

DETERMINATION OF FACTORS AFFECTING THE GROWTH AND SURVIVAL OF SMALL AND MEDIUM ENTERPRISES (SMES) IN ANAMBRA STATE

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ABSTRACT

The need to enhance the growth and survival of Small and Medium Enterprises (SMEs) necessitated the study, to ascertain the factors affecting the growth and survival of SMEs in Anambra State. Three research questions guided the study. A total of Two thousand, eight hundred and thirty-two registered SME owners and managers constituted the population. Simple random sampling was used to select 950 SME owners and managers as the sample for the study. Structured questionnaire validated by three experts with a reliability coefficient of 0.83 was the instrument for data collection. Data collected were analyzed using Mean and Standard deviation. The study found that factors such as; Inadequate experience, Lack of creativity, Lack of focus/determination (personal competencies) and Inadequate equipment and tools, Insufficient capital, Change in the market trend (environmental factors) affect the growth and survival of SMEs. Also, the study revealed the ways through which the growth and survival of SMEs could be enhanced as; Provision of adequate financial support to SME operators by the government, philanthropists and Non-governmental Organizations (NGOs), Government provision of favourable business policies for SMEs, and Provision of business and managerial skill training programme free of charge to SMEs through public private partnership, among others. Based on the findings of the study, it was recommended among others that, SME owners and managers should equip themselves with the necessary competencies required for the growth and survival of SMEs either through formal training or apprenticeship system or both to enhance the growth and survival of Small and Medium Enterprises (SMEs).

Key Words: Small and Medium Enterprises; SMEs operators; Growth and survival of SMEs.

1. INTRODUCTION

The importance of Small and Medium Enterprises (SMEs) to the economic development of any nation cannot be ignored. Sustaining stable economy in a nation (especially a developing nation) could be difficult without sustained growth in SMEs. According to Small and Medium Enterprises Development Agency of Nigeria SMEDAN, (2005), small scale enterprises are businesses with ten to forty-nine people with an annual turnover of five to forty-nine million Naira, while, medium scale enterprises are those businesses that have fifty to one hundred and ninety-nine employees, with a year turnover of fifty to four hundred and ninety-nine million Naira, excluding land and buildings. Furthermore, the Nigerian Bank for Commerce and Industry in Umeh (2009) defined the small scale enterprises as firms or companies with assets [including working capital but excluding land] not exceeding N750,000 and paid employment of up to 50 persons. Also, the Third National Development Plan in Ayozie, Jacob, Umukoro and Ayozie (2013) defined SMEs as

manufacturing establishments employing less than ten people or whose investment in machinery and equipment does not exceed six hundred thousand naira.

Looking at all these definitions, it could be deduced that there are some aspects that are common in the definitions above. They include: the number of workers, income and the amount of assets. This entails that it is number of workers, the income and the amount of assets belonging to an enterprise that determine whether it would be grouped as micro, small or medium enterprises. In this study both Micro, Small and Medium enterprises are referred to as Small and Medium enterprises (SMEs).

Growth and survival of SMEs referred to the thriving and continual existence of SMEs in the business world as they are important for enhancement of the economic development of the nation. Due to the fact that SMEs are economically viable, their contributions to the society should not be neglected. Hence, the operators of SMEs (owners or managers) should be adequately supported so that they can adapt and survive the adverse conditions and the challenging business environment. Numerous roles are being played by the SMEs for the economic development of the nation. They include but not limited to; job creation, skill development and technology transfer. Others according to Onugu (2005) and Muriithi (2017) include: bringing about new goods and services; supplying the needs of larger industries that have relied on the small scale enterprises for business success; satisfying the consumers at any given time with the availability of products; promoting the development of indigenous manpower as well as increasing local participation in the manufacturing sector; improving standard of living of the populace; provision of large scale employment; mobilization of domestic savings; utilization of local resources and disposal of industrial products and services. Furthermore, Sallem and Nasir (2017) noted that accelerated economic growth and rapid industrialization could be achieved through the activities of SMEs. Despite the importance of SMEs in Nigeria, most of them fail within the first five years of operation (Gumel, 2017).

Although, the Nigerian government has created some agencies to enhance the growth of SMEs in Nigeria, such agencies are expected to enhance the stability and smooth operation of the SMEs. For instance the establishment of Small and Medium Enterprises Development Agency of Nigeria (SMEDAN), National Directorate of Employment (NDE), Microfinance Banks, National Economic Reconstruction Fund (NERFUND) and Bank of Industries (BOI). Notwithstanding the effort of the government to provide support to SMEs through these agencies, according to Kayode & Ilesanmi (2014), SMEs in recent times are still failing. The failure could be as a result of negligence of certain factors which are yet to be ascertained. Considering the objectives of these agencies towards enhancing the growth and survival of SMEs, one wonders why the growth of SMEs has not tremendously improved in the State. Hence, determining the factors that could affect SMEs and cause their failure becomes important so that SME operators and all concerned should take precaution and work towards enhancing the growth and survival of SMEs to enhance the economic development of the State.

2. RESEARCH QUESTIONS

The following research questions guided the study.

- 1. What are the internal factors that could affect the growth and survival of SMEs in Anambra State?**

2. What are the external factors that could affect the growth and survival of SMEs in Anambra State?
3. What possible ways could be adopted to enhance the growth and survival of SMEs in Anambra State?

3. METHOD

The study adopted a survey research design. This design was considered appropriate because the study sought the SME operators' opinions on the factors that affect the growth and survival of SMEs and possible ways to enhance the growth and survival of SMEs. The study was carried out in Anambra State. Population of the study was 2832 registered SME operators in the State (Office of the State Ministry of Commerce). Simple random sampling was used to select 950 SME owners and managers (33.5%) as the sample for the study. Instrument for data collection was a structured questionnaire developed by the researchers after extensive review of the literature. The instrument was titled "Factors affecting the growth and survival of SMEs (FAGSSMEs) with a five point rating scale of Strongly Agree =5, Agree =4, Undecided =3, Disagree =2 and Strongly Disagree =1. The instrument was validated by three experts, two experts (a manager and an owner of SME) and one expert from Measurement and Evaluation unit in Nnamdi Azikiwe University Awka. The reliability of the instrument was established by administering the instrument to 20 registered SME managers and owners in Delta State who were not part of the population. Cronbach alpha's method was used to test the reliability of the instrument and the reliability coefficient of 0.83 was obtained. This indicates that the instrument was reliable and could be used for the study. The questionnaire forms were distributed to 950 respondents through their e- mail addresses. They were given three weeks to fill and submit the questionnaire. After the expiration of the time given for the completion of the questionnaire, Six hundred and twenty-five (625) questionnaire forms were duly filled and sent back to the researchers' link and were used for data analysis. Data collected were analyzed using Mean and Standard deviation. Any item with a mean of 3.00 and above was considered as a factor hindering the growth and survival of SMEs or a possible way that could be adopted to enhance the growth and survival of SMEs while any item with a mean below 3.00 was not considered as a factor hindering the growth and survival of SMEs or as a possible way that could be adopted to enhance the growth and survival of SMEs. The Standard deviation was used to determine the homogeneity or otherwise of the respondents' mean ratings.

Table 1. Socio-demographic information of the respondents

(n = 625)

Variables	Frequency	Percentage
Gender		
Male	410	65.6
Female	215	34.4
Level of Education		
Basic/Secondary	152	24.32
Undergraduate	324	51.84
Post graduate	94	15.04
Others	55	8.8
Type of Business		
Manufacturing	180	28.8

Wholesale	169	27.04
Retail	94	15.04
Wholesale and Retail	182	29.12

Researchers' Survey, 2022

Table 1 reveals that out of 625 respondents, 410 (65.6 %) were males and 215 (34.4%) were females. This indicates that SME operators in the State were dominated by males. Respondents had attained different levels of education. Some of them 152 (24.32%) had acquired primary/secondary education, most of them 324 (51.84%) were undergraduates, while a few 94 (15.04%) were post graduates and only 55 (8.8%) indicated other formal training. This implies that most of the SME operators in the State are educated. Regarding the type of business, 102 (28.8%) were engaged in the manufacturing sector which were mainly manufacturing of sachet water, 169 (27.04%) was engaged in wholesale businesses, 94 (15.04%) of the respondents were involved in retail businesses while 260 (29.12%) were conducting a mixture of whole sale and retail business. This implies that most of the SME operators in the State are involved in a mixture of wholesale and retail business.

4. FINDINGS

Research Question 1: What are the internal factors that could affect the growth and survival of SMEs in Anambra State?

Table 2: Respondents' mean ratings and standard deviation on the internal factors that could affect the growth and survival of SMEs

N = 625

S/N	Internal factors	Mean	SD	Remark
1.	Poor marketing skills	3.94	0.74	A
2.	Poor human relations	3.62	0.61	A
3.	Poor leadership skills	3.73	0.56	A
4.	Inadequate ICT skills	4.01	0.76	A
5.	Poor financial management skill	3.89	0.73	A
6.	Lack of motivation	3.52	0.70	A
7.	Inadequate experience	3.78	0.63	A
8.	Lack of creativity	4.03	0.83	A
9.	Lack of focus/determination	3.57	0.64	A
10.	Inadequate succession planning	3.54	0.71	A
11.	Inability to take risks	3.78	0.73	A

Data in Table 2 show that the eleven items listed as internal factors have the mean and standard deviation ranging from 3.54-4.03 and 0.56-0.83 respectively. This shows that internal factors affect the growth and survival of SMEs. Also, the standard deviation shows that the respondents' mean ratings are closely related.

Research Question 2: What are the external factors that could affect the growth and survival of SMEs in Anambra State?

Table 3: Respondents’ mean ratings and standard deviation on the external factors that could affect the growth and survival of SMEs

N = 625

S/N	External factors	Mean	SD	Remark
12.	Inadequate equipment and tools	3.94	0.72	A
13.	Change in the market trend	3.82	0.68	A
14.	Insufficient capital	4.02	0.75	A
15.	Competition	3.58	0.87	A
16.	Dumping of cheap products	3.62	0.80	A
17.	Inadequate market research	3.74	0.71	A
18.	Improper book-keeping	3.64	0.85	A
19.	Uneasy access to credit	3.73	0.73	A
20.	Improper marketing strategy	3.88	0.77	A
21.	Inadequate storage facilities	3.93	0.74	A
22.	Irregular power supply	3.95	0.82	A
23.	High rate of tax	3.84	0.76	A
24.	Raw material sourcing problem	3.57	0.72	A
25.	Rapid Change in technological facilities	3.55	0.74	A
26.	Inflation	3.58	0.79	A
27.	Business policy inconsistency	3.63	0.72	A
28.	Unfavourable business policies	3.74	0.74	A

Table 3 shows that the seventeen items listed as environmental factors have the mean ratings ranging from 3.55-4.02. This shows that external factors affect the growth and survival of SMEs. The standard deviation ranging from 0.68-0.87 shows that the respondents’ mean ratings are homogeneous.

Research Question 3: What possible ways could be adopted to enhance the growth and survival of SMEs in Anambra State?

Table 4: Respondents’ mean ratings and standard deviation on the ways to enhance the growth and survival of SMEs

N = 625

S/N	Ways to adopt	Mean	SD	Remark
29.	Provision of adequate financial support to SME operators by the government, Philanthropists and NGOs	3.87	0.78	A
30.	Government provision of favourable business policies for SMEs	3.83	0.74	A
31.	Provision of business and managerial skills training programme free of charge to SMEs through public-private partnership	3.77	0.81	A
32.	Reduction of tax payment	3.62	0.74	A
33.	Proper monitoring and evaluation of SMEs by the appropriate authority	3.89	0.72	A
34.	Proper linkage of SMEs products to the market	3.76	0.79	A
35.	Proper conduct of market assessment by SME operators	3.73	0.80	A
36.	Easy access to loan facility	3.78	0.75	A

Data in Table 4 show that the eight items listed as ways which could be adopted to enhance the growth and survival of SMEs have their mean scores and standard deviation ranging from 3.62-3.89 and 0.72-0.81 respectively. This shows that the respondents agreed that the listed items could enhance the growth and survival of SMEs in the State. Also, the standard deviation shows that the respondents’ mean ratings are closely related.

5. DISCUSSION OF RESULTS

Findings of the study from the socio-demographic Table 1 showed that SME operators in Anambra State were dominated by males. This is in contrast with the findings of Malima (2020) which stated that females engage in business more than males. The findings also revealed that most of the SME operators in the State have basic education. Although they were mainly people with low level of education (SSCEs and Undergraduates). This finding is in support of the findings of Sidika (2012) which maintained that many people with low level of education were engaged in the business than those with high level of education. Furthermore, the study found that most of the SME operators in the State were involved in a mixture of wholesale and retail business.

Findings of the study from table 2 revealed that internal factors which include: poor marketing skills, poor human relations, poor leadership skills, inadequate ICT skills, poor financial management skill, lack of motivation, inadequate experience, lack of creativity, lack of focus/determination, inadequate succession planning and inability to take risks, could affect the growth and survival of SMEs. These personal competencies could be learnt or developed through experience. They can also be referred to as internal factors as they could be controlled by the SME operator. As Morrison (2006) noted that internal factors are factors that can be controlled and influenced by the management of the company. This entails that adequate possession of these internal factors by the SME operator is pertinent for a successful SME operation while their inadequate possession could cause a hindrance to the SME's operation. As the studies of Aryeetey, Baah-Nuakoh, Duggleby, Hettige and Steel (1994); Okpara (2011); Yusuf, Olagbemi and Atere (2018) found that poor managerial skills (one of the personal skills) could affect the growth of SMEs. Also, Eze, Oladimeji and Fayose (2019) noted that creativity is an important factor that could enhance SME operation as they opined that workers in MSMEs should be given some level of autonomy to develop their creativity, because it enhances MSMEs' performance. It is therefore important that SME operators should work towards imbibing those personal competencies deemed important for the growth and survival of their enterprises. This they could do through formal training or apprenticeship system or both, in order to minimize their failure as Obidile and Okorafor (2018) pointed out that engaging in training especially when necessary is important before starting a business venture.

The findings from table 3 showed that external factors which include: inadequate equipment and tools, change in the market trend, insufficient capital, competition, dumping of cheap products, inadequate market research, improper book-keeping, uneasy access to credit, improper marketing strategy, inadequate storage facilities, irregular power supply, high rate of tax, raw material sourcing problem, rapid change in technological facilities, inflation and business policy inconsistency could affect the growth and survival of SMEs. These are factors that are usually beyond the control of the SME operator but they make huge impact on the SME's operation and success. According to Ali Qalati, Li, Ahmed, Ali Mirani and Khan (2021), they are environmental drivers that originate from the climate outside of the organization. Moreover, Dahlgvist and Davidsson (2000) noted that external factors present opportunities and threats which affect entrepreneurs. Guzman and Santos (2001) listed external factors to include socio-demographics, markets (local, international, emerging and established markets), cultural, economic, political, institutional, legal, productive, technological, infrastructure and other physical factors of that particular environment. In the same vein Kamunge, Njeru and Tirimba (2014) found that inadequate infrastructure could affect the growth of SMEs. Furthermore, Govori (2013) found access to finance, competition, corruption, and government policies as factors that could affect the development of SMEs. A study by Gunasekaran, Rai and Griffin (2011) which investigated the resilience and competitiveness of small and medium size enterprises found that change in the market trend and change in technology could also affect the growth of SMEs. The findings of the study also align with the study of Okpara and Wynn (2007) which found inflation as a factor that could affect the performance of SMEs. It is therefore important that SME operators should take cognizance of these external factors and take the necessary steps to avoid them for the growth and survival of their enterprises.

Findings from table 4 revealed that ways through which the growth and survival of SMEs could be enhanced include: provision of adequate financial support to SME operators by the government, philanthropists and Non-governmental Organizations (NGOs), government provision of favourable business policies for SMEs, provision of business and managerial skill training programme free of charge to SMEs through public private partnership, reduction of tax payment, proper monitoring and evaluation of SMEs by the appropriate authority, proper linkage of SMEs products to the market, proper conduct of market assessment by SME operators and easy access to loan facility.

6. CONCLUSION

Based on the findings of the study, it could be deduced that the growth and survival of SMEs could be affected by personal competencies of the SME owners and managers (internal factors) which could be learnt or developed through experience and environmental factors (external) which are usually beyond the control of the SME operators. Also, some strategies as found in the study should be adopted to enhance the growth and survival of SMEs.

7. RECOMMENDATIONS

Taking cognizance of the findings, the following recommendations were made;

1. SME operators should equip themselves with the necessary competencies required for the growth and survival of SMEs, either through formal training or apprenticeship system or both, to enhance the growth and survival of Small and Medium Enterprises (SMEs).
2. Public private partnership should be used to establish Small and Medium Enterprises Development Institute (SMEDI) where free skill acquisition training programme should regularly be given to operators of SMEs according to their needs.

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