Small Scale Industries and Poverty Reduction In Benue State, Nigeria

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Abstract: This study examines the effect of small scale industries on poverty reduction in Benue State, Nigeria. Primary data was mainly used for the study and the data was obtained by the use of a well-structured questionnaire. Demographic data obtained from the study was analyzed by the use of descriptive statistics such as percentages and frequencies. The regression result shows that there is a positive relationship between small scale enterprises (SMEs) and poverty alleviation (POA) and the relationship is statistically significant (p<0.05) and the relationship is in line with a priori expectation. A negative relationship however exists between absolute poverty (ABP) and poverty alleviation (POA). It was recommended among others that in order to alleviate the poverty of those within the category of absolute poverty, and promote the capacity of SMEs in poverty alleviation banks and other financial institutions should discourage the use of collateral for obtaining of loans.

Keywords: Small Scale, Industries, Poverty, Reduction

1 INTRODUCTION

Globally, the small-scale industries are noted for their immense contributions to poverty reduction, development process and as engines of economic growth. They are promoted as a critical segment of the manufacturing sub-sector, effective strategy for tackling unemployment, poverty alleviation, diversifying output and achieving trade and balance of payment, given their nature and characteristics with respect to quick adaptation of technologies, manageable number of workers and reduced capital intensiveness.

Small-Scale industries are also characterized by simple management structure, which generally combines ownership and management in one person; hence, they revolve around the single owner/manager rather than separating the ownership from management. Recognition of the strategic importance of small-scale industries to the economy, their low survival capacity and the need to develop the entrepreneurial abilities of Nigerians, have made successive Nigerian governments since independence in 1960, to intervene in providing subsidies and other support services for small-scale industries. The growing concern about unemployment among the youths, especially graduates of tertiary institutions and diminishing growth potentials in the economy have further drawn increased attention on the need to ensure the survival and growth of small-scale enterprises.

Due to the vital role played by small-scale businesses in the economy, past and present governments in Nigeria have taken interest in them. This is reflected in the 3rd National Plan where government stated that its policy is to give active support to the promotion and development of small-scale enterprises in the economy (Akin, 2002).

Specifically in Makurdi, small scale business participation varies from sector to sector; where there is an appreciable level of private organized and manual agricultural production, several hotels and restaurants, business organized local banks, thrifts, saving and loan societies. Several private hospitals and clinics and several computer business services, commercial pay phone business, motorcycle (Okada) and a lot of private transport companies are owned by private individuals operating in the local government.

However, in this work, Small Scale Industries will be referred to as an enterprise with total cost (including working capital but excluding cost of land) above N1 million but not exceeding N40 million, with a labour size of between 11-35 workers.

Majority of the micro and small enterprises (MSEs) in Nigeria have not been able to lift the populace out of poverty and are still at a low level of development, especially in terms of number of jobs, wealth and value creation. This is because 65% of the active populations, who are majorly entrepreneurs, remain not served by the formal financial institutions. The microfinance institutions available in the country prior to 2005 were not able to adequately address the gap in terms of credit, savings and other financial services. As reported by the CBN, the share of micro credit as a percentage of total credit was 0.9%, while
Small and medium enterprises are mostly managed by owners and relations. The financing in most cases is normally provided by the owners, members of the family and friends in most cases. Small and medium enterprise experiences difficulties in raising equity capital from the finance houses or individuals. Even when the finance house agrees to provide equity capital, the conditions are always dreadful. All these result to inadequate capital available to the sector and thus lead to poor financing. This is the bane of most SMEs in Nigeria. About 80% of small and medium enterprises are stifled because of this problem of poor financing and other problems associated with it (Chukwuemeka, 2006). The problems that emanated from poor financing include: Lack of competent management which is the consequence of inability of owners to employ the services of experts; and use of obsolete equipment and methods of production because of owner’s inability to access new technology. Excessive competition which resulted from sales which is a consequence of poor finance to cope with increased competition in the industry. In spite of the different measures since 1960 to increase industrialization, small medium enterprises are still facing hard conditions. This is as a result of some constraining factors. The high cost of available raw materials affects the prices of good food. This only has adverse affect on the turnover of the enterprise but also on the profitability. Based on these backdrops, the following specific objectives were set to guide the study: to examine the effect of small-scale industry on poverty reduction, examine the effect small-scale industry on absolute poverty, ascertain the effect of small-scale industry on relative poverty.

2.0 REVIEW OF RELATED LITERATURE

2.1 Concept of poverty

Ukwu (2002), Townsend (1980), Zasha et al (1999) and Ayagi (2000) posits that poverty is a living condition in which an entity or individual is faced with economic, social, political, cultural and environmental deprivations. These deprivations are captured as lack of food, poor expectancy rate, poor environmental conditions, low educational opportunity, poor health services, general lack of economic infrastructure and lack of active participation in decision making either as it affects the individual or a nation. It could therefore be inferred from the proceeding that, poverty has to do with deprivations; or general lack of basic necessities of subsistence. With the present state of things in the country, it means therefore that, poverty is indeed pervasive in Nigeria and other nations of the world and must be defined in manifesting terms. We will now examine the causes and nature of poverty.

Based on these criteria, Ajakaiye & Adeanye (2001), Anyanwu (1987) & Chris (2001) define poverty as lack of sufficient income for securing basic goods and services. This opinion about poverty focuses on the ability of an individual to subsist and reproduce himself as well as the individual's ability to command resources to achieve subsistence.

Poverty can also be viewed as a disease that has gained entrance into various economic units in countries like Nigeria and the word at large. It connotes different meanings to different people and situations. This explains why many definitions exist and its concept cannot be exhausted in its entirety.

Ukwu, (2002), also holds that poverty is the condition of being poor, having little or no wealth, being a destitute in various basic needs of life. He further explains that poverty is a condition that exists when people lack the means to satisfy their basic needs which implies the state of deprivation and limited income. However, Enahoro & Ikpefan (2005), as summarized from world Development Report, explain that poverty is lack of opportunities resulting from low level of income, consumption and command over certain subsistent goods usually relative to national poverty line. According to them, poverty is associated with the level and distribution of human capital, social and physical assets.

Jhingan (2004) views poverty as a human condition which is not only related to economic abstract ideas but to despair, grief band pain. Poverty can also be hunger, illiteracy, malnutrition etc. This definition agrees with the one given by Fidelis (2004) which states that poverty is an economic condition in which people lack sufficient income to obtain certain minimum level of food, shelter, health services education that are generally recognized as necessities to ensure adequate standard of living in a society.

Despite the various definitions of poverty, it is clear that its meaning cannot be fully captured because of its elastic and vast nature. It is more than just the economic condition or the inability of people to meet their basic needs. It includes social, cultural, political, economical and historical deprivations. Hence, Ogiji (2004) classifies poverty as absolute and relative poverty.

Poverty also arises from denial of human rights, lack of choice, capacity, and materials deprivation, social exclusion etc. It is not a natural condition but one that can arise from an unstable nation and community, unacceptable government in the society, poor policy implementation, ethnic and religious crisis (Fidelis, 2004). Poverty however manifest itself in an individual's inability to having access to basic social amenities, too where the individuals level of income and economic well-being.
is determined and shaped by a complex array of economic and non-economic factors such as level of income, GNP (Gross National Product), politics, power, access to basic social infrastructures and services such as health, education etc (CBN, 2003).

Absolute poverty Indicators of absolute poverty (AP) are characterized by poverty lines that represent a fixed level of purchasing power, or command over material resources. Two individuals whose incomes are equal to the poverty line always enjoy the same material living standard. The poverty line is not connected to average living standards, so the poverty status of a given individual does not depend on the incomes of others around them. An absolute poverty line can refer to a living standard which is interpreted, by some criterion, as an ‘objective’ minimum standard. In this case, there would be some rationale as to why a living standard below this threshold ought to be considered as ‘poverty’ and a living standard above it should not. The already-mentioned Budget Standard Approach (BSA) pioneered by Seebohm Rowntree falls into this category. The BSA poverty line has an explicit meaning: it is the cost of a preselected consumption basket. A similar logic applies to the World Bank’s $1-a-day standard. In research pertaining to contemporary developed countries, absolute poverty lines seldom have a clear interpretation. They can be derived from simply taking the (relative) poverty line of one particular year, keeping it fixed in real terms, and applying it to subsequent years (see Office for National Statistics & Department for Work and Pensions, 2009a: 41–53; OECD, 2008: 129–30). Or the poverty line can be ‘borrowed’ from one country and applied to others, adjusting for differences in price levels but not for differences in average incomes (Smeeding, 2006; Notten and Neubourg, 2007). In both cases, the absolute poverty line has no interpretation of its own. Call such absolute poverty measures, which are ‘borrowed’ from a particular country and/or year, and frozen in real terms, will subsequently, ‘quasi-absolute’.

Absolute poverty

Absolute poverty refers to inability of an individual to provide him with basic needs such as food, shelter, education and health services etc. This type of poverty leads to deprivation, non-participation in decision making. However, in Nigeria poverty is often conceptualized as absolute as the country is undergoing a lack of the above listed necessities. Relative poverty on the other hand, related to the inability of the individual or certain sections of the community, families to satisfy their basic needs comparatively to others. In relative term, a society is said to be poor if its social and economic overheads available to here citizens are below expectation in comparative term with other communities or family’s (Ogiji, 2004).

Absolute poverty is sometimes used as a synonym for ‘extreme poverty’ (Brady, 2003a), which is incorrect. The absolute/relative distinction contains no information about the severity of the poverty concept examined. Several authors have used a purchasing-power-parity-adjusted fixed poverty line to compare poverty rates across OECD countries (Scruggs and Allan, 2006; Smeeding, 2006; Notten and Neubourg, 2007). In the less wealthy OECD countries, such as Portugal and Greece, absolute poverty rates of this type can easily be higher than relative rates. Understanding ‘absolute poverty’ as ‘extreme poverty’, and ‘relative poverty’ as ‘moderate poverty’, confounds two distinct categories. An absolute poverty indicator need not be minimalistic and a relative poverty indicator need not be encompassing. Absolute poverty measures also approximate living standards by income, or, less frequently, expenditure. Like relative poverty measures, they equivalise income through the use of weighting scales. Poverty gap or composite measures are derived in the same way as for relative poverty.

Relative poverty

Indicators of relative poverty are based on a country’s income distribution. Incomes are equivalised, which is the process of making them comparable across different household types. A particular household type, normally a two-adult household, is set as the reference category. For any household type other than the reference category, equivalised income is not the nominal income that a household receives, but the income which a two-adult household would require to attain the same living standard. A relative poverty line is a fixed fraction of the central tendency of the income distribution. Thus, households are considered poor if their income is far below those of ‘typical’ income of a particular time and place. In earlier studies relying on a relative measure, the poverty line was usually set at 50 per cent of mean income (Atkinson, 1998: 2), with 60 per cent of median income later becoming the more common measure. Poverty lines based on the mean can be highly sensitive to a small number of very high incomes, which makes them less suitable to approximate ‘typical’ incomes (Saunders & Smeeding, 2002).

2.2 Measurement of poverty

World Bank (2004) stated that poverty has to be viewed through a variety of indicators like level of income, consumption and social indicators especially those vulnerable to risk and socio-political access. However, the measurement of poverty is anchored on
the two concept of poverty, which is absolute and relative poverty. But the most commonly used, measurement is income, which is reflected on the per capital income of a nation. (U.S. has $1 and or $2 per day for the extremely poor). A person is considered poor this wise if his or her income falls below some minimum level necessary to meet basic needs. This minimum level is called poverty line.

However, CBN (2003) concludes that poverty is measured by income or expenditure level that can sustain minimum standard of living which is reflected in traditional per capital income and indicators like life expectancy, education, literacy, access to health services and potable water, nutritional and access to good housing.

2.2.1 Causes of poverty

The cause of poverty in Nigeria is generally the same and thus Makurdi Local Government is not left out. However, analyst agree that the causes of poverty is multi-dimensional as such they cannot be exhausted. Poverty in Nigeria can be said to be caused by lack of gainful employment especially for school leavers at various levels of education which leads to lack of access to basic needs of life for one self and other dependant, inability to save and invest, and lack of access to credits (Nemade, 2002). The United Nations Development Programme (1997) put the population of the world’s poor persons as 1 billion out of 5 billion. In Nigeria, the World Banks recent estimate indicates that over 45 percent of the population recent estimate indicates that over 45 percent of the population lives below the poverty line.

The National Planning Commission in Nigeria (2005) identifies other causes of poverty as weak governance resulting to embezzlement and corruption which is one of the reasons why policies or programmes such as poverty alleviation programmes in the past failed. Other causes of poverty include Criminal and social vices like armed robbery, prostitution, luthism, natural factors,(disease outbreaks, war, flood), and historical factors like colonialism imperialism etc, more also the lack of education and skills, socio cultural beliefs, inequality and discrimination in terms of race, ill-health and disabilities.

2.2.3 Effect of poverty on Nigerian economy

The following are some of the effect of poverty on the poor, the rich and the Nigerian economy directly or indirectly.

i. Crime in the society: It is alarming the rate at which crime is found and is increasing. This is remotely connected to poverty and robbery, prostitution, corruption, nepotism and others.

ii. Malnutrition and disease: A sound mind comes from the state of one's health and the food eaten. The poor are often malnourished and are prone to diseases. This affects the rate of productivity and the quality of life. The poor live mostly in poorly roofed and cracked wall houses and some live in thatch houses and dirty environments which expose them to a lot of dangers.

iii. Low Productivity: Poverty also causes production generally to remain subsistent since the poor cannot afford capital to expand production. This is because as capital increases it enhances productivity and reduces loss and increases the chance of profit making.

iv.) Discrimination and inequality: This relates to poor access to social and economic opportunities due to discrimination on the ground of gender, age, race, disabilities, ill-health etc, and the poor are not allowed most time to participate in decision-making and political issues.

2.2.5 Reasons for failure of poverty alleviation programmes

Several factors are held responsible for the failure of poverty alleviation programmes in Nigeria, these include:

i). Corruption, diversion of resources, bad governance and lack of transparency and accountability.

ii). Poor implementation of programmes, party politics, frequent regime change, non-continuity of programmes and unhealthy state of the economy.

Since it is apparent that the government in Nigeria alone cannot effectively contain poverty in the society to enhance national development, it must increasingly rely on the private sector by way of encouraging small-scale enterprises, non-governmental organizations and community groups for assistance in this regard.

2.1.3. Small Scale Enterprises

There is no generally accepted definition of a small scale enterprise because the classification of businesses into large scale, medium scale or small scale is highly subjective. In Nigeria, the Central Bank of Nigeria (CBN) in its monetary policy circular No 22 of 1988 defined small-scale enterprises as having an annual turnover not exceeding five hundred thousand naira (Ali 2003). The disparities associated with the definition of this
concept could be ascribed to the differences in the background of the researchers, changes in economic conditions, institutional changes and advances in technology. The Federal Ministry of Industries defined small scale enterprises as businesses that have total capital (land, building machinery equipment and working capital) of up to N60,000 and employ up to 50 persons. Itechukwu (2000) views a small scale enterprise as a business operated mainly with hired labour usually not exceeding 50 workers if no motive power is used. Generally, such businesses are characterized by labour intensive mode of production, flexible operation as they adjust quickly to various factors, use indigenous raw materials, localized operations, low gestation period, and low level of education/skills (Itechukwu, 2000; Ali 2003). Optimists have held the view that there is a negative relationship between small scale enterprises and poverty on the one hand, and between small scale enterprises and unemployment on the other hand. This is to say that the presence, growth and survival of small scale enterprises can alleviate poverty and create jobs, especially in developing countries like Nigeria. As such what may be a working definition of small-scale business in one place may be used to refer to a large-scale one in another place or country. It is even more difficult to draw a line between small-scale and medium scale business as such, they are often lumped together as small and medium scale enterprises (SMES) which include a wide variety of machine shops, restaurants, handicraft, photography, etc.

However, in the Nigerian context, the National Council on Industry (NCI) at their 13th meeting held in Makurdi in July, 2001 modified the definition of small-scale business to refer to an enterprise with total capital which excludes cost of land not more than N1.5 million with labour size of not more than ten (10) employees. This includes cottage and micro-industries which are mostly single family operated businesses with no employees other than them the owners.

This definition agrees with the one given by Alabar, (2002) when he explains that any establishment employing less than ten people and whose investment in machinery and equipment does not exceed N600,000.00 is referred to as small-scale business. He further stated that such business must have fixed assets above N1 million but not exceeding N10 million excluding land.

2.2 Theoretical framework

2.2.1 Vicious Circle of Poverty

This theory that was propounded by Nurkse (1953) posits that there are circular relationships known as the vicious circles of poverty that tend to perpetuate the low level of development in less developed countries like Nigeria. In other words, there is a circular constellation of forces tending to act and react upon one another in such a way as to keep a poor country in a state of poverty. For instance, a poor man may not have enough to eat, being under fed his health may be weak, being physically weak, his working capacity is low, which means that he is poor, which in turn means that he will not have enough to eat and so on. A situation of this sort relating to a country as a whole can be summed up in the trite preposition that a country is poor because it is poor. The basic vicious circle stems from the fact that total productivity in low income countries is low due to deficiency of capital market imperfections, economic backwardness and underdevelopment, and this circle operates both on demand and supply sides.

Clearly, the development of natural resources depends on the development capacity of human resources in the country. If the people are illiterates, low skilled and lack knowledge at entrepreneurial abilities, natural resources will remain untapped, unutilized or underutilized. On the other hand, underdeveloped natural resources will make people to remain economically backward in a country. According to Jhingan (2007), poverty and underdevelopment of an economy are thus synonymous as a country is poor because it is underdeveloped, and a country is underdeveloped because it does not have the necessary resources for promoting development. The basic idea behind the vicious circle of poverty theory is that poverty once started could continue for generations unless there is outside intervention. According to Marger (2008), breaking the vicious circle of poverty is almost impossible since poor people do not have the requisite resources to get out of poverty and this explains why Valentine (1968) noted that it is a pattern of behaviour which cannot easily be reverted.

2.2.2 Unbalance Growth Theory

According to this theory, investment should be made in selected sectors rather than simultaneously in all sectors of the economy. Hirschman (1958) however postulated the theory when he advanced that deliberately unbalancing the economy according to a pre-designed strategy is the best way to achieve economic growth in an underdeveloped country. In other words, investment in strategically selected industries of the economy will lead to new investment opportunities and so pave the way for further economic development.

2.2.3 The Basic Needs Theory

The basic needs theory was propounded by Maslow (1943). The basic idea behind this theory is
that people have needs and the desire to satisfy the unmet needs motivate them to engage in activities that will help them satisfy their needs. The theory states that different needs are active at different times and only those needs not yet satisfied can motivate people. The needs are arranged in a fixed order of importance called a hierarchy and once a lower need has been met, the individual is motivated by unmet higher needs. The needs are arranged in a hierarchical order starting from physiological or basic needs to self-actualization needs as follows: i) Basic needs which includes food, shelter and clothing; ii) Safety needs, that is freedom from harm and deprivation; iii) Social needs, that is friendship and team work; iv) Self esteem needs, that is acceptance of self as having value; v) Self actualization needs, which is the need for fulfillment of potentials and personal growth potentials. Maslow (1943) noted that the efforts and behavioural changes observed in individuals are meant to achieve one of these needs.

2.3 Empirical Review

Akeredolu (1972) examined 52 indigenous small scale enterprises in Lagos State, Nigeria in order to establish the relationship between small scale enterprises and poverty reduction. Structured questionnaires were used to elicit data from the respondents while simple percentages were used to analyze and present the results. The findings indicate that one of the most effective ways of poverty reduction in Lagos is the development of small scale enterprises.

Ajala & Fakoya (2003) examined the role of women’s small scale business activities towards poverty alleviation in Ibadan North East local government area of Oyo State, Nigeria. The study used structured questionnaires to generate primary data from 180 small scale women entrepreneurs. The data were analyzed using frequency tables and percentages; while chi-square test was used to evaluate the research hypothesis. The results showed that small scale businesses are effective in reducing poverty in Oyo State; and that the main challenges faced by small scale businesses are lack of capital and basic infrastructure.

Yusuf et al (2008) studied the poverty status of urban farm households in Ibadan metropolis of Oyo State, Nigeria, using 200 questionnaires that were administered on farming households selected from 2 local government areas in the metropolis. Descriptive statistics and qualitative modeling techniques were used to analyze the data. The findings of the study showed that those households who engaged in crop farming had the highest poverty level of 50% while mixed farming and livestock farming households had poverty level of 37% and 17% respectively. The logistic regression showed that urban farming reduced poverty in the metropolis.

Babatope & Akintunde (2010) examined the state of industrial development in Ondo State, comparing it with other states in Nigeria. Previous forecasts and studies were also reviewed, while some cases of existing small and medium scale enterprises (SMEs) within Akure (the state capital) were also investigated with results presented in order to establish the peculiar problems militating against their profitability. These problems were found to be availability of credit facility, infrastructures and bad or poor management.

Akingunola (2011) assesses specific financing options available to SMEs in Nigeria and their contributions to economic growth. The Spearman’s Rho correlation test was employed to determine the relationship between SMEs financing and investment level. The analysis reported a significant Rho value of 0.643 at 10%. This indicated that there is significant positive relationship between SMEs financing and economic growth in Nigeria via investment level. Descriptive statistics were also used to appraisal certain financing indicators. The study recommended that accessibility to relative low interest rate finances should be provided to small and medium enterprises in Nigeria in order enhance economic growth.

Akiighir (2011) examined rice processing and poverty reduction in Kwanda local government council of Benue State, Nigeria, using sample survey methodology. The study measured poverty status using head count ratio and poverty gap measures. The findings of the research showed that rice processing reduced the poverty status of the respondents. The challenges of rice processing were identified to include low capital, poor transportation network, and low price of locally processed rice among others.

Oboro & Ighorojo (2011) examined the problems of financing small scale business enterprises in Nigeria and the way forward. The study identified the sources of finance, types of finance available for small business enterprises and problems inhibiting small scale business enterprises in Nigeria in securing funds for their smooth operations. The study concluded that adequate finance is indispensable for the successful operations of small scale business enterprises in Nigeria and recommended among others that government should increase loanable funds granted to small scale businesses, while micro finance banks should also live up to their responsibility of granting loanable funds to small scale businesses in Nigeria.

Kadiri (2012) examined the contributions of Small and Medium Scale Enterprises (SMEs) to employment generation in Nigeria by providing a sectoral analysis of the efficacy of SMEs as a vibrant tool for employment generation. The Binomial Logistic Regression Analysis was employed as the tool for statistical analysis. The study found that the
sector was unable to achieve this goal due to its inability to obtain adequate business finance. It was observed that virtually all the SMEs that were sampled relied on informal sources of finance to start their business. The study therefore recommends the integration of the activities of the formal with that of the informal financial institutions; while the government should urgently provide the needed infrastructure such as roads, water, electricity and the needed enabling environment.

Aigboduwa & Oisamoje (2013) examined the historical trend in the development of SMEs in Nigeria and identified several opportunities and competitive advantages now exclusively reserved for Nigerian companies under the Nigerian Content Act 2010. The study emphasized the need for access to funding for development of the capital base of SMEs, and suggested that the Act would offer a turning point in the realization of all the policy trusts formulated for growing SMEs in Nigeria in the future.

3.0 METHODOLOGY

This correlational study utilized the survey research design. From the population of 4,984 respondents from the three senatorial districts in Benue with a sample size of 370. Primary data was mainly used for this study collected with the aid of a well-structured questionnaire.

Model Specification

Guided by the functional relationship between the variables of the model the implicit and the explicit form of the model are presented below:

In an implicit form, the model is presented as shown below:

$$POA = f(SMEs, ABP, REP)$$

Where,

- POA = Poverty Alleviation
- SMEs = Small and Medium Scale Enterprises
- ABP = Absolute Poverty
- REP = Relative Poverty

In an explicit form, the model is rendered as:

$$POA = b_0 + b_1SMEs + b_2ABP + b_3REP + U_t$$

Where

- $b_0$ = Regression constant
- $b_1$, $b_2$, & $b_3$ = Regression coefficients
- $U_t$ = Error term

A priori expectation

(X_1) = Small and Medium Scale Enterprises; a priori expectation is positive

(X_2) = Absolute Poverty; a priori expectation is negative

(X_3) = Relative Poverty; a priori expectation is negative

Simple percentages and tables were used to present descriptive data such as the demographic characteristic and responses from the respondents obtained from the research. The dependent and the independent variables of the study were analyzed using multiple regression analysis. The hypotheses were tested using standard error of the regression estimates.

4.0 DATA ANALYSIS AND DISCUSSION

This chapter presents the descriptive statistics and the result of the regression analysis on small scale industries and poverty reduction in Benue State, Nigeria.

Table 4.1: Demographic characteristics of the respondents

<table>
<thead>
<tr>
<th>S/N</th>
<th>Attribute</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.</td>
<td>Type of business</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.</td>
<td>Furniture</td>
<td>47</td>
<td>12.70</td>
</tr>
<tr>
<td>5.</td>
<td>Art work</td>
<td>44</td>
<td>11.89</td>
</tr>
<tr>
<td>5.</td>
<td>Salon</td>
<td>54</td>
<td>14.59</td>
</tr>
<tr>
<td>5.</td>
<td>Petty trading</td>
<td>58</td>
<td>15.68</td>
</tr>
<tr>
<td>5.</td>
<td>Tailoring</td>
<td>60</td>
<td>16.22</td>
</tr>
<tr>
<td>5.</td>
<td>Packaged water</td>
<td>50</td>
<td>13.51</td>
</tr>
<tr>
<td>5.</td>
<td>Meat packing</td>
<td>57</td>
<td>15.41</td>
</tr>
<tr>
<td>6.</td>
<td>Ownership</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6.</td>
<td>Sole proprietorship</td>
<td>145</td>
<td>39.19</td>
</tr>
<tr>
<td>6.</td>
<td>Partnership</td>
<td>124</td>
<td>33.51</td>
</tr>
<tr>
<td>6.</td>
<td>Cooperative</td>
<td>101</td>
<td>27.30</td>
</tr>
<tr>
<td>7.</td>
<td>Business capital</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7.</td>
<td>Personal saving</td>
<td>98</td>
<td>26.49</td>
</tr>
<tr>
<td>7.</td>
<td>Loan from relative</td>
<td>102</td>
<td>27.57</td>
</tr>
<tr>
<td>7.</td>
<td>Bank loan</td>
<td>89</td>
<td>24.05</td>
</tr>
<tr>
<td>7.</td>
<td>Inheritance</td>
<td>81</td>
<td>21.89</td>
</tr>
</tbody>
</table>

Source: Researcher’s computation, 2016

The table above shows the types of business in which the respondents to this research embark. And
as shown we see that 12.70% of the respondents deal with furniture, 11.89% of them do art work, 14.59% handle hair dressing salons, 15.68% of the respondents are petty traders, 16.22% handle tailoring work, 13.51% of the respondents produce packaged water and 15.41% of the respondents are engaged with meat packing business. This is a result showing respondents who are not idle ones but are involved in a productive venture.

Table 4.1 displays the type of business ownership which the research respondents operate with. It shows that majority of the respondents in the tune of 39.19% of the respondents operate with sole proprietorship, 33.51% of the respondents practice partnership and the remaining 27.30% of the respondents operate with cooperative business style. The table above shows the type of business capital from which the respondents acquired their fund which they used to finance their business. It displays that 26.49% of the respondents used their personal savings, 27.57% got some loan from their relative, 24.05% of them took some loan from the bank and 21.89% of the respondents got their operational business as an inheritance.

4.4 Regression Results and Discussion

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>4.847</td>
<td>19.713</td>
<td>.246</td>
<td>.809</td>
</tr>
<tr>
<td>SMEs</td>
<td>.324</td>
<td>.077</td>
<td>.730</td>
<td>1.167</td>
</tr>
<tr>
<td>ABP</td>
<td>-.927</td>
<td>.520</td>
<td>-.782</td>
<td>2.896</td>
</tr>
<tr>
<td>REP</td>
<td>.062</td>
<td>.333</td>
<td>.038</td>
<td>.186</td>
</tr>
</tbody>
</table>

a. Dependent Variable: POA

POA = 4.847 + 0.730SMEs -0.582ABP + 0.038REP

S (b2): [0.077] [0.520] [0.333]
{p-value}: {0.026} {0.011} {0.855}

This study shows that the prominent role in SMEs in poverty alleviation. This is shown by the results of the regression analysis which indicates a positive relationship exist between small & medium scale enterprises (SMEs) and poverty alleviation (POA). This is in line with the work of Kadiri (2012) who examined the contributions of Small and Medium Scale Enterprises (SMEs) to employment generation in Nigeria by providing a sectoral analysis of the efficacy of SMEs as a vibrant tool for employment generation and thus poverty reduction in the economy. The model summary shows that the coefficient of variation (85.9%) indicates that 85.9% of the variations in the model can be explained by the explanatory variables of the model and the Durbin Watson statistics does not suggest that autocorrelation is a problem in the model of the study; hence, the estimates of the model can be used for prediction.

Using the standard error test in testing the hypotheses of the study, the first null hypothesis was rejected. This implies that SMEs does have a significant effect on Poverty Alleviation. This study is is in line with Aigboduwa and Oisamoje (2013) who examined the contributions of Small and Medium Scale Enterprises (SMEs) to poverty reduction in Nigeria by providing a sectoral analysis of the efficacy of SMEs as a vibrant tool for poverty employment generation. The study found that the sector was unable to achieve this goal due to its inability to obtain adequate business finance. It was observed that SMEs with its attendant role has a means of reducing poverty through employment generation.

The null hypothesis for hypothesis two was rejected. That is, we accept that the estimate b2 is statistically significant at the 5% level of significance. This implies that absolute poverty have a significant effect on poverty alleviation during the study period under study. This result means that the initial distribution of wealth is creating permanent poverty and social exclusion. As very well illustrated in a model by Galor and Zeira (1993), it may be the case that that poor people facing a credit market imperfection will never be able to accumulate enough collateral to get beyond it or will simply find it too hard to do so, thus the inability in getting finance to leverage on the opportunities in the economy will perpetually keep them in the level of absolute poverty line.

This opinion is echoed by Kakwani (1993) and Chen and Ravallion (1998) who noted that under the assumption of a constant distribution of relative incomes and a constant rate of growth it would take more time to eradicate absolute poverty in a more egalitarian economy than in an economy with less relative deprivation.

Using the standard error test, the the null hypothesis was accepted. That is, we accept that the estimate b3 is not statistically significant at the 5% level of significance. This implies that relative poverty does have a significant effect on poverty alleviation. This further means that a society with little relative poverty and social exclusion could be more efficient
and therefore more able to avoid absolute poverty than a more egalitarian society Galor and Zeira (1993).

Conclusion and recommendations

From the foregoing, there is no doubt that small-scale business has a major role in the survival and improvement of living standard of the people hence reducing both relative and absolute poverty level. However, it is worthy to note that these enterprises are limited by inadequate access to credit facilities and fund, electricity and water supply, high rate of tax and seasonal patronage. It is equally important to note that small-scale business is a key to industrialization, which provides the means to livelihood, generate income and employment. To sustain this sector, there is need therefore, to encourage the populace through the provision of basic infrastructures like electricity and water supply, good roads, loans etc, which will facilitate the operation of small-scale businesses and subsequently, a reduction in poverty level and creation of a conducive environment for living.

Based on the findings, the following recommendations are suggested to enable the government and small-scale business operators improve their businesses and reduce poverty level. The financial institutions and development banks especially micro-finance banks and Development Finance Institution (DFI’s) should be fully committed in promoting small-scale enterprises with increased bank lending and released stringent lending condition. In order to alleviate the poverty of those within the category of absolute poverty, banks and other financial institutions should discourage the use of collateral for obtaining of loan. This is because, to alleviate themselves from the shackles of poverty, these people should be able to access soft loan, which will left them out of their poverty status. To solve the problem of finance for expansion, small-scale business operators should be encouraged to go into partnership as this will broaden the business capital base and even assist them to acquire loans easily rather than relying on individual/sole proprietorship capital which most times is inadequate. The bank could also take over the business by financing the business at the take-off stage in form of loans and sharing of some percentages of profit made from the business until the amount of money collected as loan is recovered.

REFERENCES


