

The Nigerian Business Environment and Growth Constraints of Micro and Small Scale Manufacturing Industries

Essien, Blessing Stephen PhD

Department of Sociology and Anthropology

University of Uyo

Akwa Ibom State

Nigeria

Abstract

Micro and small scale businesses play significant role in socio- economic development of any nation with Nigeria inclusive. But despite the significant role they play in national development, they are usually faced with some challenges that constraint their growth. Hence, this study examines growth constraints of Micro and Small Scale Manufacturing Industries (MSMI) in Akwa Ibom State. The study adopts a descriptive survey design. The study population comprised operators of manufacturing micro and small scale businesses in Akwa Ibom State and sample of 234 operators of manufacturing micro and small scale businesses were selected through stratified random sampling and “Nigerian Business Environment and Growth Constraints Questionnaire “developed by the researcher was used in data collection. This instrument was duly validated and tested to be reliable. Of the 234 copies of the questionnaire administered, 225 useable copies were retrieved. Frequencies and simple percentage as well as factor analysis were used to analyze data. Data analysis was facilitated with the use of the Statistical Package for Social Sciences (SPSS version 20.0) Results showed that the dimensionality of the MSMI’s constraints can be explained by 7 factors. These include problem of infrastructure particularly-power (factor 1), strict rules on credit (factor2), high interest rates on loan (factor3), multiple taxation (factor 4), absence of tax holiday (factor 5), trade liberalization (factor 6) and poor patronage of made in Nigeria goods (factor 7). It was identified that problem of infrastructure (power), inaccessibility of credit, high interest rate on loans, multiple taxation respectively were the major constraints that affected the growth of micro and small scale manufacturing businesses in Akwa Ibom State. Hence, to stabilize power, the Akwa Ibom State government should geared efforts toward generating electricity through Ibom IPP; the use of immovable assets as criterion to access business funding by banks should be reviewed; tax regimes should be harmonized. Also, ensuring product quality by SON, and promoting awareness of made in Nigeria products through trade fairs and exhibitions by MAN and NACCIMA will address trade liberalization and poor patronage factors.

Keywords: Business environment, Growth constraints, Factor analysis, MSMIs

Introduction

Small and medium scale enterprises (SMEs) abound in Nigeria. Their increasing number is due to the fact that they require less capital, fewer labour, low technological knowledge and a little managerial ability to establish. In addition, it generates employment, contributes to rapid economic growth and industrialization, and utilizes indigenous resources. These and many more, make small scale enterprises the life wire of the Nigerian economy. The roles of small scale enterprises to national economy have also been acknowledged in many other countries of the world such as Malaysia, Japan, South Korea, Zambia and India among others. Empirical studies have shown that small scale enterprises contribute over 55% of GDP and over 65% of total employment in high income countries. They also account for over 60% of GDP and over 70% of total employment in low income countries, while they contribute over 70% of GDP and 95% of total employment in middle income countries (Fan, 2003; Ariyo, 2006).

In Nigeria, SMEs have not performed creditably well, and have not played expected significant role in economic growth. They equally have been seen not to influence apprentice training so as to accelerate employment and poverty alleviation in order to foster Nigerian economic development (Osoimehin; Jegede; Akinlabi and Olajide, 2012).

As a matter of fact in recent times, their contributions to export earnings is negligible, relative to other countries, which implies that there must be additional, albeit, country-specific reasons or factors militating against the growth and survival of SMEs in Nigeria.

Okpara,(2011), Fatai (2011) and Ekponyong and Nyong (1992), have identified such factors as lack of financial support, poor management, corruption, poor managerial skills, poor infrastructure, insufficient profits, and low demand for products and services). Also, a positive relationship has been documented between operating environment and business growth in developed countries (Harris and Gibson, 2006; Monk, 2000; Sauser, 2005 and Birch 1987). However, far less research has been conducted on the relationship between operating environment and business growth in developing countries in general and Nigeria in particular, although Yusuf (2014) as attempted associating hostile operating environment as killing manufacturing sector in Nigeria. But no empirical concern has been given to the operating environment variables and business growth in Nigeria. It is essential to understand the environment in which businesses operate in developing countries because they are significantly different from those of the developed world. Literature also revealed that extensive work exist on small and medium enterprises generally, but to date no significant research has been carried out linking constraining factors specific to micro and small scale manufacturing industries (MSMIs) to operating environment in Nigeria in general and Akwa Ibom State in particular.

In Akwa Ibom State, there are not fewer than 10000 small scale enterprises (AK-SEEDS, 2004). But micro and small scale manufacturing industries constitute only 20 per cent of these enterprises (AK-SEEDS, 2004). Successive governments have supported SMEs through establishment of Akwa Ibom Industrial and Investment Promotion Council (AKIIPOC), Investment-led Poverty Reducing Empowerment Strategy (INPRES), Akwa Ibom Entrepreneurship Development and Resource Centre, Small Scale Equity Investment and Credit Scheme (SEICS), and Small and Medium Industries Equity Investment and Credit Scheme (SMIEIS). There have also been fiscal incentives, grants, and bilateral aids from multilateral agencies as well as specialized institutions toward making the small and micro business and apprenticeships schemes vibrant. Despite these laudable schemes and programmes, the state of MSMIs in the State is still at its low ebb. One wonders why MSMIs are dwindling in the state in view of government and institutional supports.

AK-SEEDS report (2004) identifies low productivity, low income and the use of outdated technology as some of the major threats facing the manufacturing sector. Factor into the equation are high level of insecurity, poor infrastructure, harsh governmental regulatory policies, low markets for products, high costs of products, scarcity of raw materials, unfriendly banking policies, corruption, and high competition the country is currently facing. These apparently are factors in business environments that seem to limit the functional growth of MSMIs in the country. Overcoming these factors forces or business challenges would promote small scale industries competitiveness, enhance their operational viability as well as heightened their investment capacities (Storey, 1994). Most importantly, there is an increasing recognition that identifying the problems facing small-business management in a non-western context may be meaningful in terms of the types of assistance (finance, training, management and technology); the West may provide (Okpara, 2007). Also, the identification of the constraining factors within the operating environment in Nigeria will draw management and policy-makers attention to the critical and specific areas demanding urgent attention.

This study therefore sought to identify which factor among government industrial policies, financial institutions policies, consumer's values and supplier's attitude, infrastructure, and trade liberalization in the business environment that affect the growth of micro and small scale manufacturing industries in Akwa Ibom State. In addition, the study sought to investigate:

- (a)How government industrial policies affect the growth of small and medium scale manufacturing industries' development in Akwa Ibom State.
- (b) The roles of banks and related institutions in engendering the challenges small scale manufacturing industries operations in the state.
- (c)The impact of consumers' values and suppliers' attitudes on the growth of small scale manufacturing business in the state.
- (d)How infrastructural facilities contributed to or relate to the growth of micro and small scale manufacturing industries.
- (e)How influxes of imported goods into the country affect the growth of micro and small scale manufacturing industries.

Literature Review

Manufacturing industries vary in size in Nigeria depending on the scale of what is produced, the number of personnel and the capital outlay of the owners. It could be micro, small or medium scale. Micro and small scale industry is used in this context to mean an industry with a total capital not less than N1.5million and not more than N50 million including working capital but excluding cost of land and a workforce of between 1-100 workers. Understanding the environments in which these industries operate is crucial. This is so because the operating environment offers opportunities as well as threats to the business organizations.

Business environment according to Ukeje (2003) encompasses all those factors within and outside that affect an industry's operations, and include customers, competitors, stakeholders, suppliers, industry trends, regulations, other government activities, social and economic factors and technological developments. This implies that no business organization operates in a vacuum. Every business operates in an environment and is always in a constant state of interaction with the internal and external forces. Robbins (1987) avers that environment of organization is very crucial not only as a determinant of structure but because it is expedient that organizations have to adapt to their environments if they are to maintain and increase their effectiveness.

Government Policies and Growth Constraints of Micro and Small Scale Industries

Egbon (1995) identified inconsistency in government policies as a major constraint affecting the growth of small scale businesses. The inability of the government to execute budgets on time restricts manufacturing firms to factor tariff measures into their trade decisions. Policy inconsistency can also be seen in the reversal of the backward integration policy which requires firms to source for their materials locally. Today, firms are permitted to source for raw materials abroad which exert serious burden on the operators given plethora of regulatory policies by the Nigeria customs and excise, multiple taxation by shipping agents and high port charges. On issue of multiple- taxation, the three- tier of government structure practiced in Nigeria gives each tier some rights and privileges to collect taxes, levies, licenses and rates. Small business operators are made to pay all these, before they are allowed to operate. The World Bank Group report (2010), says an entrepreneur in Nigeria makes 35% tax payment, spending an average of 938 hours per year to prepare them.

Arinaitwe (2006) remarks that poor implementation of policies, including administration of incentives and measures aimed at facilitating small scale enterprises growth and development have had unintended effects on the sub-sector. This has resulted, for instance, into confusion and uncertainty in business decision and planning as well as weakened the confidence by SMIs. For instance, the current trade policy regime which sees no need to protect small businesses from unfair dumping of sub-standard imported products has led to slow growth of small businesses. Though the World Trade Organization (WTO) advocates liberalized trade globally, the need to protect small business enterprises from unfair competition cannot be ignored. Even the most liberalized country in the world (USA), the government through the Small Business Administration (SBA) and the Department of Agriculture, still offers some supports. The ongoing withdrawal of subsidies on major public goods and excessive taxation on business owners are also policy issues that affect businesses in Nigeria.

Financial Institutions and the Growth Challenge of Micro and Small Scale Industries

Business ventures need finance to operate. Most capital needed to open up businesses are sought through borrowing, personal savings and loans from financial institutions such as banks, co-operative societies or the capital market. But only 10 percent of funds or credits from financial system are allocated to small businesses. Worst still, the credit facilities given by the banks only enjoy short term period. Yusuf (2014) observed that over 80 percent of funds in the banking system attract not more than one year tenure for manufacturing and solid minerals development. According to Olorushola (2001), constrained access to money in the money and capital markets is another problem facing small scale manufacturing industries operators. According to Olorunshola (2001) banks tend to be lukewarm in meeting the credit needs of SMEs; this they claim is due to factors such as the operators' inadequate preparation of project proposals, incomplete financial documentation, inadequate collateral, and the inability to raise the required equity contribution.

In the views of Osuala (2004), the banks also regard many SMEs as high risk ventures because of absence of succession plan in the event of death of the proprietor. Worrisome is the SMEs operator's inability to tap available finance from the capital market. This has been attributed to their aversion to disclosure and ownership dilution, although many small and medium enterprises blamed this phenomenon on the cumbersome requirements and procedure for listing on the stock exchange (Umoren, 2004).

As a result of this, working capital is still a major constraint on production, as most small scale firms are restricted to funds from family members and friends and are therefore unable to respond timely to unanticipated challenges (Umoren, 2004).

Consumer's Values and Growth Challenge of Micro and Small Scale Industries

The market environment is one of the determinants of the successes or failures of small scale industrial operations. The volumes of goods produced and sold are determined by the quantity of products purchase by consumers. This suggests that producers have to produce according to the tastes and preferences of consumers. Consumers have values; their values are conditioned by their belief system. Every consumer believes to derive satisfaction for every unit of goods purchase. Many Nigerians believe that some made in Nigeria goods are of low quality and brand them, as "Aba Made" or "Made in Aba"(Aba is industrial city in Nigeria). This affects products demand. Many Nigerians prefer foreign goods particularly, made in China and Japan. This perhaps explains why many made in Nigeria goods goes with the label or inscription "Made in China". The trend is the craze for fairly-used products which are seen as durable and belief to last longer than newly manufactured goods. The quality of products as well has to do with the quality of available raw materials and the technology use in the production process. Many of the raw materials needed for production are unavailable. Equally, the costs of importation of these raw materials are exorbitant. Olorunshola (2001), supports this view by identifying low demand of products as another constraint faced by small scale manufacturing industries. This is attributed to the non-standardization of their products, the problem of quality assurance as well as the generally low purchasing power, arising from consumers' dwindling incomes. Government patronage of made in Nigeria goods is also poor. This is so as many of its products in offices are imported, therefore, having limited preference for home made products.

In his study of the effects of globalization on micro and small scale manufacturing enterprises, Essoh (2004) sees trade liberalization as leading to cut-throat competition between local industries and transnational companies leading to loss of market for locally produced goods. This means that, where local industries used to dominate in terms of product sales, big transnational companies now typically produces or trades in an increasing multitude of products, services and sectors. These place greater demands on small scale manufacturers to adopt sound and tactical marketing strategies for their product sales as well as creating effective networks for product distribution.

Moreover, two critical areas in which small scale manufacturers lack in meeting the demands place on them by globalization is product standardization in terms of quantity control and quality assurance. Also, the managerial skills of some small business operators are abysmally poor. According to Osuala (2004) other areas of deficiencies encompasses financial management, marketing, production, human resources management, business communication, and quality control/assurance. Ukeje, (2003) contends that many of the small scale manufacturers are highly competent in their technical skills but are less well in managerial techniques. Therefore, technical capability cannot be substituted for managerial capability. For Ukeje, (2003), technical capability in the absence of management capability is parochial and self-serving.

Infrastructure and the Growth Challenge of Small Scale Manufacturing Industries

According to Osuala (2004) inadequate provision of essential infrastructure such as telecommunication, access roads, electricity and water supply constitute one of the greatest constraints to SMEs development. The most prominent ones are power, water and roads. Many industrial machines require high and steady power to run. In many cities in Nigeria electricity is not regular, in view of this, a lot of production firms have to rely on fuel energy to run their machines. Given the high cost of fuel, many operators produce at irregular intervals and in the event of the breakdown of the machines, the business is halted for the time being pending when the machines would be restored. Like electricity, many residence in Akwa Ibom State, depend entirely on bore-hole water as many areas do not have pipe borne water. Small scale manufacturing industries' operators do not have enough financial resources to drill water and so depend on buying from private water sellers which at times may not be available when the water is needed. Depending on where the factory is sited, poor roads also make accessibility of the factory difficult; affect delivery as well as the volume of sales and turnover.

Olorunshola (2001) affirms that most SMEs operators resort to providing these infrastructural facilities at huge cost. The Manufacturers' Association of Nigeria's Survey Report (2005) also showed that the generation of power by its members was responsible for 36% of production cost in the year under review. As a result, 10% of its members was operating at 48.8%, 60% at varying stages of coma while 30% had completely closed down.

According to World Bank Report (2010) such cost account for 15-20 per cent of the cost of establishing the actual factory. Evidence from the foregoing therefore shows the burden of overcoming inadequate infrastructure as being heavy on small scale manufacturing operators in Nigeria. However, the interplay of the above forces could be explained through systemic analysis.

Theoretical Model

The open system model provides useful insight into the interaction between organizations and its environments. The simple and traditional open system is one where outputs from other organizations are received as input. Through the processes of internal operations, the input transform into outputs which eventually becomes inputs to other organizations (Iheriohanma, 2000). It derives its human and material resources, depends on customers, and government support for its input. Since their inputs depend on the environment, it is being influenced by the environment as well as it influenced its environment (See Fig 1).

The Nigerian business environment therefore implies those internal and external forces that aid or constrain small scale manufacturing operations. In this context consists of government policies, infrastructure, financial institutions, consumer and suppliers groups, and foreign competitors. Luthans (1973) and Robbin (1987) identified the following as pre-requisites for system survival. (a) Awareness and interdependence with the environment (organizations should interact and become more responsive to the environment. It should adjust to the environmental challenges). (b) Feedback (systems should receive information from their environment on a continuous basis to enable them adjust to the environment’s demand. The feedback could be in the form of input (information or money). (c) Cyclical character (if organizations are to be maintained, they must recycle events. For example, the revenue they receive should be adequate enough to pay customers, labour, pay loans etc and these come back to the organization as inputs). (d) Avoidance of entropy (if the organization is to survive, the propensity to rundown must be avoided. To avoid this situation, the organization must be fed with enough energy for self maintenance). (e) Steady state (there should be constant flow of input into the system and steady outflow. Otherwise, homeostasis will elude the system). The interplay of these environmental factors is explained by the open system model in Fig. 1 below.

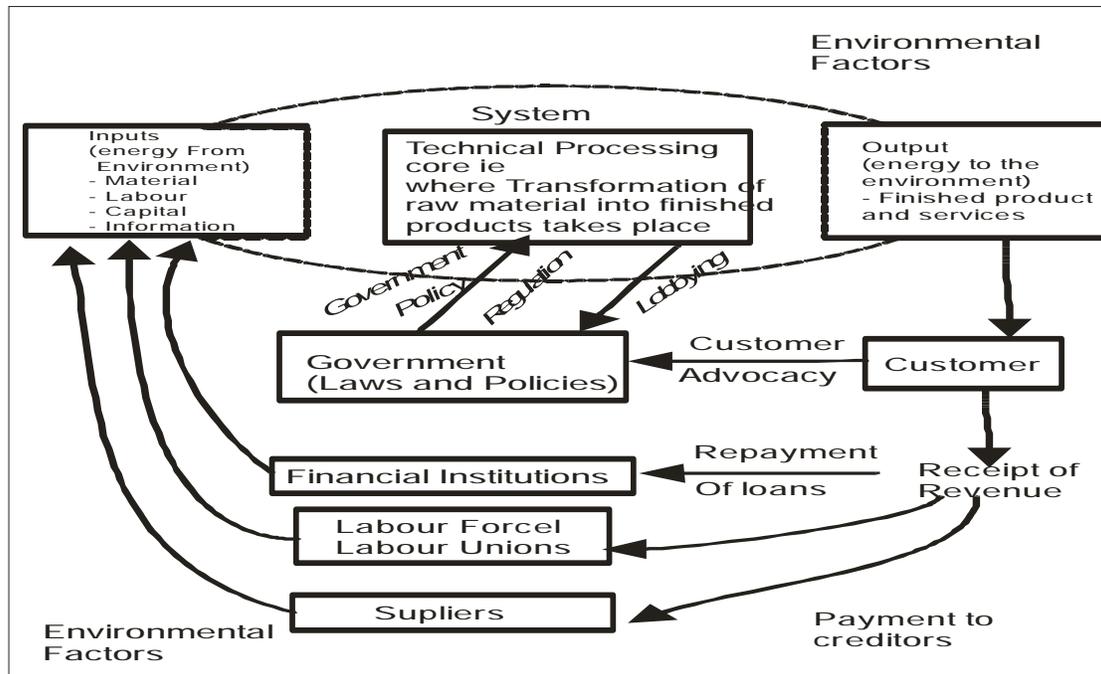


Fig. 1: Open System Model. Adapted From E. B. J. Iheriohanma (2002:15) Contemporary Issues in Organisation Theory and Management

Methodology

The study adopts a descriptive survey research design. The population of the study comprises 382 micro and small scale business enterprises operators that are engaged in manufacturing processes in Akwa Ibom State (MSMEs Survey 2010, Ministry of Commerce & Industry, Akwa Ibom State).

Sample of 234 operators of manufacturing small and medium scale business in Akwa Ibom state were selected through stratified random sampling. Stratification was done based on the Senatorial District with 78 operators of manufacturing small and medium scale businesses selected from each of the three (3) Senatorial Districts in Akwa Ibom State.

The researcher developed instrument titled “Nigerian Business Environment and Growth Constraint Questionnaire” was used in data collection. The instrument comprised 24 items, 4 items on the demographics of the respondents and 20 items on possible business growth constraints. The instrument was validated by two experts and tested to be reliable using Cronbach alpha. Reliability coefficient of 0.82 was obtained which justify the reliability of this instrument. Factor analysis was used to analyze the data. Factor analysis was used to identify the latent structure of the 20 items. Statistical Package for Social Sciences (SPSS version 20) was used to enhance data analysis. Out of the 234 copies of the questionnaire administered, 225 useable copies representing 96.2% of the questionnaire administered were retrieved. The 96.2% useable copies of the questionnaire indicate a high response rate.

Results

Table 1: Demographic Characteristics of the Respondents

Demographic characteristics	No. of Respondents	Percentage (%)
<u>Sex</u>		
Male	131	58.2
Female	94	41.8
Total	225	100.0
<u>Educational Qualification</u>		
NCE/OND	17	7.6
HND/B. Sc.	82	36.4
Post graduate degrees	126	56.0
Total	225	100.0
<u>Number of years in business</u>		
1 – 5 years	12	5.3
6 – 10 years	62	27.6
Above 10 years	151	67.1
Total	225	100.0
<u>Type of Industries</u>		
Food, beverages and Tobacco	78	34.7
Textile, leather and wearing apparels	26	11.6
Wood and Allied product	39	17.3
Pulp and paper product, printing and publishing	13	5.8
Electrical and Electronics	20	8.9
Basic metal	13	5.8
Chemical and pharmaceuticals	20	8.7
Motor vehicle and miscellaneous assembly	16	7.1
Total	225	100.0

Result as presented in Table 1 shows that 131 respondents (58.2%) were male and 94 respondents (41.8%) were female. The distributions of the educational qualifications of the respondents were as follows: 17 (7.6%) were NCE/OND holders, 82 (36.4%) were HND/B. Sc. holders while 126 (56.0%) were post graduate degrees holders. Twelve (5.3%) of these operators of manufacturing small and micro scale business had been in business for the period of 1 – 5 years, 62 (27.6%) had been in business for 6-10 years and 151(67.1%) had been in business above 10 years respectively.

Of the total 225 manufacturing micro and small scale business operators sampled, 34.37% were manufacturers of food, beverages and tobacco, 11.6%, 17.3%, 5.8%, 8.9%, 5.8%, 8.7% and 7.1% textile, leather and wearing apparel, wood and allied products, pulp and paper products, electrical and electronics, basic metals, chemical and pharmaceuticals, motor vehicle and miscellaneous assemble respectively.

Table 2: Respondents Rating of Factors Mostly Affecting Small and Micro Industries Operation

Factors in business environment	No. of Responses	Percentage
Absence of Tax holiday	09	4.0
Low product patronage	12	5.3
High interest on loans	19	8.4
Poor Electricity	22	9.8
Pipe borne Water	08	3.6
Poor roads	06	2.7
Poor equipment/machines	18	8.0
inadequate management skills	14	6.2
Lack of land for factory	10	4.4
Shortage of capital	17	7.6
No business information	04	1.8
Influx of foreign goods	09	4.0
Scarcity of raw materials	11	4.9
Poor credit system	20	8.9
Multiple taxation	13	5.8
Corruption	10	4.4
Poor location	05	2.2
Poor product marketing	07	3.1
Poor record/inventory skills	06	2.7
Lack of planning	05	2.2
Total	225	100.0

Field survey, 2014

Twenty factors were investigated from the operators to ensure which of the factors constrain their operation mostly. Their responses are as indicated in Table 2. To determine the number of factors to be extracted, the latent rule criterion was used. Seven factors were extracted (that is, 7 factors had latent root greater than one). This showed that the dimensionality of the variables can be reduced from 20 to 7. The factors extracted explained 80.789% variability in the data set as shown in Table 3.

Table 3: Summary of Eigen Values, % Total Variance and Cumulative % Variance of the Seven Factors Extracted

Factors	Eigen values	% variance	Cumulative %
1	4.094	20.472	20.472
2	3.449	17.246	37.717
3	3.014	15.069	52.787
4	1.774	8.869	61.656
5	1.441	7.207	68.863
6	1.280	6.402	75.265
7	1.105	5.524	80.789

Table 3 shows that factor 1 had the highest extraction sums of squared loadings (4.094) with percentage variance of 20.472%. Factor 2, 3, 4, 5, 6 and 7 explained 17.246%, 15.069%, 8.869%, 7.207%, 6.402% and 5.524% of the total variance explained by the seven factors extracted. Factor 7 had the least extraction sum of squares loading (1.105) and also the least percentage variance (5.524%). The results of rotated factor loadings as shown in Table 3 showed that 8 items loaded heavily on factor 1. Seven items loaded heavily on factor 2 and 5 items, 3 items, 4 items, 4 items and 2 items loaded heavily on factor 3, 4, 5, 6 and 7 business growth respectively. To identify these constraints the results of the rotated factors loading was used.

Table 4: Seven Component Rotated Factor Loadings Showing Business Constraints in Nigeria

Items	1	2	3	4	5	6	7
Q1	0.918						
Q2				0.901			
Q3					0.904		
Q4	0.714						
Q5		0.373			0.308	0.615	
Q6			0.871				
Q7							
Q8	0.344	0.754	0.462				0.844
Q9	-0.526	0.490	0.390			-0.328	
Q10		-0.821					
Q11	0.918						
Q12				0.910			
Q13					0.828		
Q14	0.560			-0.341	-0.359	0.395	
Q15						0.925	
Q16			0.780				
Q17							0.873
Q18	0.348	0.661					
Q19	-0.513	0.392	0.559				
Q20		-0.763					

Factor loading of 0.30 was used as the loading criteria.

As presented in **Table 3**, variable that loaded heavily on each of the factor can be summarized as follows:

Factor 1 (weak infrastructure): 8 variables than bordered on infrastructure like power, road, water etc. loading heavily on these factors.

Factor 2 (Collateral and strict rules on credit): 7 variables loaded and are interpreted as problem of collateral and strict rules on credits by financial institutions.

Factor 3 (High interest rates on loan): 5 variables loaded based on rotated factor loadings.

Factor 4 (Multiple -taxation): The 3 items all related to multiple -taxation loaded heavily.

Factor 5 (Absence of tax holiday): 4 items loaded on absence of tax holiday loaded well.

Factor 6 (Trade liberalization): 4 items all on trade liberation loaded on this component.

Factor 7 (Poor patronage of made in Nigeria goods): 2 items loaded and are interpreted as poor patronage of made in Nigerian goods.

Findings /Discussion of Results

Findings of this study reveal that certain factors constrain the growth of MSMEs. It shows that infrastructure factor had the highest effect with extraction sums of squared loadings (4.094) with percentage variance of 20.472%. Followed by strict rules on credit, high interest rate on loans, multiple taxation, and absence of tax holiday, trade liberalization and poor product patronage explained by 17.246%, 15.069%, 8.869%, 7.207%, 6.402% and 5.524% of the total variance of the seven factors extracted. Poor product patronage had the least extraction sum of squares loading (1.105) and also the least percentage variance (5.524%). The results of rotated factor loadings showed that 8 items loaded heavily on factor 1. Seven items loaded heavily on factor 2 and 5 items, 3 items, 4 items, 4 items and 2 items loaded heavily on factor 3, 4, 5, 6 and 7 business growth respectively. These are basically operational and strategic factors within the Nigerian operating or business environment.

Essentially, infrastructure constitutes one of the greatest constraints to MSMEs growth. The most prominent ones are power, water and roads. In many cities in Nigeria electricity is not regular, in view of this, a lot of production firms have to rely on fuel energy to run their machines. Given the high cost of fuel, many operators produce at irregular intervals and in the event of the breakdown of the machines, the businesses are halted for the time being pending when the machines would be restored.

Like electricity, many residence in Akwa Ibom State, depend entirely on bore-hole water as many areas do not have pipe borne water. Poor roads also make accessibility of the factory difficult. This affects delivery as well as the volume of sales and turnover. Studies by Osuala (2004), Olorushola (2001) and World Bank Report (2010) confirm this finding.

Government contribute to the growth challenges of MSMEs according to the operators in manufacturing sector through removal of subsidies, absence of tax holiday, high import tariff and absence of technical and financial supports. These have affected particularly Food, Beverages and Tobacco and Pharmaceutical industries operation. This study's finding support other studies particularly that of Essoh (2004), and Umoren (2004) on government policies affecting the growth of small scale enterprises earlier discussed in the literature.

High interest rates on loans, absence of monitoring/advisory units in banks, requisition for collateral and a times absence of credit facilities are factors identified by respondents as ways by which banks and allied financial institutions contribute to the challenges faced by MSMEs. In view of the last factor, inadequate business financing still remain a challenge to MSMEs. This finding is in support of Yusuf's (2014) idea that banking regulations and policies on credit pose a great challenge to MSME's growth.

On low patronage of goods, consumers were said to conceive made in Nigeria products as inferior, in view of this, they tend to lower product prices or not purchase at all. Suppliers supply of substandard raw materials, dubbing, and their inability to advance credit for business expansion have also affected market domain of the industry; mostly leading to poor MSMEs operators' profit margin, a times liquidation of some manufacturing businesses. This finding corroborates earlier findings by Olorushola (2001) on made in Nigeria products and poor consumers' patronage.

Recommendations

Based on the findings of this study, the following policy issues are recommended:

- (i) Efforts should be intensified by the Akwa Ibom State Government in securing approval from the Federal Government for distribution of electricity generated by IPP; this will ease the burden of cost overhead incurred by small scale industrialists on power, since power comes top in the category of infrastructural challenges. The idea of industrial clusters becomes very useful in this sense and also in the area of tackling the problem of factory space.
- (ii) Government role should not be limited to infrastructural provisions; adequate framework geared towards MSMEs development should be instituted. The need to have a special fund mobilization and monitoring agency for MSMEs is imperative. The undifferentiated roles of AKIIPPOC and the State Ministry of Commerce and Industry over MSMEs matters need be addressed. This is in view of the fact that the impacts of the Strategic Economic Empowerment Fund (SEEF) managed by both agencies of government have not been felt.
- (iii) Also, since finance is the lubricant of business engines there is greater need for the establishments of Small Business Development Finance Banks. This effort should be through Public Private Partnership. By so doing, will complement the efforts of commercial banks and also reduce the bottleneck faced by small scale manufacturing industrialists in securing loans from commercial banks. On the other hand, commercial banks should review their policies on MSMEs funding. Interest rate should be in single digit and moveable assets should be accepted as collateral.
- (v) More ever, to change the attitudes and values of the people towards locally manufactured goods, requires re-orientation, re-socialization and acculturation. In other words, education on the need to value what belong to us is needful. The Standards Organizations of Nigerian (SON), the National Association for Food, Drugs Administration and Control (NAFDAC), Nigeria Chambers of Commerce, Industries, Mines and Agriculture (NACCIMA), and the Nigerian Small Scale Industrialists (NSSI) should address this through price and quality control, mass media sensitization, and regular products exhibitions. It should be stated that the efforts of the Ethical and Attitudinal Reoriented Commission (EARCOM) of Akwa Ibom State in this direction has not been so glaring.

References

- Akwa Ibom State Economic Empowerment Development Strategy (AK-SEEDS) Ministry of Economic Development (2004), Vol.1, Uyo.
- Arinaitwe, J. k. (2006). Factors constraining the growth and survival of small scale businesses: A developing countries analysis. *Journal of American Academy of Business*. Cambridge. 8(2), 167-178.
- Ariyo, D. (2006). Small firms are the backbone of the Nigerian economy. Retrieved September 14, 2006. www.afbis.com/analysis/small.htm
- Birch, D. (1987). *Job creation in America*. New York: Free Press.
- Egbon, P. C. (1995). *Industrial Policy and Manufacturing Performance in Nigeria*. Ibadan.
- Ekpenyong, D. B. and Nyong, M. O. (1992). *Small and medium scale enterprises development in Nigeria*. Seminar paper on Economic Policy Research for policy design and management in Nigeria, NCEMA.
- Essoh, P. A. (2004). The effects of globalization on micro and small enterprises in Akwa Ibom State". A paper presented at a workshop organized by Support and Training Entrepreneurship Programme (STEP). Uyo: International Management and Finance Institute (IMFI).
- Fan, Q. (2003). Importance of SMEs and the role of public support in promoting SME development. World Bank.
- Fatai, A. (2011). Small scale enterprises in Nigeria: The problems and prospects. www.thecje.com/journal/index.php/economics
- Harris, M. L and Gibson, S. G. (2006). Determining the common problems of early growth of small business in Eastern North California. *Sam Advanced Management Journal*, 71(2),39-45.
- Iheriohanma, E. B. (2002). *Contemporary Issues in Organization Theory and Management*. Owerri: Centre For Research and Manpower Development.
- Monk, r. (2000). Why small businesses fail? (Electronic Version). *CMA Management*. 74(6), 12-13.
- Okpara, J. O. (2007). Determinants of small business growth constraints in a Sub-saharan Africa economy. *SAM. Advanced Management Journal*. 72 (2).
- Okpara, J.O. (2011). Factors constraining the growth and survival of SMEs in Nigeria: implications for poverty alleviation. *Management Research Review*.
- Olorunshola, J.A. (2001). "Industrial Financing In Nigeria: Some institutional arrangement". *Bullion*. 12 (4): 45
- Osoimehin, K. O.; Jegede, C. A.; Akinlabi, B. H., and Olajide, O. T. (2012). An evaluation of the challenges and prospects of micro and small scale enterprises development in Nigeria. *American Journal of Contemporary Research*.
- Osuala, S. I. (2001). "Helping Nigeria's Small and Medium Enterprises to Develop". A working paper.
- Robbins, S. P. (1987). *Organization Theory: Structure, Design, and Application*. London: Prentice-Hall, Englewood.
- Sausser, W. I. (2005). Starting your own business? Prepare for success. *SAM. Management in Practice*. 3 (1): 1-4.
- Storey, D. (1994). *Understanding the Small Business Sector*. London: Routledge.
- Ukeje, E. (2003). "Creating Employment Opportunities Through SMEs: Practical Options and Challenges in Nigeria". *CBN Bullion*, 27 (4).
- Umoren, N. (2004). "Financing rural industrialization in Akwa Ibom State: The strategic options". *Journal of Management Sciences*, 1 (3): 10.
- World Bank (2010). *World Bank Development Report*. Washington: Oxford University Press.
- World Bank Group (2010). *Doing business in Nigeria*.
- Yusuf, M. (2014). Hostile operating environment killing the manufacturing sector. *Vanguard Newspaper*. July 13, 2014.