Kaduna	5	1,970,057.54	11,751,145.00
15.	Kano	9	4,388,032.98	29,198,000.00
16.	Katsina	2	1,668,459.00	7,000,000.00
17.	Kebbi	-	-	-
18.	Kogi	-	-	-
19.	Kwara	4	415,296.00	7,821,000.00
20.	Lagos	30	12,377,137.02	64,762,780.00
21.	Niger	3	372,240.00	3,532,000.00
22.	Ogun	16	6,334,757.93	40,724,000.00
23.	Ondo	16	4,144,954.51	18,556,400.00
24.	Osun	1	-	5,413,000.00
25.	Oyo	5	704,480.00	6,788,860.00
26.	Plateau	4	1,232,460.00	26,796,000.00
27.	Rivers	3	486,602.21	5,364,000.00
28.	Sokoto	1	-	10,677,000.00
29.	Yobe	3	-	31,526,000.00
30.	Taraba	-	-	-
31.	Abuja	2	693,661.00	8,154,000.00

SOURCE: NERFUND ANNUAL REPORT AND ACCOUNTS, 1992.

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TABLE 8. **Sub-Sectoral Distribution of Disbursements (Local Currency) [1989-1992]**

		No. of Projects	No. of Banks	Amount
1.	Food, Beverages and Tobaco	35	22	95,126,334.34
2.	Textile & Garmenting	5	3	5,705,801.00
3.	Wood products & Furniture	6	6	9,202,833.70
4.	Chemical products	12	10	23,800,316.00
5.	Metallic Products, Equip & Machinery	2	2	6,977,692.62
6.	Rubber & Rubber Products	3	2	3,179,305.96
7.	Pharmaceuticals	2	2	1,233,033.00
8.	Industrial Support Services	3	3	11,219,065.53
9.	Leather Products	1	1	5,495,478.00
10.	Non metallic Products (Including Construction Materials)	1	1	946,204.01
11.	Mining & Quarrying	2	2	19,221,000.00

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	Sub-Sector	No of Projects	Value ($)
1.	Food, Beverages and Tobacco	20	11,121,272
2.	Textile & Garmenting	4	1,588,230
3.	Wood Products & Furniture	4	2,171,041
4.	Chemical Products	10	6,399.333
5.	Metallic Products, Equipt. & Machinery	3	2,615,097
6.	Rubber & Rubber Products	6	3,667,145
7.	Pharmaceuticals	2	524,950
8.	Industrial Support Services	3	458,016
9.	Leather Products	1	489,240
10.	Non-metallic Products (Including Construction Materials	4	1,337,196
11.	Mining & Quarrying	14	3,217,451
	Total	**16**	**33,588,971**

SOURCE: NERFUND ANNUAL REPORT AND ACCOUNTS, 1992.

11. ***Industrial Incentives***: To facilitate the growth and development of SSIs, government has put in place lots of industrial incentives among which are:-

(a) Pioneer Status: This provides income tax relief holiday under the income relief of 1958 to any industry which is export oriented, labour intensive, local raw materials based, provides on-the-job training and develops some infrastructural facilities. A 5 year holiday is provided and 7 years for those located in economically disadvantaged areas.

(b) Tax relief is provided for research and development;

(c) Tax free dividends allowed commencing effective from 1987;

(d) Trade and exchange rate advantages, whereby official exchange rate which is lower than the autonomous market is used for such industrialists;

(e) Companies income tax Act of 1979 reducing corporate tax to 40% from 1987 and modified capital allowances.

12. ***Institutional Framework for industrialisation***: To strengthen Industries Institutionally, SSIs inclusive, government set up the following:-

(a) Industrial Inspectorate Department (IID)

(b) Standard Organisation of Nigeria to arrest poor quality of local products.

(c) Policy Analysis Department (PAD) to assess effectiveness of policies;

(d) Industrial Development Co-ordination Committee IDCC introduced in June, 1986 as central agency for approval of foreign investment to save undue delays and problems.

(e) Investment information and promotion centre is to provide information on procedural matters and industrial incentives. It also advises and guides.

(f) Industrial Data Bank: A computerised data bank was also set

up to co-ordinate and collate all data relating to industrialisation generally.

(g) National Office for Technology Acquisition and Promotion ***(NOTAP)***, established by Decree 70 of 1979 to facilitate acquisition of technology in Nigeria, so as to ensure rapid industrialisation and development of local technology and exportation of local technology.

It is also to enhance registration of skills and expertise in the acquisition of technology. It also undertakes adaptive research, effective training and promotes maintenance culture in all aspects of technology.

(h) National Association of Small-Scale Industrialists (NASSI).

This Association was founded in 1978 with membership in all states of the federation and the Federal Capital Territory. It is among other things to facilitate exchange of ideas among members, liase with government, NGOs financial institutions, employment bodies and so on for the members on issues of loans, properties and other programmes. It is to promote business education through seminars, workshops, lectures, trade fairs, conferences, symposia, debate, dialogues and so on. Promote co-operation with other organisations within and abroad on SSIs.

NASSI receives support from national and international organisations such as NISER, UNDP, ILO, UNIDO, Fredrick -Albert Foundation and the British Council.

NASSI draws its membership from various sub-sectors including:-

1. Food processing
2. Agro-Allied, Chemicals and Paints.
3. Rubber and Plastics

4. Textile and Garments.
5. Paper conversion and Printing
6. Furniture and Woodworks
7. Leather, Hides and Skins
8. Cosmetics, Candles, Soaps and Detergents
9. Building Materials and Ceramics
10. Mechanical and Electrical Engineering
11. General Services (Auditing, Legal Services, Insurance)
12. Transport, General Management, and
13. Specialised Consultancy, Training and Education.

2.8 FINANCIAL MANAGEMENT DEFINED

P. Hurt in his book "Basic Business Finance" said and it stands true that "Probably no other functional area of business is so intimately interrelated with other areas of business as the finance function", and also "that the financial situation often is such that the current and future operations of the business must be shaped to fit the funds available, rather than the reserve"[8] This facts underscore the importance of financial management in any business small or big.

Irrespective of the size of the organisation, broadly considered, the finance function is much the same in its basic aspects in all businesses. A look at the chart below showing the finance function in business organisigon, makes us realise that whatever their size, or nature, there are financial considerations in virtually all concerns.

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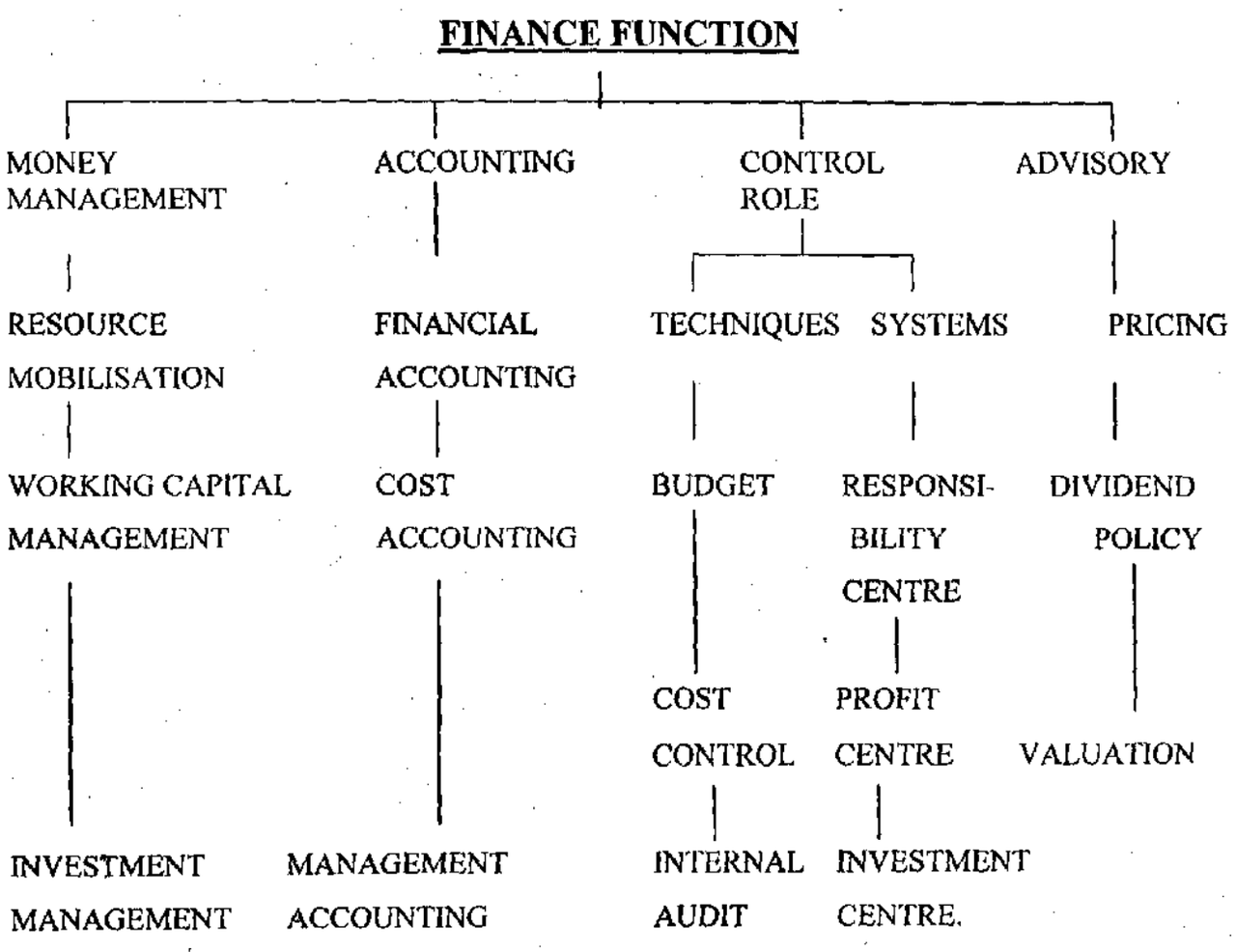


Fig.1:Diagrammatic Presentation of a finance function
SOURCE: Corporate financial Management ABC, Raj, page 12

Financial Management is defined differently by different expert one fundamental thing though as mentioned earlier, is that whatever, the case may be it always involves all or some of the above charted finance function ABC. Raj in his " Introduction to Corporate financial management" describe financial management as " Custodianship of corporate funds, record keeping and effective management, that is an ability to derives the best out of the monetary resources at the command of the enterprises.

This definition is very useful as it clearly indicates that optimal utilisation of monetary resources is not a matter of whims, but a must for any organisation willing to succeed. It is the monetary resource that will enable investment for now and the

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future, enable continuos innovation for survival, and the maximisation of the value of a firm is finally counted in its monetary value which is also to be determine between price and costs. It is paramount on every business manager or owner(s) to keep a match on the profits and liquidity of the business. For the existence of an adequate level of profitability is a reflection among other factors of the economic utilisation of resources. While liquidity here referring to the sourcing of capital and the allocation of resources is the only way to ensure fulfillment of the orgnisation's forward plan.

James E. Walter in "Portable MBA" defines and explains financial management as the allocation of limited company resources among competing fund uses to optimise the value of the firm. This scarce or limited resources is internally generated cash flow, supplemented by additions to working capital, dividends and share repurchases. The balancing item in any period is change in cash or debt position. The allocating device is cost of capital. Added to the above functions are also asset management. No doubt no orgnaisation is free of one form or the other of financial management from the foregoing.

The functions on the chart are all important, every organisation undertakes, all or some of it, they are explained thus:-

Resource Mobilisation: Deciding the question and sources to be used for raising the required capital to ensure that the cost of money to the company is kept at a minimum.

Working Capital: Current Asset - Current Liabilities.

The decision is of how much of each to hold and what are the costs and how they affect profitability and operational costs. (raw materials, wages, salaries, credit to buyers, etc).

Investment Management: Short term funds in a company are invested in working capital, long term funds in long term purposes as land, buildings, plant and

equipment. How are this long-term investments to be selected with regards to profitability and operational efficiency.

Financial Accounting: Preparation of balance sheet, profit and loss accounts;

Cost Accounting: Records and reports behaviour of costs in a company, e.g. behaviour of cost in manufacturing would be different from that in a job order engineering firm.

Management Accounting: Works with data from financial cost accounting to record and report relevant costs so as to help the top management in making important decisions regarding investments and pricing.

If a person is a qualified accountant, it does not necessarily follow that this person is qualified or competent in techniques and methods of effective money management within the firm. Money management requires in-depth knowledge and understanding of problems and issues in resource mobilisation involving capital, urgent and investment decisions. It also calls for a basic feel for money and a deep concern to get the best out of every single penny within the firm.

The Control Function: The financial Manager, may have to evolve and employ financial controls and control systems within the firm. A control technique ensures that corporate progress is according to plans. Techniques used are budgeting, cost control and internal audit. He evolves operating units as profit centre, cost centre, or investment centre for comparative analysis of effectiveness and efficiency of the performance of the various divisions or units.

The Advisory function: The modern financial manager is often required to advice operating executives on important operational and strategic matters. His advice is sought on important matters such as pricing, acquisition, expansion, diversification, dividend policy, etc. Special laws and legal formalities affecting the business such as companies and Allied matters Decree and so on.

2.8.1 ROLE OF FINANCIAL MANAGEMENT IN SMALL-SCALE ENGINEERING BUSINESS.

In small concerns, the head of he firm often assumes direct and virtually, sole responsibility for marketing, production, finance and other functions, but no where is financial management as important as in small concerns. This is because their finances are critical. The resources available, procuring more for working capital for expansion and so on is more difficult, and being small, they have small and unstable and fluctuating profits. They also have difficulty in accessing organised capital due to collateral problems.

C.C. Ekeigwe in his article "Good accounting and book-keeping for small business' mentioned the problems associated with poor working capital management within financial management of small firms thus as including "a run down in inventory, bad debts, deteriorating sales and in about three months to one year, insolvency practically sets in, often irreversibly"20. Often vital business information cannot be obtained as the owner-manager focuses only on cash takings. Thus in the absence of a good accounting system, those transactions that feed to the cash cycle fail to be monitored, such as inventory, credit sale and debtors accounts receivable. Because the working capital flow is circular, effects of inadequate control over these working capital elements eventually reflect on the cash taking.

C.C. Ekeigwe therefore recommended, the following accounting system attributes for small businesses.

1. It should be capable of complete and accurate capture of business transactions
2. It should completely and accurately record, analyse and summarise transactions.
3. It should post all transactions, strike account balances, and form the basis for drawing final accounts for management.

All these attributes should operate within the framework of the internal control system, and recording.

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He further recommended the following as the minimum number of books of account a small business should keep:-

1. Supplier's Invoice Register/Purchases Day Book
2. Sales Invoice Register/Sales Day Book.
3. Cash Book
4. General Ledger
5. Creditor's Ledger
6. Debtor's Ledger

He comments that good records system is useful for every organisation, small or big. Records provide historical information necessary for decision making and analysis. Good record keeping is a necessity for any business that wishes to succeed. Moreover, it is a known fact that money and capital market operators require record keeping as a pre-requisite, and also decision makers who manage with information are more efficient and effective than those who do not.

Another writer G.S. Nnadi in his article "Cash Management for Small-Scale Enterprises" explains on the cash management aspect of the financial management function in small-firms, that cash management should ensure that while there is cash always to meet the company's obligations, there must be no prospect of cash remaining idle as cash has its own costs. He also advised on internal control over cash as "cash is the most easily misappropriated asset of any company"[21].

The Financial Manager or Owner-Manager undertaking the finance function of such a small-scale company must understand and as a minimum be able to do the following:-

1. Understand that there are two sources of finance for his business in starting or in expanding as follows:-

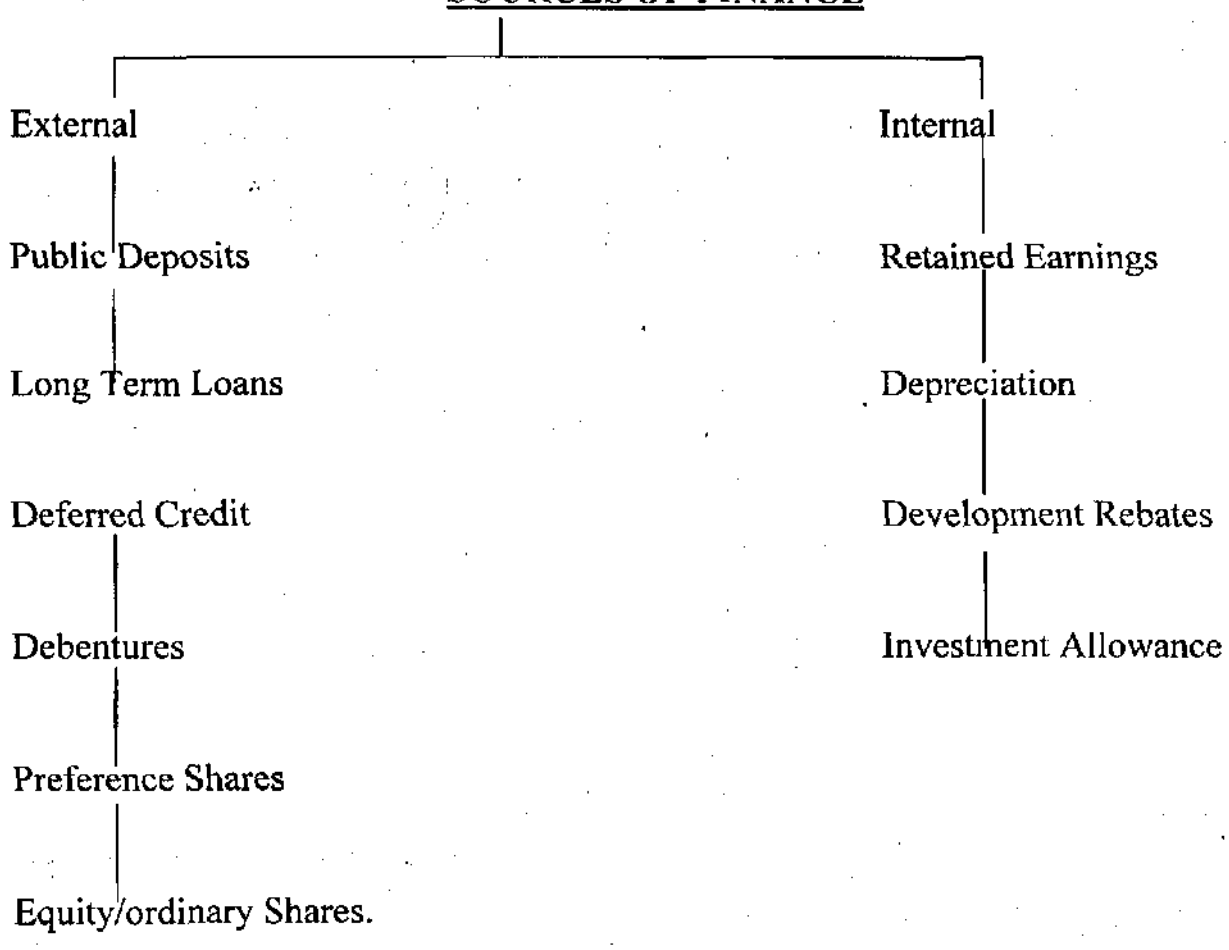


Figure 2: Sources of Finance.

He should also be able to access this facilities accordingly, though securing external finance is not easy for small-scale entrepreneurs.

2. He should be able to make a decision on the choice of financing based on the cost of capital and capital structure that would be optimal for his business, using either the book value or market price method.

3. He should be able to measure returns from his business using any one of the known methods.

a) Simple rate of Return

b) Payback period

c) Compound interest

d) Discounted cash flow

e) Internal Rate of return.

4. In preparing feasibility reports for financial organisations and so on towards acquiring funds or whatever.

He should be able to prepare his:

a) Economic analysis that discusses, essentiality of the product, takes care of business cycles, look at long term prospects and do the PEST analysis (Political, Economic, Social and Technological)

b) Commercial Analysis, to determine the demand;

c) Technical Analysis to determine the scale of project, economy of size to minimize cost of manufacture, choice of technology to avoid technology obsolescence.

d) Financial Viability looking at cost of capital and financial viability.

e) Organisational and Manpower Analysis, this looks at the organisational structure required and managerial capability.

f) Sensitivity Analysis, to determine risks and uncertainty.

g) Social cost-benefit Analysis how others would be affected and any positive or negative linkage effects.

5. He should be able to carry out the following analysis for control purpose:-

a) Analysis of working capital, that will look at components of profit and loss accounts as percentages of total income;

b) Fund flow analysis, that is a sources and uses of funds analysis.

c) Ratio analysis, that is liquidity ratios to determine the liquidity of the firm and solvency, operating efficiency ratios, and profitability ratios.

6. He should be able to formulate his budgets and also do some form of SWOT analysis (strength, weakness, opportunities and threat).

These are the minimum, the more he could do however, the better, for survival of a business especially in turbulent times requires all the skills available.

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2.9 REVIEW OF RELATED STUDIES

Several Studies have been made on industries, small and big from various points of view at the graduate level, a number are reviewed as follows:-

Anthony E. Ukason in his PGDPA studied Nigeria's Industrial Revolution under the topic "An Overview of Nigeria's Industrial Revolution: Strategy, Progress, Failure and Future Prospects, 1982/83 Session". He reviewed Nigeria's development policies from pre-colonial era through the development plans of 1962-68, 1970-74, 1975-80 and 1981-85. He identified the problems as "that investment environment indicates that the condition under which indigenous investors operate is far from being satisfactory". Other problems are technical manpower shortage, raw materials shortages, dependence on foreign equipment and importation, labour strikes and the erstwhile austerity measures of 1983 that led to retrenchment. There were also problems of infrastructures and bureaucracy.

He suggested government should put in place legal framework, policies and incentives to encourage industrialisation. Infrastructures should be developed and seminars, trade fairs, talks, lectures, workshops and so on should be organised for businessmen and industrialists. It is obvious now that since then government has done most of the above to facilitate industrialisation.

Usman Yabagi in his MBA Project of 1991 "Development and management of small-scale Enterprises in Nigeria: A Critical Analysis of the Challenges in the 1990s" found out that what is lacking is a comprehensive policy that would encompass all level of government (federal, states and local) financial institutions, organisations and all agencies handling small-scale enterprises. The policy should create/evolve an appropriate institutional mechanism for effective co-ordination of successful development of small-scale enterprises in Nigeria. Other things found out is the information gap between small-scale enterprises and organisation set up for their development.

He also found that finance is still one of the greatest obstacles to the development of small-scale enterprises, and that there is a need for an adaptable technology. Also, that the level of entrepreneurial and managerial initiatives and skills, is below expectation. Other problems include inadequate infrastructures and a lack of policy on patronage of small-scale enterprise products and lack of linkages and subcontracting.

ABBAS Aliyu Waziri in his MBA Project of 1985 under "Institutional financing of small-scale industries in Kaduna State" found out that lack of adequate finance is still one of the major problems of small-scale industries in Kaduna State. This is because their size and lack of collateral debars them from access to institutional finance. Other problems he found were poor managerial skills and know-how inadequate infrastructures and low level of technical innovation.

He however, concluded that there is a high prospect for small-scale industries in Kaduna state due to abundant supply of natural resources and incentives.

BABA Boyi Alhaji Mustapha in his MBA project of 1991 titled "Role of Borno investiment company in Reviving small-scale industries: A case of Borno Clay products Ltd, Maiduguri". Discovered the problems facing such small-scale industries among others to be, lack of spare parts, lack of working capital and lack of qualified personnel. He also found the problems of poor managerial practices and corruption and also inadequate financial controls and decumentation.

To a large extent, Governments, State and in particular the Federal one have recognised the presence of all the enumerated problems of the small-scale business and have been making concerted efforts to resolve them over the years. Though much still remains to be done.

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CHAPTER THREE

PHYSICAL, SOCIO-ECONOMIC AND TECHNICAL CHARACTERISTICS OF THE STUDY AREA: KADUNA STATE.

3. 1 INTRODUCTION

Kaduna State is presently one of the thirty-six states of the Nigerian Federation, one of the oldest states that started as North Central State since after regions were splitted into smaller states. The North Central State later had a boundary adjustment and was renamed Kaduna State in 1975 and in 1987 Katsina State was carved out, leaving Kaduna State as it presently is without much change even during the recent States creation of 1996.

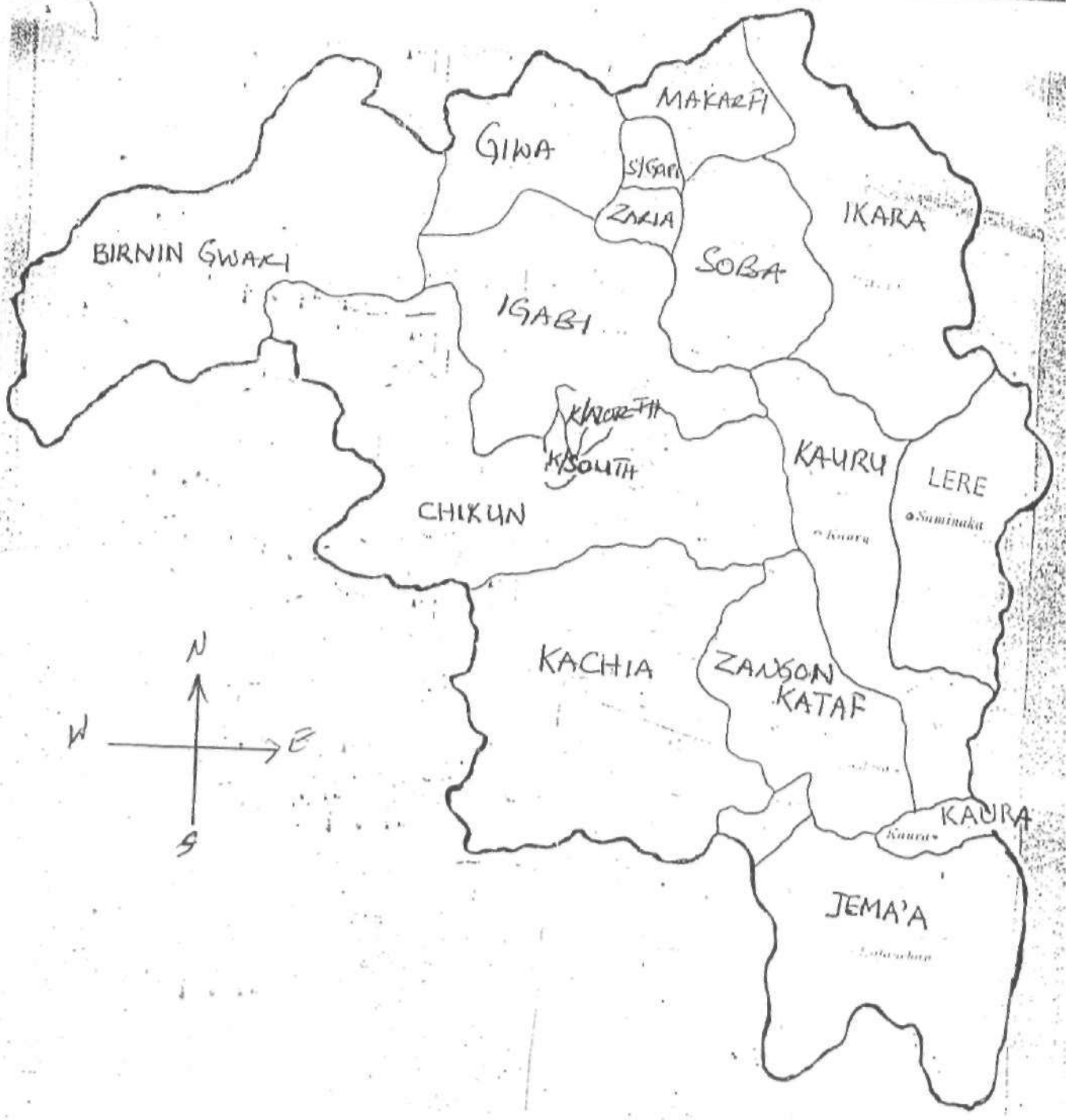
Kaduna Town the Capital of Kaduna State is a well established commercial and industrial centre. It is one of the most industralized towns of Nigeria, an advantage which it has, because it has been a seat of political power since the days of the regional governments. It was the headquarters of the Northern colonial government, the capital of the former Northern Region and is infact regarded as the incubator of Northern Nigeria. It is popularly remarked that when "Kaduna sneezes, the nation catches cold" to underscore the importance of this town.

Kaduna State as a whole is blessed with a lot in terms of population, minerals, infrastructures, land, adequate rainfall and an existing large, medium and small-scale industries already, but there is still a lot of room for more

3.2 LOCATION AND PHYSIOGRAPHIC CHARACTERISTICS OF KADUNA STATE

Kaduna State is centrally located in the Northern part of Nigeria and lies between latitudes 090 02' N 110 32'N and between longitudes 060 15'E and 080

ADMINISTRATIVE MAP OF KADUNA STATE



50'E. The State occupies 45,690 square kilometers and has an undulating plateau structure with some hills in Kachia and Jema'a Local Government Areas.

Major rivers in the state include River Kaduna, River Wonderful, River Kagoma and River Gurara. River Kaduna one of the major rivers in Nigeria links with River Niger and offers hydropower potentials along its course. The vegetation of the state is tropical Savannah in the south gradually changing till it becomes scrubland in the North. The state mainly two climatic seasons, the dry and raining season. The wet season is for about 5 months (April – October) while the raining season is for the rest 6 to 7 months. Rainfall in the south is 50" for example in Kafanchan and about 40" in the North like in Zaria. The State is bounded by Sokoto, katsina, Kano, Bauchi Plateau, Niger and the Federal Territory.

The above conditions make the state favourable for work and all forms of economic pursuits.

3.3 SOCIAL CHARACTERISTICS. ETHHNIC COMPOSITION AND SETTLEMENT PATTERN

Kaduna State has a population of 3,969, 252 persons as per the 1991 census and a population density of 700 persons/square kilometers. The State has 18 local government with 57 districts. The State is a melting pot where all tribes of Nigeria and even foreigners converge for businesses and also to seek for knowledge in the renowned higher institutions of learning such as the Ahmadu Bello University, Zaria, the Federal Polytechnic, Kaduna, the Nigerian Defence Academy and the Command and Staff College, Jaji. There is a large attraction of various tribes and foreigners from neighbouring States and countries also to Zaria town in search of Islamic knowledge.

English and Hausa Language are widely spoken across the state, while the main ethnic groups of the state are Hausa, Fulani, Gbagyi, Bajju, Kadara and Jaba. There is a very widespread settlement of the major ethnic groups from all over

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Nigeria, but the largest number are in Kaduna due to its industrial, commercial and political importance, followed by Zaria, then Kafanchan then others. It is however pertinent to mention that there is hardly any part of the state where there are no non-indigenes settling for business and commerce.

3.4 ECONOMIC CHARACTERISTICS:-

The level of economic activities in Kaduna State is quite high. Eighty percent of the populations are engaged in farming food and cash crops. There is a high level of irrigation and animal rearing in the State. A conservative estimate shows that there are over 1.5million sheep and goats, 350,000 cattle, 40,000 pigs and 1 million poultry in the state. The State is one of the leading producers of groundnut and Cotton in the whole country. Other cash crops being produced on a large scale are ginger, soyabeans and sheanuts. There is an extensive forestry resources producing timber and firewood.

Though there are locations of industries here and there such as the Tomato processing plant in Ikara, the Ginger Processing plant at Kachia, a majority of industirs, small, medium, big, state, federally or privately owned are concentrated in Zaria and mostly in Kaduna. These include various texrile industries such as Zaria Tarpaulin Industry, Haco Textiles, Super Textile, Kaduna Textiles, United Nigeria Textiles (UNTL) and so on. Others are Peugeot Authomoble of Nigeria (PAN), Kaduna Refineries and petrochemical Co (KRPC), ARMECO, Aluminium Company (ALUMACO), Dagazau carpets, Nigerian Bottling Company, Electricity Metering Company and Nigerian Tobacco Company (NTC), Kaduna Furnitures Company (KFC) and several others. The extent of economic activities in commerce, medium sale industries and large-scale industries require support in a complementary and supplementary way by small scale industries.

The state has commercial reserves of several minerals such as, Molybdenite, Kaolin, Columbite, Aquamarine, Sapphilres, Gold, Graphite, Kyanite, Clay,

Serpentinite, Asbestos, Amfthyst, Talic, Nica, some of which have been exploited while some have not.

The level of opportunities provided by the above resources and conditions have led to establishment of various small-scale industries in various areas such as:-

1. Printing/Book binding.
2. Leather works.
3. Carpentry and joinery.
4. Garment making.
5. Shoe making and repairs
6. Radio and TV repairs.
7. Vulcanizing.
8. Photography.
9. Automobile repair workshop.
10. Dry cleaning and laundry.
11. Welding/metal works.
12. Tinkering.
13. Fish processing frozen fish, smoked fish and camel fish
14. Starch factory.
15. Black smiting.
16. Upholstery.
17. Refrigerator/Air-conditioner. Repairs.
18. Weaving.
19. Hair dressing.
20. Chalk factory.
21. Zip and buttons.
22. Polythene bags.
23. Square mesh for under beds.
24. Paper clips

25. Office staplers

26. Bolts and Nuts.

27. Aluminum doors, window, frames and inks

28. Sanitary pads.

29. Toilet paper and table napkins

30. Exercise Books.

31. Tooth picks.

32. Can making.

33. Crown cap making.

34. Men dresses.

35. Carbon paper.

36. Soap making.

37. Candle making.

38. Pomade.

39. Shoe polish.

40. Barbed wire.

41. Absorbent cotton.

42. Wire nails.

43. Coil springs.

44. Block making concrete poles and concretes rings.

It would be seen that the list is in-exhaustive and that a large number of the above are engineering based.

3.5 FINANCIAL INSTITUTIONS:-

The bedrock of commercial and industrial growth any where apart from the availability of labour and natural resources, is the availability of financial resources in the form of funds and financial advisory services. For these reason, the Kaduna State Government, the Federal Government and the private sector have put in place

various financial organisation schemes to render such services to genuine businessmen and organisations. Such financial schemes and organisations include:-

1. Commercial banks; state owned, private and federal government owned such as Habib Bank, First Bank, Union Bank, Savannah Bank and so on have either branches or their headquarters across the State, they provide various loans and services to all categories of businessmen.

2. Kaduna State Small-scale Industrial Credit Scheme (SSICS) under Kaduna State Ministry of Commerce and Industries (MOCI).

3. Kaduna Investment and Finance Company Limited (KIFC).

4. Nigerian Industrial Development Bank (NIDB).

5. Nigerian Bank for Commerce and Industries (NBCI).

6. New Nigerian Development Company (NNDC).

7. Northern Nigeria Investment Limited (NNIL).

8. Nigerian Agricultural and Cooperative Bank (NACB).

9. Industrial Training fund (ITF).

10. Industrial Development Centre (IDC).

11. Nigerian Stock Exchange (NSE).

And several private organisations are busy providing facilities for small-scale industrialist along with others to facilitate industrialization and economic growth.

3.6 EDUCATIONAL AND ENGINEERING TRAINING INSTITUTIONS.

Economic activities in general and engineering based small-scale industries require manpower, from unskilled to highly skilled. In order to ensure an adequate number of all categories of manpower, the State and federal government and various private organisations have established various schools and institutions.

There are about 1,385 primary Schools in the state, 161 post primary Schools. There are 3 technical schools and 7 Business Apprenticeship Training Centre (B.A.T.C.), designed to improve the labour worthiness of primary School leavers. The state is

fortunate to have in its domain, the Ahmadu Bello University, Zaria (ABU), the Federal Polytechnic Kaduna, which turn out graduates in various fields required for commercial and industrial establishments.

Other institutions of learning and training include college of Aviation, National Teachers Institute, National Institute of Transport Technology and Kaduna State Polytechnic. The availability of the above institutions and continous enrolment and graduation into and from them means that there is no dearth of manpower, required for setting up any commercial or industrial venture, big or small.

3.7 SMALL BUSINESS AND TECHNICAL ORGANISATIONS:-

Trade unions, organisations and cooperatives are beneficial to all businesses and businessmen. They facilitate access to more loans, business information, equipment and even markets. They help protect their members from the vagaries of business weather financial or contractual. It is for these reasons that their formation and activities are encouraged every where.

Kaduna State is fortunate so are businesses and businessmen operating within it, for there are a number of such organisations catering for the needs of all businesses such as the Chambers of Commerce and Industries, the consumer and producer cooperatives. There are also those offering specific services to small-scale industries such as National Association of Small-scale Industrialists (NASSI) and to the various trades such as the National Association of Fitters.

It is also quite interesting that many federal government programme for small-scale industries demand formation of cooperatives by individuals in order to access funds, A typical example of this is the recently introduced Family Economic Advancement programme (FEAP). This is to spread risk of loan recovery and to ensure a spread in the benefits of economic activities.

3.8 POTENTIALITIES FOR DEVELOPMENT OF SMALL SCALE ENGINEERING BASED BUSINESSES.

The potentialities for development of small-scale engineering industries in Kaduna State is enormous. From the foregone, the availability of agricultural, mineral and other natural resources are ascertained, so are the availability of skilled and unskilled labour and financial support services.

Apart from the above, the government, state and federal have put in place various facilities to enhance industrial and commercial activities. This include:-

1. Transport and communication network:- Kaduna State being centrally located has an abundance of road networks including national highways linking it with all parts of the countary. From Kaduna State you can head down south through Birnin Gwari-Lagos road, Kachia-Enugu -Port-Harcourt road, or Abuja-Lokoja road. You can also head north wards through Zaria-Kano-Maiduguri or Zaria-Gusau-Sokoto or Maraba -Jos -Bauchi road. Big lorries, taxis, buses and all manners of vehicles are available for evacuating men and goods along these routes to various parts of Nigeria.

Kaduna State is also the main junction of all the country's railway system. The rail lines junction leading south wards are the Kaduna Kafanchan-Enugu-Port-Harcourt, the Kaduna-Minna-Bida and the Kaduna -Jebba -Lagos rail lines. The Juctions leading northwards are the Kafanchan-Jos-Maiduguri, the Zaria-Kano and the Zaria-Gusau-Kauran Namoda rail lines. This is important as the rail system is capable of moving more men and materials than any other system. Though the rail system has been out of use for sometime, a new government project being executed by the Chinese to the tune of $500m is to put the system back into efficient operations.

The State is served by one of the main airports, which is of international standard, the Kaduna International Airport, which facilitates quick local and international travel to and from the State.

2. **TELECOMMUNICATION SERVICES:-**

The state has telephone exchanges in major towns, to serve for telephone, telex and fax services, both locally and internationally. This is being run by Nigeria Telecommunication PLC (NITEL) providing twenty four hours service. Many modern post offices have been built in many towns in the state also facilitating communication within and without.

3. **POWER RESOURCES:-**

The necessity for efficient electric power supply to industrial/ commercial development and growth needs not be over emphasized. The National Electricity Power Authority (NEPA) supplies electricity to major towns of the State, while the state Rural Electrification Board provides to all areas not covered by NEPA. About 80% of the State is covered in terms of electricity supply, making establishment of industries quite feasible.

4. **WATER RESOURCES:-**

Kaduna State has a wide coverage of water supply systems by the State Water Board serving about nine (9) Local governments. Other areas are served by boreholes drilled by State, Federal and international organisations such as UNDP and UNICEF. There are recent World Bank assisted water supply projects in the State to improve water supply.

To cap it all the State government has put in place a simplified procedure for the acquisition of land/plots for commercial and industrial establishment. Therefore, the sky is really the limit for any potential industrial investor in Kaduna State.

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CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.0 SECONDARY DATA

For the research to be properly structured it started with collection of secondary data. Various books, journals, newspapers and official publications were consulted on the subject. Relevant information were collected from National Economic Reconstruction Refund (NERFUND) office, Abuja and Federal Ministry of Industry. National Association of Small Scales Industries (NASSI). This provided the basis for design of Primary data forms and also immensely contributed to information for the literature review.

Earlier research work on the topic by students and organizations were also consulted extensively.

4.1 PRIMARY DATA

In this project primary, data was collected using the survey method. Questionnaire-guided interviews with engineering based small-scale entrepreneurs was used within Kaduna State, mainly in Kaduna, Zaria and other Local Government Headquarters where such businesses are concentrated. Personal interviews unquestionnaire based were also held with some scholars and professionals on the topic.

4.2 SAMPLE SIZE AND SAMPLING METHOD

The random sampling method was used to select respondents, while for the areas, concentration was mainly on Kaduna, Zaria and the Local Government Headquarters as such businesses are rare in the very rural areas of the State.

The sample has a size of thirty respondents of which some were not positively responsive. The sample size was limited thus as this type of businesses are just beginning to proliferate in the Northern part of the country as a whole.

IBRARY

However, a lot of scholarly works and research are available on small-scale businesses generally from libraries and other government and non-government sources to fill any requirements. Despite this however, the work is still considered relevant as it will provide additional information and be a basis for further research also.

4.3 DATA PRESENTATION AND ANALYSIS FORMAT

The data collected through the questionnaires from the entrepreneurs are tabulated as shown below. The sample as mentioned earlier covers thirty entrepreneurs in various parts of Kaduna State. Of the thirty (30) entrepreneurs only nineteen (19) were responsive. These represent 63.33% of the sample size. Others refused to respond for secretive reasons, fear of official action or just sheer adamancy. The nineteen respondents (19) therefore represent the sample for tabulation and analysis. Many a times, factors of the parameter tested overlap or are multiples, giving rise to values of frequency above nineteen (19) and hence percentages above 100%.

The data is presented in tabular form, showing the parameter tested, the frequency and the percentage occurrence of factors of the parameter in relation to whole factors tested. closely following the whole-tabulated data is the analyses.

4.4 TABULATION OF DATA

The most important aspects have been extracted from the raw questionnaires and presented below in tables

FORMATION:-

This looks at the basic formation structure and management of the business, sex and education of the entrepreneurs.

TABLE I: OWNERSHIP TYPE:

OWNERSHIP TYPE	FREQUENCY	PERCENTAGE OF SAMPLE%
Sole proprietorship	13	68.0
Partnership	2	10.5
Joint Venture	2	10.5
Limited liability	4	21.0
TOTAL	**21**	**110**

TABLE 2: SEX OF ENTERPRENEUR:-

SEX	FREQUENCY	PERCENTAGE OF SAMPLE (%)
Male	19	100
Female	0	0
TOTAL	**19**	**100**

MANAGEMENT

TABLE 3: MANAGEMENT TYPE:-

MANAGEMENT TYPE	FREQUENCY	PERCENTAGE OF SAMPLE %
Owner-Managed	13	68.4
Part-time Management	-	-
Full-time Management	5	26.3
Hired Manager	1	5.3
Unfilled	1	5.3
TOTAL	**20**	**104.7**

TABLE 4: ENTERPRENEUR EDUCATION

OWNER'S LEVEL OF EDUCATION	FREQUENCY	PERCENTAGE OF SAMPLE (%)
Primary School	2	10.5
Secondary School	9	47.4
Higher Certificate	2	10.5
Polytechnic	3	15.8
University	0	0
Illiterate	0	0
Quranic School	2	5.3
Unfilled	2	10.5
TOTAL	**19**	**100**

EMPLOYEES:-

TABLE 5 EMPLOYEE TYPE: -

EMPLOYEE TYPE	FREQUENCY	PERCENTAGE F SAMPLE (%)
Full-Time	11	57.9
Part-Time	4	21.0
Unfilled/Non	5	26.3
TOTAL	**20**	**105.2**

TABLE 6: EMPLOYEE EDUCATION

EMPLOYEE LEVELS OF EDUCATION	FREQUENCY	PERCENTAGE OF SAMPLE (%)
Primary	3	15.3
Secondary	7	36.8
Higher Certificate	1	5.3
Polytechnic	3	15.3
University	0	0
Illiterate	0	0
Quranic	0	0
Unfilled	5	26.3
TOTAL	**19**	**100**

PLACE: This was deleted due to difficulty in estimating or measuring most of the business premises.

TABLE 7: LOCATION TYPE

TYPE OF LOCATION	FREQUENCY	PERCENTAGE OF SAMPLE (%)
Office	4	21.0
Open space	6	30.6
Work-shop	12	63.2
Factory	-	-
Unfilled	1	5.3
TOTAL	**23**	**121.1**

BUSINESS CHARACTERISTICS:

TABLE 8: BUSINESS REGISTRATION:-

REGISTERED	FREQUENCY	PERCENTAGE OF SAMPLE (%)
Yes	14	73.6
No	5	26.3
Unfilled	-	-
TOTAL	**19**	**100**

TABLE 9 PRE-FORMATION FEASIBILITY:

PRE-FORMATION	FREQUENCY	PERCENTAGE OF SAMPLE (%)
Done	9	47.4
Not done	9	47.4
Unfilled	1	5.2
TOTAL	**17**	**100**

TABLE 10: AGE OF BUSINESS:

YEARS	FREQUENCY	PERCENTAGE OF SAMPLE (%)
0-3	1	5.3
3-5	4	21.2
5-7	3	15.8
7-10	10	5.3
Unfilled	1	5.3
TOTAL	**19**	**100**

TABLE 11: REASON FOR BUSINESS:

REASON FOR BUSINESS	FREQUENCY	PERCENTAGE OF SAMPLE (%)
Profit	11	58.3
Self -employment	9	47.7
Job creation	7	37.7
Inherited	2	10
Serving Customers better	1	5.3
Unfilled	2	10.6
TOTAL	**32**	**168.6**

CAPITAL

TABLE 12: SIZE OF STARTING CAPITAL

SIZE OF STARTING CAPITAL	FREQUENCY	PERCENTAGE OF SAMPLE (%)
2,000 - 100,000	9	47.1
100,000-500,000	3	15.8
500,000-5 Million	2	10.6
5Million -10Million	2	10.6
Unfilled	3	15.8
TOTAL	**19**	**100**

TABLE 13: SOURCE OF CAPITAL

CAPITAL SOURCE	FREQUENCY	PERCENTAGE OF SAMPLE (%)
Bank	6	31.6
Relatives	1	5.3
Contribution	4	21.2
Deposits	5	26.5
Unfilled	6	31.6
TOTAL	**22**	**116.2**

OPERATIONS:

TABLE 14 TYPE OF OPERATIONS:

TYPES OF OPERATIONS	FREQUENCY	PERCENTAGE OF SAMPLE (%)
Production of Tangible Products	11	58.3
Provision of services	7	37.1
Unfilled	2	10.6
TOTAL	**20**	**105.7**

TABLE 15 TYPE OF CUSTOMERS:

TYPE OF CUSTOMERS	FREQUENCY	PERCENTAGE OF SAMPLE (%)
Individual Consumers	13	68.7
Industries	3	15.8
Commercial Outfits	6	31.8
Unfilled	2	10.6
TOTAL	**24**	**125.9**

INCOMES AND EXPENDITURES:

ACCOUNTING RECORDS:

TABLE 16: RECORDS KEPT:

KEPT	FREQUENCY	PERCENTAGE OF SAMPLE (%)
Yes	10	53.0
No	7	37.1
Unfilled	2	10.6
TOTAL	**19**	**100**

TABLE 17 ACCOUNTS ANALYSED:

ANALYSED	FREQUENCY	PERCENTAGE OF SAMPLE (%)
YES	10	52.6
NO	8	42.0
UNFILLED	1	5.3
TOTAL	**19**	**100**

TABLE 18: ACCOUNT AUDITED

AUDITED	FREQUENCY	PERCENTAGE OF SAMPLE (%)
YES	7	37.1
NO	11	58.3
UNFILLED	1	5.3
TOTAL	**19**	**100**

TABLE 19: BANKING PRACTICE

BANK ACCOUNT KEPT	FREQUENCY	PERCENTAGE OF SAMPLE (%)
Yes	14	73.7
No	4	21.2
UNFILLED	3	15.8
TOTAL	**21**	**110.7**

TABLE 20: FINANCIAL PERFORMANCE EXAMINED

FINANCIAL PERFORMANCES EXAMINED	FREQUENCY	PERCENTAGE OF SAMPLE (%)
Yes	13	68.4
No	5	26.3
UNFILLED	1	5.3
TOTAL	**19**	**100**

TABLE 21: SOURCES OF INCOME:-

MAIN SOURCES OF INCOME	FREQUENCY	PERCENTAGE OF SAMPLE (%)
Sales	10	52.6
Services	9	47.4
Tool Hiring	-	-
Training Fees	3	15.8
Unfilled	2	10.6
TOTAL	**24**	**126.4**

TABLE 22: MAJOR EXPENDITURES

EXPENDITURES (MAJOR)	FREQUENCY	PERCENTAGE OF SAMPLE (%)
Emolument	5	26.5
Spares	3	15.8
Rent	13	68.8
Utilities	19	100.7
Taxes	3	15.8
Transport	5	26.5
Raw Materials	1	5.3
Unfilled	3	15.8
TOTAL	**57**	**300.3**

WORKING CAPITAL:

TABLE 23 : ADEQUACY OF WORKING CAPITAL:

ADEQUACY OF WORKING CAPITAL	FREQUENCY	PERCENTAGE OF SAMPLE (%)
YES	4	21.2
NO	13	68.8
UNFILLED	2	10.6
TOTAL	**19**	**100.00**

TABLE 24: SOURCE OF WORKING CAPITAL

WORKING CAPITAL SOURCE	FREQUENCY	PERCENTAGE OF SAMPLE (%)
LOAN	3	15.8
RETAINED EARNINGS	4	21.2
SAVINGS	9	47.4
DISPOSAL OF ASSETS	1	5.3
UNFILLED	5	26.3
TOTAL	**22**	**115.8**

GROWTH AND EXPANSION :

TABLE 25: PLAN FOR GROWTH AND EXPANSION

ANY PLAN FOR GROWTH OR EXPANSION	FREQUENCY	PERCENTAGE OF SAMPLE (%)
YES	18	94.7
NO	-	-
UNFILLED	1	5.3
TOTAL	**19**	**100**

TRAINING AND MANAGEMENT

TABLE 26: TRAINING (ANY) AND MODE

ANY TRAINING AND MODE OF TRAINING FOR EMPLOYEES /APPRENTICES	FREQUENCY	PERCENTAGE OF SAMPLE (%)
On- the- job	14	73.7
Institutional	-	-
Attachment	-	-
Other	1	5.3
None	3	15.9
Unfilled	1	5.3
TOTAL	**19**	**100**

TABLE 27: MANAGERIAL STYLE:

MANAGERIAL STYLE PREFERENCE	FREQUENCY	PERCENTAGE OF SAMPLE (%)
Team	9	47.4
Laissez Faire	-	-
Autocratic	5	26.3
Other	2	10.6
Unfilled	3	15.8
TOTAL	**19**	**100**

AWARENESS OF GOVERNMENT POLICES AND PROGRAMMES FOR SMALL SCALE ENGINEERING BUSINES

TABLE 28: AWARENESS OF POLICIES AND PROGRAMMES

AWARE OF ABOVE	FREQUENCY	PERCENTAGE OF SAMPLE (%)
NO.	9	94.7
UNFILLED	1	5.3
TOTAL	**19**	**100.00**

TABLE 29: BENEFITS FROM POLICIES AND PROGRAMMES

BENEFITED FROM ABOVE	FREQUENCY	PERCENTAGE OF SAMPLE (%)
YES	5	26.3
NO.	13	68.4
UNFILLED	1	5.2
TOTAL	**19**	**100.00**

MEMBERSHIP OF ASSOCIATIONS

TABLE 30: MEMBERSHIP (ANY)

MEMBER OF ANY ASSOCIATION	FREQUENCY	PERCENTAGE OF SAMPLE (%)
YES	6	31.6
NO.	12	63.2
UNFILLED	1	5.2
TOTAL	**19**	**100.00**

TABLE 31: TYPE OF ASSOCIATION:

TYPE OF ASSOCIATION	FREQUENCY	PERCENTAGE OF SAMPLE (%)
Trade Union	2	10.6
Co-operative	-	-
Tribal/State	2	10.6
Government/NASSI etc	3	15.8
Others	-	-
None	11	58.3
Unfilled	1	5.3
TOTAL	**19**	**100.1**

4.50 DATA ANALYSES AND EVALUATION:

The data is analysed as follows with due references and cross-reference to various tables. The most important parameters that affect financial management directly or indirectly, but most importantly have been analysed and evaluated.

4.51 OWNERSHIP:

The results clearly show that most small-scale engineering based businesses are sole-proprietor businesses, with the owner also as manager in 68.4% cases as shown in Table 3. This also accounts for why the capitalization of these businesses is small with 47.4% being in the 2,000.00 to 100,000.00 bracket as seen in Table 11. Their Capital source is mostly personal deposits and contribution individually, so is small as depicted in Table 12. And for these reason most of the entrepreneurs have inadequate working capital, 68% in this case depicted in Table 23.

4.52 SEX

The result shows that all the entrepreneurs in this line of businesses (100%) are males, which tends to give the idea that engineering and technical jobs are for men only. An entrepreneur may not have to participate in technical work in his business but just manage it; thus this notion must be addressed. Perhaps this informs the new approach of government and non-governmental organisations towards development issues now, whereby they insist on women's full and active participation.

4.53 MANAGEMENT:

(A) MANAGEMENT TYPE

The result shows that most of these businesses are owner managed (68.4%). This is why very strict adherence to prudent financial practices is not observed to and why the accounts are not audited as shown in Table 18.

(B) **OWNER'S LEVEL OF EDUCATION**

Most of the entrepreneurs are secondary school leavers (47.4%), with a number being graduates of Polytechnics and higher Certificate (15.8%) and (10.5%) respectively. No University graduates seem to be involved in these businesses as they tend to prefer, white collar jobs or to hang about waiting for such white-collar jobs if unemployed. They tend to look down on any such jobs that do not show them to be flashy, which is really a very negative attitude. Participation of University graduates in these businesses would have boosted performance and efficiency of production of goods and services from this sector.

4.54: **SIZE:**

(A) **EMPLOYEES:**

(a) **EMPLOYEE TYPE**

These businesses have almost 60% full-time employee (57.9%) in Table 5, which confirms the belief that they serve to generate employment for the teeming population of the unemployed in Nigeria and would be better so if further improved.

(c) **EMPLOYEE LEVEL OF EDUCATION**

The result shows that most of the employees are also Secondary School Leavers (36.8%) in table 6 who happen also to be most of the entrepreneurs (47.4%), Table 4. It is a well-known fact that, the largest numbers of unemployed among the educated classes are the secondary school leavers. This type of businesses could thus provide them the employment outlets as clearly shown by the results either as entrepreneurs or as employees.

4.55 PLACE OF BUSINESS:

Table 7 shows that most of this type of businesses are carried out in workshops (63.2%). This of course is expected. A sizable percentage 31.6% operate in open spaces due to nature of business (auto-repair) or lack of adequate work-shops or capability to built or rent any.

4.56 BUSINESS CHARACTERISTICS:

(a) BUSINESS REGISTRATION

One very positive thing discovered is that most of these businesses are registered (73.6%) which makes them legal entities recognised by the Government and Judicial system of the Country. 26.3% however remain unregistered. The overwhelming number registered shows the willingness of these businesses to comply with the rules and regulations of the land and thus pay taxes and contribute as employers of labour.

(b) PRE-FORMATION FEASIBILITY

About half (47.4%) of the businesses had feasibility done, while the other half (47.4) had no feasibility done before they started. This aspect shows planfulness or planlessness. In terms of business in Nigeria it however, represents some progress over the past when very little or no planning is done by entrepreneurs. Planning is extremely important in business. To be able to get any funds or support from Government and other organisations now, a business must provide a proper plan or feasibility report.

Banks providing a loan would surely want to be sure their money is safe and backed by adequate assets that can be turned into cash when trouble erupts. A business has to show evidence that it can generate enough revenue to meet all debt obligations including loans, interests, taxes and dividends. As the saying goes, "if we fail to plan then we plan to fail".

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(c) **AGE OF BUSINESS:**

Table 10, shows that half of these business (52.6%) are between 7-10 years old, with those less than 3 years old being only 5.3%. This shows that there is very little growth in formation of these types of businesses over the years. This means it has gradually been more difficult to establish these types of businesses over the years, with the difficulty increasing in more recent times.

This is not surprising as these businesses require tools and equipment which have been becoming more expensive especially with the devaluation and depreciation of the Naira and also perhaps with the longer gestation period before profit, in these businesses and also with low profits.

4.57 **CAPITAL:**

(a) **SIZE OF STARTING CAPITAL**

Most of the entrepreneurs in these line of business started with capital between (₦2,000 to (₦100,000, mostly over seven years ago, at the value of naira now, this would be (₦50,000 - (₦5 Million (5% depreciation over 7 years). Raising capital is now extremely difficult with, more stringent economic conditions, strict Banking regulations and a widely distressed financial sector. Special regulations put in place to enable small scale businesses access to more money by Government are increasingly being violated despite cash fines imposed by Government for failure to live up to the regulations. The Banks tend to prefer the cash fines to obeying the regulations.

(b) **CAPITAL SOURCE:**

Though about a third of the entrepreneurs source their funds from Banks about 50% rely on their deposits, contribution and relatives. In our environment, with a large number of dependants and a depreciating Naira, these sources would

increasingly fizzleout. Hence reliance would eventually be more on Banks and financial institutions for business funds.

(c) **REASONS FOR BUSINESS:**

About 57.9% In Table 3 indicated that they started business for the profit motive, whilst another 42.4% and 36.8% for self-employment and job-creation reasons. As the percentages show many of the reasons also over-lap. The percentages also confirm further the employment generation potentials of small-scale businesses.

4.58 **OPERATION:**

(a) **TYPE OF OPERATIONS:**

About 60% of the entrepreneurs produce tangible products while the rest provide services, (Table 14). A number of these entrepreneurs provide both. These shows that as at now engineering businesses are largely production based. It is expected so, as the economy is still in a developing mode. In developed economies, services businesses over-weigh products based businesses, this is a global trend.

(b) **TYPE OF CUSTOMERS:**

Most of the entrepreneurs service individual consumers (68.4%) that is most of the products and services are consumer products and services as shown in table 15. Some commercial outfits about 31.6% are also serviced. Emphasis in these businesses is not capital goods but consumer, which is a sign of developing economies.

4.58 INCOMES AND EXPENDITURES:

(a) ACCOUNTING RECORDS:

Accounting records are the basis of any genuine financial management practices in any organisation. Any assessment or computation of financial figures to arrive at past financial performances or future strategy would depend on the availability of accounting records. Thus the importance of assessing these in small-scale engineering based businesses.

(b) ACCOUNTING RECORDS KEPT, ANALYSED AND AUDITED:

Table 16 shows that about 58% of these businesses kept financial records, these are in the form of sales books, invoices, annual reports and so on. About 36.8% of these businesses do not however, keep financial records which is unexpected and an indication of poor planning and surely a route to failure. For without such records neither profit nor loss can be accurately known, nor any meaningful projections made on material requirements and expenditure outlays. It is really like groping in the dark.

Table 17 shows that a slightly less number (52.6%) of the entrepreneurs analyse their accounts to see their performance, while from table 18 an even lesser number have their accounts audited (36.8%). Accounting records provide the business with a score-card while analyses and auditing ensure that the score card is correct and enables the business to be properly controlled from excesses, dishonesty, misdirection's and failures.

Interestingly however, a very high percentage (73.7%) as shown in Table 19 operate Bank Accounts. It was difficult however to obtain information as to the activeness or dormancy of the accounts, the average daily deposits and the position of the accounts from the entrepreneurs. An improvement in Banking practice over the years by both individuals and business is evidenced by this high figure of 73.7%, which is healthy for the economy as it portends increase in savings

and hence funds available to Banks for prospective investors to draw on for new investments and improvement of existing ones.

(b) **MAIN SOURCES OF INCOME, WORKING CAPITAL AND EXPENDITURES**

Table 21 shows that the main source of income to most of these businesses is sales of products or services offered to consumers while Table 24 shows that the main sources of working capital is the entrepreneurs personal savings. This means money made from other sources. This is due perhaps to low profits earned as what would have been expected is for more working capital to come from retained earnings. It is obviously one of the problems of these businesses that profits made are very marginal, due to higher costs of inputs. That is why some of the entrepreneurs seek the influence of government in ensuring that they are offered special subcontracting status to higher scale industries to enable them attain better profits and gain from the economy of scale thus, instead of having to be allowed to compete with foreign inputs of materials and spares to the larger scale industries.
The dependence on saving rather than loan and retained earnings which are difficult to attain, explain why these businesses find it difficult to expand, as savings are very low in the economic situation prevailing for over a decade now. The overwhelming dependence on savings also shows why the operation of Bank accounts (73.7%) in table 19 is quite high. These businesses certainly require higher profits, with lower costs and access to cheaper funds from Banks and financial institutions.

Analysis of the expenditures in Table 22 shows that the highest expenditure elements are rent and raw materials followed by utilities and taxes. Most of the entrepreneurs complained of uncontrolled landlords demanding and increasing rent at will thereby eroding any meaningful profits. The utilities, mainly electricity, then water and telephone are also uncontrollable as they are supplied by monopolistic Government parastatals that exhibit high levels of inefficiencies enough to cripple a business. The taxes paid also are varied and to various Government organisations.

The taxes complained the entrepreneurs are so many and so high as per the level of business, profits and the recessive economic situation. This increasing and uncontrollable charge contribute to low profits and hence low retained earnings that could have been used to expand the businesses. The high expenditures on raw materials is due to the devaluated and depreciated Naira, since a lot of the materials used by these class of businesses are imported in the form of steel, chemicals, plastics and accessories.

(b) **FINANCIAL PERFORMANCE EXAMINED:**

Table 20 shows that 68.4% that is a very high majority of these businesses had their financial records examined to assess financial performance. This is usually done in depth through the preparation of profits and loss accounts, balance sheets, financial ratios and charts (Du Pont Chart). Most of these businesses however, like most other small-scale businesses use mainly the simple financial performance assessment tools such as the profits and loss accounts, and the balance sheets, hardly do they carryout the more detailed and deeper analyses. This of course is not unexpected since earlier analysis have shown that most of the entrepreneurs are secondary school leavers, with only a little more technical, managerial and entrepreneur skills. Some also feel their businesses are small hence do not think such in-depth analysis would be worthwhile.

It is however, becoming clearer that in-depth financial analysis is increasingly being required by the various publics of these businesses such as Banks, Lenders, Investments analysts, Stock-brokers, Suppliers, Customers, Competitors, Government Agencies, Investors and Academics for various purposes which are genuine and important. Assessment of financial performance is the main way to know the financial health and financial future of a business, this is important to all the groups.

4.59 GROWTH AND EXPANSION:

Almost all the entrepreneurs 94.7% in table 25, have intentions and plan to expand their business by adding a branch, expanding their work-shop, increasing products and service line and so on. The constraints however, have been the lack of adequate funds from profits, loans and other sources. One of the most important aspects to ensure growth for the future is the aspect of training. Table 26 shows that training in these businesses have been mostly on-the -job (73.7%) with no institutional training at all.

Institutional training is necessary to expand the performance capacity, managerial, financial and technical of both the entrepreneurs and employees. Institutional training has been widely available in many Government schemes such as Entrepreneurship Development Programme (EDP), working for Yourself Programme (WYP), in the Industrial Development Centres and under the National Directorate of Employment, but unfortunately table 28 shows that about half (47.4%) of the entrepreneurs are unaware of these programmes either directly or through membership of any associations.

The lack of awareness of vital Government policies and programmes and other valuable information has been worsened by these entrepreneurs not forming or joining useful Unions and Associations (63.29%) in table 30. These could have been know-how, information and even fund channels.

Most entrepreneurs with technical background or in technically oriented businesses tend to be individualistic, doing their own thing in a cocoon like fashion. This is really a major problem.

CHAPTER FIVE

5.0 SUMMARY, CONCLUSIONS AND RECOMMENDATIONS.

5.1. SUMMARY

The thesis started in chapter One, setting out the objectives, scope, limitations and methodology of the project. A lot of small-scale entrepreneurs with technical background who are the entrepreneurs of concern, in this project tend to assume that all they need to start their businesses is their technical skills and capital. They eventually find out often too late that this is not so, when suddenly they are bedeviled by problems of personnel motivation, promotion, marketing, production/operations and financial management. The study in interview-questionnaire form and literature analysis looks deeply into the financial management aspect of these problems.

In chapter Two a wide scope of literature, delving into the technical nature of the small-scale Engineering based businesses, their importance for technological, Industrial development, for provision of employment and consequently their importance to the economy were reviewed. An in-depth look in to financial management, the feel for organisation money, investing it, keeping it, acquiring it, its cost, its value and various forms of manipulation as a way of improving total owner wealth was undertaken. This chapter sets out the intellectual basis and theory for the thesis. And also looks at similar works undertaken on the subject. These type of businesses are found to be so important and basic to the development of a nation.

Chapter Three surveys the geographical area of the project, Kaduna State, assessing the potentialities of proliferation of small-scale Engineering based business to provide employment and improved economic well-being, in terms of availability of material resources, manpower and capital.

The project area is highly endowed with the above prerequisites to start and serve as a lasting beneficial industrialisation process in the project area.

In chapter four, the raw data of the project are presented in tabular form under variously suitable headings.

The data are thus classified and then analysed accordingly. The analyses look at general aspects of the small-scale Engineering based businesses, like their management, owner ship, age and so on. The analysis thus focuses on the financial aspects as account recording and analysis, capital nature, level and source and so on. The analyses enable a wide variety of conclusions to be drawn on the nature, operations and financial practices in these organisations.

Finally in chapter five, the summary of the work in the foregoing is undertaking, closely followed by the conclusion and recommendations.

5.2 CONCLUSIONS.

The evaluation of the data in chapter IV, clearly lead to the conclusion that financial management is practiced at a rudimentary level by the small-scale engineering-based businesses within the project area. This seems to be mainly due to the level of education of the entrepreneurs, the awareness of its necessity and full impact in improving overall business performance and the real smallness; of these businesses in term of capital, financial resource and scope.

Furthermore, like all other aspects of industrialisation in Nigeria, these businesses are groping with an unfavorable enabling environment despite their enormous potential in leading to technological and economic development through increased productivity and employment creation.

For these reasons they have been a target of study, policy, action and focus in all economies developed and underdeveloped alike, by governments and organisations alike. They still hold the potential for providing the largest employment opportunities for the large section of Kaduna State, if well financed, managed and nurtured.

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The research analysis and evaluation however, highlighted the following as the problems bedeviling small-scale engineering-based businesses generally and with regards to financial management in particularly.

GENERAL PROBLEMS

1. INADEQUATE FINANCE

Formation, operations, growth and expansion of these businesses have been constrained by availability of adequate finance at affordable costs and within easy reach, when needed.

2. COMMUNICATION GAP

There is a tremendous communication gap between the government agencies, non-governmental organisations meant for these businesses and the local Communities in the project area, out of whom entrepreneurs ought to be bred, nurtured and developed. The same gap exists between practicing entrepreneurs and these organisations.

3. DISCONTINUOUS, UNENFORCED, POLICIES AND PROGRAMMES:

Government policies and programmes on Small-scale businesses generally are neither continuous nor adhered to nor enforced, where laid down. There is no coordination of the policies and programmes as several agencies and NGOs are just duplicating efforts and are misdirected.

4. POOR PATRONAGE:

These businesses are also constrained by lack of adequate patronage by the indigenes due to love for foreign made goods. Hence their low turnover, profits and attractiveness.

5. **LOW LOCAL TECHNOLOGY CONTENT:**

Despite an enormous adequacy of indigenous material and technical manpower resources within the project area, these businesses exhibited a very low level of local technological and material content. Most of the technology and materials are imported, indicating thus why formation capital for these businesses is high, as the local currency is devalued, which makes imported technology equipment and materials very expensive.

SPECIFIC PROBLEMS TO FINANCIAL MANAGEMENT:

1. **LEVEL OF EDUCATION OF ENTREPRENEURS**

The level of financial management practiced in these businesses is low because the entrepreneurs are mostly secondary school leavers. These business sector has failed to attract the more highly qualified technical, financial and business manpower from polytechnics and Universities.

2. **LACK OF AWARENESS OF FINANCIAL TRAINING PROGRAMMES**

Avenues for training on business in general and finance in particular through available training centres are untapped by the entrepreneur due to lack of awareness of these avenue and what they can offer.

3. **SCEPTICISM AND FEAR OF RISKS**

Entrepreneurs were found highly skeptical of employing staff to handle their finances because of a high risk factor of losing funds and materials to pilfering, squandering and outright abuse of finances.

5.3 **RECOMMENDATIONS**

The recommendation preferred here are two pronged. Firstly recommendations are given on general aspects concerning the formation, nurturing

and the enabling environment for the overall existence and operations of these businesses. Then more specifically, recommendations are given on the financial management aspect of these organisations, as is clearly know that financial management is not practiced in a vacuum of other issues and problems.

5.3.1 GENERAL RECOMMENDATIONS

1. A total overhauling of the various machinery set up by government in terms of policies, programmes and institutions need to be undertaken as benefits are not reaching the target organisations desired. There seems to be a deliberate short circuiting sabotage by officials of banks and government agencies that does not favour the small-scale businesses.
2. An efficient coordinating organisation needs to be set up to safeguard against so much duplication of efforts and so much misdirection. The various agencies serving this sector need to work closely so that a synergistic output would result and these businesses would be the founding blocks of a true Nigerian Industrial revolution. For example in the United States a special organisation Small business Administration (SBA), oversees the small business sector of the economy. While Korea even has a small-scale Industry ministry.
3. It is very necessary that government must ensure that more financing reaches these organisations as this is one of their most outstanding problems.
4. Government and larger scale industry in a proper drive for industrialisation must promote linkage effects and patronage for the small businesses.
5. More awareness of training facilities in institutions must be created through extension services.

SPECIFIC RECOMMENDATIONS TO FINANCIAL MANAGEMENT.

1. A greater content of financial management training need to be provided to would be entrepreneurs in any training programmes as it is a major issue that would confront any entrepreneur.
2. Literature on financial management need to be produced at affordable rates in easy language, even in vernacular to enable assess to this vital subject to all businesses in particular the smaller ones.
3. Incentives should be created to attract more educated, finance, business and technical manpower to these small-scale engineering based businesses.
4. To reach the grassroots, even local government needs to set-up outlets to assist these businesses in sorting their management, financial, legal and other such problems.

The vital role of these businesses, should make government give them the attention they deserve, for as the President Babangida in his 1989 budget speech said: -

"Small-Scale industries have a vital role to play in achieving sustainable growth. Not only are they capable of generating more employment per unit of capital output, they provide the best chance of industrialising our rural areas."

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APPENDIX:

MBA PROJECT QUESTIONAIRE SAMPLE:

AHMADU BELLO UNIVERSITY, ZARIA.

Department of Business Administration. Congo Campus.

MBA project questionnaires type II: SMALL SCASLE ENGINEERING INDUSTRIES.

Financial management in small-scale Engineering Industries:

A case study of Kaduna state.

BUSINESS LOCATION:.....SERIAL No:.....FORMATION:

I. STRUCTURE

1. OWNERSHIP: A. SOLE PROPRIETOR ☐ PARTNERSHIP ☐
   JOINT VENTURE ☐ LIMITED LIABILITY ☐
   B. SEX: MALE ☐ FEMALE ☐

2. MANAGEMENT A. OWNER- MANAGED ☐ PART-TIME MANAGEMENT ☐
   FULL-TIME MANAGEMENT ☐ HIRED MANAGERS ☐
   B. MANAGEMENT/OWNER PRIM. ☐ SEC. ☐ HIGHER ☐
   POLY. ☐ UNIVER. ☐ ILLIT. ☐ QURANIC ☐

II. SIZE

1. EMPLOYEES A. FULL-TIME ☐ PART-TIME ☐
   B. EDUCATION PRIM. ☐ SEC. ☐ HIGHER ☐
   POLY. ☐ UNIVER. ☐ ILLIT. ☐
   QURANIC ☐

2. PLACE A. SIZE (Area M2).....
   B. OFFICE ☐ OPEN SPACE ☐
   WORKSHOP ☐ FACTORY ☐

3. EQUIPMENT & SPECIAL TOOLS ☐

A. MOST IMPORTANT.....

B. NO. .....

C. BREAKDOWN NON ☐ FREQ. ☐ RARE ☐

4. BUSINESS REGISTERED A. YES ☐ No. ☐

B. WHERE ☐ STATE ☐ FED. MIN ☐

LG. ☐ CAC ☐

5. HOW LONG HAS BUSINESS BEEN IN OPERATION?

0-3 ☐ 5-7 ☐

3-5 ☐ 7-10 ☐

III CAPITAL

1. SIZE OF STARTING CAPITAL 2,000-100,000 ☐

100, 000-500,000 ☐

500, 000-5 MILLION ☐

5 MILLION-10MILLION ☐

2. CAPITAL A. LOANED BANKS RELATIVES

B. SAVING CONTRIBUTION DEPOSITS

3. LOANING BANK/INSTITUTION.....

4. FUND-SOURCE PREFERENCE.....

5. WORKING CAPITAL ADEQUATE A. YES ☐ NO. ☐

B. LOAN ☐ RET. EARNINGS ☐

SAVINGS ☐ DISPOSAL OF ASSETS ☐

6.REASONS FOR BUSINESS PROFIT ☐ CHANCE ☐ INHERITED ☐

CUSTOMER SERVICE ☐ SELF-EMPLOYMENT ☐

JOB CREATION ☐ OTHERS ☐

7. PRE-FORMATION FEASIBILTY ☐ DONE ☐ NOT DONE ☐

IV. OPERATIONS:

1. PRODUCTS: A. TYPES..... ....
   B. No. ....
   C. CONSUMER ☐ CAPITAL ☐
2. SERVICES: A. TYPES..... ....
   B. AVERAGE/DAY..... .....
   C. CONSUMER ☐ CAPITAL ☐
3. CUSTOMERS A. TYPE: CONSUMERS ☐ IND. ☐ COM. ☐
   B. SIZE: AVERAGES No. PER DAY PER MONTH ☐
   PER YEAR ☐
4. OPERATIONS SEASONAL: YES ☐ NO ☐
   CONTINUOUS: YES ☐ NO. ☐
5. SPECIAL RULES FOLLOWED BY
   CUSTOMERS/BUSINESS.....
6. MAINTENANCE CULTURE YES ☐ NO. ☐

V. INCOMES AND EXPENDITURES

1. ACCOUNTING RECORDS A. KEPT YES ☐ NO. ☐
   B. ANALYSED YES ☐ NO. ☐

   ANALYSIS INCLUDES: JOURNALISING, P/L ACCTS, BALANCE SHEET.
2. ACCOUNTS AUDITED YES ☐ NO ☐
3. BANK ACCOUNT KEPT YES ☐ NO ☐
4. FINANCIAL PEFORMANCE EXAMINED YES ☐ NO ☐
5. IF YES, THROUGH WHAT.....
6. MAIN SOURCES OF INCOME SALES ☐ SERVICE ☐
   DONATION ☐ TOOL HIRE ☐
   TRAINING FEES ☐ OTHERS ☐

7. EXPENDITURES (MAJOR)

EMOLUMENTS ☐ PUBLIC RELATIONS ☐

SPARES ☐ TAXES ☐

RENT ☐ UTILITIES ☐

SUBSCRIPTIONS ☐ TRANSPORT ☐

RAW MATERIALS ☐

8. ESTIMATE OR CURRENT ASSETS.....

9. ESTIMATE OF CURRENT LIABILITIES.....

VI. GROWTH AND EXPANSION.

1. ANY PLAN OR IMPLEMENTATION OF GROWTH AND EXPANSION:

LOCATION SIZE	YES ☐	NO ☐
BRANCHES	YES ☐	NO ☐
INCREASED WORKING CAPITAL	YES ☐	NO ☐

2. PLAN FOR INCREASED CUSTOMERS:

	YES	NO
MORE PRODUCTS/SERVICE	☐	☐
MARKETING EFFORTS	☐	☐
PERSONAL SELLING	☐	☐
SALES PROMOTION	☐	☐
ADVERTISEMENT	☐	☐
PUBLIC RELATIONS	☐	☐

3. ANY AFFILIATIONS OF PLANS FOR IT YES ☐ NO ☐

VII. TRAINING AND MANAGEMENT

1. ANY TRAINING FOR EMPLOYEES:

ON- THE-JOB ☐ INSTITUTIONAL

ATTACHMENT ☐ OTHER ☐

NONE ☐

2. MANAGERIAL STYLE: TEAM ☐ LAISSEZ-FAIRE ☐
AUTOGRATIC ☐ OTHER ☐

VIII. BANKRUPTCY AND LIQUIDATION.

1. BUSINESS:

	YES	NO
DECLINING	☐	☐
BANKRUPT	☐	☐
LIQUIDATED	☐	☐
CLOSED DOWN	☐	☐
ASSETS SHARED	☐	☐
LIABILITIES SETTLED	☐	☐

2. NEW BUSINESS:

	YES	NO
STARTED	☐	☐
PLANNED	☐	☐

STUDENT: A.B. MAUDE SUPERVISOR: MAL. SANI ABDULLAHI.

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