Poverty Reduction in Nigeria through Indigenous Based Small-Scale Enterprises

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Abstract

In Nigeria, the levels of poverty are so high at individual and household grouping that an increasing number of Nigerians are finding it difficult to feed. The poverty problem is further compounded by the high incidence of unemployment in the country. Considering the challenges posed by poverty, the paper argues that for political and economic reasons, every state, non-governmental organizations and individuals must be involved in instituting development and employment schemes. Apart from making a case for the promotion of indigenous based small-scale businesses as veritable instrument for poverty reduction in Nigeria, the paper further argues that the Federal government should initiate policies geared towards reducing the rate of inflation, stabilizing foreign exchange and interest rates, reducing unemployment, e.tc. In addition, general allowances and tax relief measures should be applied to promote business growth and export of non-oil products.

Keywords: Poverty reduction, enterprise, small-scale businesses, indigenous, economic development.

Introduction

Poverty is one of the main symptoms or manifestations of underdevelopment and its reduction is generally considered synonymous with development **(Karaosmanoglu 1989; Salmen 1992)**. It has adverse effects on the people, national

economies, political and social development of the affected countries. Thus, as an area of research and an action-oriented subject, poverty is currently attracting varying degree of attention. **Anyanwu (1997)**. According to **(World Bank 1996a; Mbaku 1994)** the new global call for sustainable development has coincided with an emphasis on 'poverty alleviation' in the 1990s. This is more pertinent to sub-Saharan Africa, where, on average, 45 to 50 per cent of the people live below poverty line, a much higher proportion than in any other region of the world except South Asia **(Mbaku 1994)**. Nigeria has a per capita income of about US$ 310 and a human development index of 0.4. The levels of poverty are so high at individual and household levels that an increasing number of Nigerians are finding it difficult to feed. Such Nigerians also find it difficult to afford decent shelter. A recent survey by the Federal Office of Statistics (FOS) shows that the incidence of poverty has increased tremendously since 1986. The survey shows that about a third of Nigerians were below the poverty line in 1995. The UNDP report puts it at 58 per cent in 2000. The survey also reveals that the incidence of poverty is greater in the rural than in the urban areas. According to the **World Bank (1996b),** the poverty problem in Nigeria is further compounded by the high level of unemployment in the country. For example, in 1995, the open unemployment labour force in Nigeria was 21,768,548 or 48.0 per cent of the total labour force of 44,198,341. The 2001 ILO Employment Mission to Nigeria estimated that the labour force was growing at about 2.8 per annum, with the total estimate at 54.0 million as at 2005. Thus, according to **Yesufu (2000),** the difference between the labour force growth rate and the lower population growth rate is the net effect of the high growth rate of persons in the potential labour force category who do not immediately join the employed labour force. In the same vein, the potential labour force of Nigeria was estimated at 58.7 million of which the active labour force at 96 per cent, would amount to approximately 55.75 million. Using the 1991 unemployment of 47 per cent of the active labour force, it follows that at the year 2000, the level of unemployment can conservatively be put at 26.2 million as compared with the 1991 level of 20.77 million; i.e. rise of 26 per cent over a 9 year period **(Yesufu 2000)**. However the way one looks at it, unemployment situation in Nigeria has become alarming; it is certainly one of the worst, if not the worst, worldwide. It portrays a grim picture. Indeed, the 2001 ILO Employment Mission to Nigeria observed that, "unemployment has remained one of the most intractable problems facing Nigeria since independence in 1960". It is not the mere

existence of unemployment, therefore, which is the bane of today but the fact of its accelerated and continued accelerating rate of increase. Similarly, the number of the unemployed registered with the Employment Exchange Offices increased remarkably by 119.53 per cent to 508,382 in 2008 **(CBN 2004).** These figures were recorded as a result of the heightened expectations about placements by the labour exchange, arising from the refocused poverty alleviation programme and other employment generation-related programmes of the government.

Poverty and unemployment are widespread and increasing annually throughout Nigeria and for both political and economic reasons; every state, non-governmental organizations and individuals must be involved in instituting development and employment schemes. It means that both the Federal and State governments must be jointly involved in planning and implementing poverty alleviation schemes such as the promotion of indigenous based small-scale businesses, as well as individuals. This is the focus of this paper.

Definition and Scope of Small-Scale Enterprises

The Federal Ministry of Industry defined small scale business as a business whose total investment is between one hundred thousand Naira (N100000) and two million Naira (N2,000,000) excluding land, but including working capital. The Companies and Allied Matters Decree (CAMD) of 1990 states that a company qualifies as a small company in a year if the following conditions are satisfied:

- It is a private company having a share capital
- The amount of its turnover for that year is not more than N2,000,000
- Its net asset value is not more than N1,000,000
- None of its members is an alien
- None of its members is a government or a government corporation or agency or its nominee, and
- The directors between them hold not less than 51 per cent of its equity share capital.

An equally definitive statement on the characteristic features of small scale enterprise is given by the Bolton Report (1971) in the United Kingdom. It states as follows;

- In economic terms a small firm is one that has a relatively small share of the market
- It is managed by its owners or part-owners in a personalized way and not through the mechanism of formalized management structure
- It is independent in the sense that it does not form part of a large enterprise and that the owner/manager should be free from outside control in taking their principal depositions.

The Nigerian Bank for Commerce and Industry (2001) defines small scale business as a firm or company with assets (including working capital but excluding land) not exceeding N500,000 and paid employees up to 50 persons. Such an establishment must be wholly Nigerian-owned. According to the Central Bank of Nigeria in its monetary policy circular (2003), a small scale business is defined as an enterprise with annual turnover ranging between N50000 and N150000. On the other hand, the Federal Ministry of Industries (2004) focused on small scale business and declared as small scale any manufacturing process or service industry with capital investment not more than N250000 in plant and machinery. However, the Centre for Management Development (1994) stressed that, "small scale business cannot be adequately defined in terms of the number of employees, sale volume, assets employed or a combination of the above because of the inherent fallacy that would be embedded in such a definition".

Perhaps the most appropriate and concise is the definition offered by the United Nations Industrial Development Organisation (UNIDO) (2000). It is based on and qualifying as a small business by fulfilling a minimum of two of the following four key factors:

- Management of the industry is dependent on ownership and control held by the manager(s)
- Capital is supplied by an individual or small group.
- The operators are essentially local with the employees and owners living in the same geographical location.
- The business firm must be small within its field of operators. This measure can be in terms of sales volume, number of employees or other significant comparisons.

Similarly, **Liedholm and Mead (2013)** gave the following guidelines as the characteristics of a small-scale industry:

- Estsblishment with fewer than 50 workers engaged in manufacturing activities or related repair work
- Most of these small industries are privately owned and organized mainly as sole proprietorship
- Proprietors and family workers generally form the largest component of the small scale industry labour force, accounting for over 50% of small enterprise workforce.

Olagunju (2009) also defined small-scale industry for statistical purposes as a manufacturing establishment having fewer than a hundred employees. He believed that no single measure can be perfectly and satisfactory to define what small-scale industry should be, hence his preference to think in terms of a "functional" definition of small scale industry in terms of the presence of several, not necessarily all of the following characteristics:

- Little or no specialization in management.
- Owner supplied the necessary capital. This may be from the past savings or loans from family members or friends of both.
- Lack of access to capital through an organized security market and more often than not, have difficulty in obtaining short term credit.
- Close personal contact of the management with production, workers, customers, supplies and creditors.

The Indian Ministry of Industries sees small scale business "as enterprise that has capital assets not exceeding the equivalent of N200000 and employs less than 50 persons if power is used". Indonesia on the other hand, views small industries to mean all enterprises whether household or cottage, employing less than 10 full-time workers and not using motive power or machinery, medium-scale industries as employing between 10 and 50 workers and large industries employing more than 53 workers and using motive power **(Karaomanoglu, 1989**). These definitions of size specified by these scholars may alternatively refer to the number of employees, amount of capital or annual sales which dimension is appropriate and depends largely on the nature of the industry. Since the definition of small scale industry vary from one society to the other, Nigeria must define her concept of

small scale enterprise to fit her goals, history, experience and socio-cultural background. The usefulness of any concept depends largely on local factors.

PROMOTION OF SMALL SCALE ENTERPRISES IN NIGERIA: AN OVERVIEW

According to **Ezeigwe (2000)**, government interest in the promotion of small and medium enterprises in Nigeria, dates back to the colonial period. The Ten-Year Plan for Development and Welfare for Nigeria, approved by the Colonial Legislative Council in 1946, had created the Nigerian Local Development Board for the promotion and development of local crafts, industries and industrial development of any Nigerian product. In addition, the Plan established the Department of Commerce and Industries, which is the fore-runner of the now Federal Ministry of Commerce and Industries to facilitate the development of local industries through the effective marketing of their products. During the First Development Plan Period (1962-68), the Federal government provided loans to local entrepreneurs through the Federal Loans Board. The Government also built and rented at subsidized rates, an Industrial Estate in Yaba in 1962. Some regional governments adopted similar measures to boost indigenous entrepreneurship. The First Plan however, failed due to corruption and mismanagement, including lack of commitment by officials. Immediately after the Nigerian Civil War(1967-1970), the Federal Ministry of Commerce and Industries set in motion, the Second Plan Period which lasted from 1970-1974. During this period, the Military Administration established Small Scale Industries Unit in the Federal Ministry of Commerce and Industries to supervise the development of small scale industries in the economy. In particular, the two surviving Industrial Centres in Zaria and Owerri were reactivated and a third centre established in the Western state, to offer consultancy services to Small-Scale Businesses Operators. Similarly, regional governments also established Industrial Development Centres in the 1960s with the active collaboration of foreign technical partners, to promote the development of small scale industries through the infusion of management and needed technical skills. In the Third Plan Period (1975-1980), the government stepped up its concern and financial support to this sector. This was borne out of the realization that small scale enterprises could be used to pursue development objectives- to mobilize local resources, reduce rural-urban migration, create employment, and achieve even development and income distribution through the

dispersal of industrial enterprises to the rural areas. Financial management and technical support for these small scale industrialists were to be channelled through the Industrial Development Centres and the Small-Scale Industries Credit Scheme. This period also witnessed the establishment of the Nigerian Bank for Commerce and Industries in 1979 for the purpose of administering loans and the provision of consultancy services to small-scale enterprises. The Indigenisation Programme in Nigeria also strengthened government efforts in promoting the activities of Small Scale Entrepreneurs during this period. The Fourth Plan Period (1981-1985) witnessed the expansion of the Industrial Development Centres and their activities as well as the promotion of these enterprises through enhanced funding, provision of infrastructure and related incentives. As **Dibiezue (2000)** rightly noted, the growth of small scale industries received its greatest boost in the mid1980s, following the implementation of then Structural Adjustment Programme. The Structural Adjustment Programme he further pointed out was innovative and courageous economic measures devised to redress persistent domestic and external economic difficulties which had bedevilled the Nigerian economy since the late 1970s namely:

- Over dependence on the oil sector
- Huge foreign and domestic debts
- Shortage of raw materials and spare parts
- Industrial closure/retrenchment
- Inflationary spiral
- Declining investment climate, e.tc

According to **Olagunju(2009)**, a number of incentives were also established in the Rolling Plans, in the post SAP period to promote and sustain the development of small-size industries in Nigeria. The Federal government in the 1990s also introduced some fiscal and monetary policies aimed at creating conducive atmosphere for the operation of small-scale industries in the country **(CBN 2005).**

ORGANISATION OF CULTURAL GROUPS FOR OCCASIONAL PERFORMANCES: A STUDY

Almost every society has some cultural practices that modern civilisation tends to erode. Most of these cultural practices in form of songs, dances and displays are usually found entertaining particularly among people who live in big cities. It is usual nowadays to find cultural groups entertaining at naming ceremonies, funeral ceremonies, dedication of homes/industries, visits of eminent people and so on. It can be a paying business if you are able to organise such groups for displays, songs and other forms of entertainment. Primary and secondary school pupils are your ideal raw materials. If you teach in one of the schools, you can easily organise the pupils and train them in the way you want. Some of the pupils may also have some ideas which they will be happy to bring to lessons. Your business now starts with identifying when certain ceremonies are to be held. As usual, churches, mosques, palaces and clubs are ready avenues from which to find out when such ceremonies will be taking place. If you know the celebrants, you may inform them about your services and charge a little fee. Remember that in cultural shows, most of the money you get comes from people in the gathering who are impressed by the performance. Some schools already organise such groups and in some instances within one year in which these groups performed at various ceremonies, the average income from gifts from the people ranged between N100000 and N300000. Many Urhobo, Ijo, Ukwuani and Itsekiri exponents were known to have realised over N150000 on one of such occasions. Now if you remember that there is no weekend in most places in Nigeria when something is not happening, then you can imagine how much money you can make in this business. For a start, you can operate within your town or local government area. You will not have to spend much money to earn as much as N70000 per month. If you are smart, you can take your group to towns where indigenes of a particular town or ethnic groups are holding either their annual conference or some such get-together. In that case you will need to arrange for transportation for which, usually, your host may gladly pay. Of course, the hosts will require prior notice and you need firm confirmation of when the event will hold and for how long. More money is usually earned from such outside performances. This is because in such gatherings there will be people from different cultural background who are usually impressed, watching something different from the ones they are used to. In such cases, they are usually willing to

give generously to such groups. If you think about it carefully, you will see that this is a business from which you can make a lot of money if you are properly organised. And you do not need any permanent staff for a start and all your performances can be carried out during the weekends until such a time when you can be flexible in your activities.

Typology of Indigenous Based Small Scale Enterprises

Many people erroneously believe that one cannot engage in business except one has sufficient capital. While this may be true for medium to large scale businesses, it is not necessarily true for most small scale businesses, which one may embark upon in the comfort of one's home. According to **Adegeye (2006**), what most people lack is not capital but initiatives. There are quite a number of small scale businesses that one can embark upon. They include the following: fire wood supply; growing vegetables during the dry season; meat retailing; plantain production; restaurant (BUKA) service; rabbit raising; organising labour squads; operating a nursery for children; child minding; home laundry service; arranging drinks for parties, raising of pets; charcoal making; piggery; sign writing; portrait painting; raising of flowers; toothpick/cocktail stick making; typing institute; leaves selling; supply of logs to sawmills; production of conference bags; refuse disposal, photography; car washing; speech writing; old people's home; organising tours; music lessons; driving school; clearing and forwarding; renting out canopies and chairs, hair weaving; performing groups; fast foods; veterinary services; tailoring, bricklaying, plumbing, hunting and fishing; weaving traditional clothes, e.tc

Conclusion

From this paper, it is clear that small businesses can potentially contribute to poverty reduction. We can also see that many people are becoming dissatisfied with the level of growth of the economy, occasioned by the current vicious circle of poverty and unemployment in the country. They thus open their own small-scale businesses in order to improve their income and living condition. However, this is an era that has witnessed an unstable macro-economic environment for small scale entrepreneurs due to unstable exchange and interest rate regimes, high inflation and low purchasing power among consumers. The Federal government should initiate policies geared towards reducing the rate of inflation, stabilizing

foreign exchange and interest rates, reducing unemployment, e.tc. In addition, generous allowances and tax relief measures should be applied to promote business growth and export of non-oil products.

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