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The Regional Economic Performance Of Small Scale Industries In Akure, Ondo State, Nigeria

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ABSTRACT

Small scale industries have formed the bedrock of the economy of many nations especially, Africa. The tremendous multiplier effect generated is a panacea for economic expansion, boosting, advancement, sustenance and economic regeneration. The paper therefore, underscores the regional economic performance of small scale enterprises, using Akure, Ondo, State as a case study.

The first step in the collection of primary data involves the reconnaissance survey, where ten wards were identified. The second stage involves the administration of questionnaire based on total sampling. On the whole, one hundred and forty five questionnaires were retrieved. The questions sought in the questionnaire were largely centred on the economic performance of the small scale industries. The Chi-square tests was conducted in testing the impact of the small scale industries on economic development. The research has found out a positive relationship between the small scale industries and employment generation, transportation, technological innovation, standard of living, poverty alleviation, commercial activities as well as on the other sector of the economy. The hypothesis tested on the impact of small scale industries and the economic development was significant at 0.5% level. The paper however revealed an inverse relationship between small scale industries and infrastructural facilities. Due to the amazing economic transformation and rejuvenation which small scale enterprises is capable to infuse into regional economy, this paper therefore, recommend more Government active participation in the small scale sector. This could be achieved through granting or giving of loan to interested investors at an affordable interest rate. The location factors such as power supply, water supply and government policies etc. should be made liberal. Also, tax holiday policy should be implemented, so that the younger investors would be able to benefit from it. Entrepreneurs should have close associations with themselves by forming co-operative and thrift societies; this will substantially help in the area of finance, and also provide an avenue through which various regulations and laws that would govern the small scale firms positively will be provided.

Key words: *Small Scale industries, Economic performance, Technological Innovation,*

1. INTRODUCTION

In developing countries, the forces of economic production have been concentrated in a few cities, especially state capitals, ports and major administrative centers. For manufacturing activities, these concentrations have usually been explained in terms of the specific principles of industrial location. Aboyade (1978) contends that it is the judicious balance between economic and non-economic considerations that should provide the test for any location policy. He concludes that a good industrial location policy should extend in an underdeveloped country beyond the theoretical constructs of market and raw material source propositions to shadow of narrow self-interest, political planning and cost benefit considerations.

A heated debate has recently emerged, or been revived, concerning the relative roles and importance of large and small scale firms. On the one hand is the view, which has prevailed for the better part of this century, that small scale firms do not perform an important role in the economy and that they will play an increasingly diminished role in the future (Piore, 1980). Until the mid-1970s the evidence indicated that small scale firms were indeed becoming less important over time (Braczyk, 1986). The view that the cornerstone of the modern economy is the large firm dates back to at least Karl Marx (1912), who prophesied the corporate form of organization leading to a “constantly diminishing number of the magnates of capital, who usurp and monopolize all advantages of transformation.” The limit was a state in which “the entire social capital would be united, either in the hands of one single capitalist or in those of one single corporation” (Marx, 1912).

An alternative view has recently emerged in the economics literature arguing that small firms and entrepreneurship are playing a much more important role in the economy than had been previously acknowledged. According to this view, small firms make at least four important contributions to industrial markets. First, they play an important role in the process of technological change. Building upon the Schumpeterian (1934) tradition, Winner (1982) argues that small firms make a significant entrepreneurial contribution, in the sense that they are the source of considerable innovative activity. Second, small firms generate much of the market turbulence that not only creates an additional dimension of competition not captured in the traditional static measures of market structure, such as concentration, but also provides a mechanism for regeneration (Marshall, 1920; Hamilton, 1984). In this sense, small entrepreneurial firms serve as agents of change in a market. A third contribution, which is related to the first two, is promotion of international competitiveness through newly created niches (Braczyk, 1986). The final contribution emanating from small firms in recent years has been their preponderant share of newly generated jobs (Storey and Johnson, 1987).

2. CONCEPTUAL ISSUES/LITERATURE REVIEW

There is a bit of controversy as to what business units can rightly be referred to as small scale industry. According to Wheeler (2005), definition varies from

country to country. The definitions in use depend on the purposes those definitions are required to serve and the policies which govern the sector. Therefore definition varies from country to country from one industrial grouping to another and from one financial institution to the other. Generally some parameters are used either singly or in combination (Cohen and Morrison 2004, Ishengoma and Kappel 2004). These are capital investment on plant and machinery, number of workers employed and volume of production or turnover of business.

The small scale industry is recognised as an integral component of economic development and a crucial element in the effort to lift countries out of poverty (Basem 2008). Small scale industries are a driving force for economic growth, job creation and poverty reduction in developing countries. They have been the means through which accelerated economic growth and rapid industrialization have been achieved (Ogechukwu and Latinwo 2010, Cook and Nixson 2005). It is also a feeder service to large scale industries (Fabayo, 2009).

Commenting on the role of industrialization in development, Yusuf, Olagbemi, and Atere (2011), in their study of small scale industries owned by women advocated for the promotion of small scale industries in the developing countries as strategy for industrialization on the basis that its capital requirements are low and therefore within the reach of the indigenous entrepreneur. Hamilton (1974) opined that small scale enterprises may achieve higher employment and development of entrepreneurship.

To Akinbinu (2001) small scale industries have contributed in very important ways to Nigeria economic development. When they are concentrated in a particular location as clusters of enterprises, they exhibit what he termed collective efficiency or economies of agglomeration. To him there is an increasing recognition that in addition to the internal assets or capabilities of firms. The ability of a firm to reach and sustain industrial maturation will have to rely on its organizational capability to form fruitful relationships with other domestic and international actors Lundval (1992), Porter (1990), Pyke (1992) and Sadqqi (2003). Adegbite (1991) observed that the small scale industries have a number of advantages which derive from the fact that they are more labour intensive than large industries and so are more capable of creating jobs, highly conducive to the provision of effective training ground for entrepreneurs and development of managerial talent. Moreover, the SSI is more likely to use local raw materials and technology and thereby stimulate rural development and save foreign exchange.

3. THE STUDY AREA AND THE METHODS

The study area is Akure, the capital of Ondo State which lies on latitude $7^{\circ} 15'$ N and longitude $5^{\circ} 15'$ East. The population of Akure was estimated at 484,798 in 2006 provisional census figure.

Rainfall at Akure is about 1422mm per annum. The rainfall has a double peak, the first being in June (195mm) and the second in September (205mm).

The lowest mean monthly temperature is about 22.7⁰C (72⁰F) in the month of August, whilst the highest mean monthly temperature is about 27⁰C (80⁰F) in the month of March. It was the administrative headquarters of the former Ondo province of the Old Western State. Akure, however, came to lime light after the creation of Ondo State in 1976 when it was ascribed capital status. The economic activities in Akure are many and diverse; these includes: Agriculture, Transport, services and manufacturing industries to mention but a few. Akure is the economic nerve centre of Ondo State.

The first step in the collection of primary data was the reconnaissance survey of the study area. This is to ensure that none of the small scale industries will be left uncovered during the survey. Primary data were obtained mainly through the administration of questionnaire on 155 small scale firms (total sampling). The questionnaire was administered in ten wards (see table 1). Information were significantly sought on the economic impact of the small scale enterprises on the economic development of Akure . On the whole one hundred and forty five questionnaires were retrieved.

Table 1 Distribution of Small Scale Firms by Wards

Ward Name	Ward Code	Number of Firms	Percentage
Gbogi/Isikan I	1	21	13.5
Gbogi/Isikan I	2	31	20.0
Ijomu/Obanla	3	14	9.0
Lisa	4	09	5.8
Odopetu	5	13	8.4
Okearo/Irowo I	6	09	5.8
Okearo/Irowo II	7	05	3.2
Oshodi/Isolo	8	28	18.1
Oda	9	14	9.0
Owode/Imuagun	10	11	7.1
Total		155	100

Source: Field Survey, 2013.

The secondary data such as the number of small scale industries and their locations were obtained from Ondo state ministry of commerce and industry and ministry of works and housing, Ondo state. Information on the division of Akure into wards was obtained from Ondo state independent electoral commission (ODIEC).

Data were analysed both descriptively and inferentially. Economic development was however measured from the reports of the respondents using the following indices; employment generation, Commercial activities, transportation

development, infrastructural facilities, technological innovation, standard of living, poverty alleviation and contribution to other sector of the economy.

4. FINDINGS

Table 2 Sexes of the Respondents

Sex	Number	Percentage (%)
Male	99	68
Female	46	32
Total	145	100

Source: Field Survey, 2013

Table 2 shows the sex of the respondents, out of 145 respondent, 99 (68%) were males, while 46 (32%) were females. Most respondents were males.

Table 3: Occupation of the Respondents

Occupation	Number of firms	Percentage (%)
Traders	46	32
Transporters	30	21
Civil servants	48	33
Students	21	14
Total	145	100

Source: Field Survey, 2013.

Table 3 revealed the occupation of the respondents, out of 132 respondents, 42 (32%) were traders, 25 (21%) were transporters, while 48 (33%) were civil servants and 21 (14%) were students. Majority of the respondents were civil servants.

Table 4 Small Scale Industries and Employment Generation

Employment creation	Number of respondents	Percentage (%)
Positive	115	79
Negative	30	21
Nil	-	-
Total	145	100

Source: Field Survey, 2013.

Table 4 revealed the small scale firms and the employment creation. Out of 145 respondent, 115 (79%) attested that small scale firms are major employer of labour,

they believed the small scale industries have positive effect on employment generation, while 30 (21%) were of the opinion that small scale firms have negative effect on employment generation. It is therefore, obvious that the small scale industries have significant positive effect on employment creation.

Table 5 Small Scale Firms and Commercial Activities

Contribution to commercial	Number of respondents	Percentage (%)
Significant contribution	109	75
Insignificant	07	05
Nil	29	20
Total	145	100

Source: Field Survey, 2013.

Table 5 revealed the contribution of small scale firms to commercial activities, out of 145 respondents, 109 (75%) agreed that small scale firms has contributed significantly to commercial activities, 07 (05%) opened that small scale contribution to commercial activities has been insignificant. While 29 (20%) believed that the small scale industries has no contribution to commercial activities. It is therefore apparent that small scale firms have contributed tremendously to commercial activities.

Table 6 Small Scale Firms and Transportation Development

Contribution to transportation	Number of respondents	Percentage (%)
Positive improvement	110	76
Nil	35	24
Negative	-	-
Total	145	100

Source: Field Survey, 2013.

The contribution of small scale firms to transportation development is vivid from table 6. Out of 145 respondents, 110 (76%) were of the opinion that small scale has contributed significantly to transport improvement, while 35 (24%) respondents believed that the small scale has no effect on the transport improvement. None of the respondents believed that the small scale firms have negative effect on improvement in transportation development. It is obvious that the small scale firms have contributed significantly to transport development.

Table 7 Small Scale Industries and Infrastructural Facilities

Impact on infrastructural facilities	Number of firms	Percentage (%)
Positive	29	20
Negative	05	3
Nil	111	77
Total	145	100

Source: Field Survey, 2013.

Table 7 has revealed the impact of small scale industries on infrastructural facilities provision or development. Out of 145 respondents, 29 (20%) agreed that small scale firms have impacted positively on the infrastructural facilities development, 5 (3%) believed that the small scale firms has negative impact on the infrastructural facilities development, while 111 (77%) opined that small scale firms has no impact on infrastructural facilities development. It can be deduced that the small scale firms has no impact on the infrastructural facilities development.

Table 8 Small Scale Industries and Technological Innovation

Technological Innovation	Number of firms	Percentage (%)
Advancement	75	52
Negative	40	28
Nil	30	20
Total	145	100

Source: Field Survey, 2013

The impact of the small scale industries on technological innovation is apparent from table 8. Out of 145 respondents, 75 (52%) opined that small scale has led to advancement in technological innovation, 40 (28%) believed that small scale industries has impacted negatively on technological innovation and 30 (20%) believed that small scale industries has no effect on technological innovation. It is therefore, obvious that small scale industries has significant positive effect on technological innovation.

The hypothesis which states that: there is no significant positive relationship between the small scale industries and the economic development in Akure was tested using the Chi- square statistical analytical method.

TABLE 9 Summary of X^2 showing the relationship between Economic Development and Small Scale Industries

Variables	Significant level	Degree of freedom	Calculated X^2 value	Tabulated X^2 value	Decision
Employment					
Commercial activities	$\infty = 0.05$	$(m-1)(n1)$ $(5-1)(3-1)$ $=8$	300.38	15.507	Accept H_1
Improved transportation					
Improved infrastructural facilities					
Improved technology					

Author's Analysis, 2013.

The above table (9) shows the calculated = 300.386 at $\infty = 0.05$ (5%) and the degree of freedom (df) = $(r-1) (C-1)$, $r = 5$, $C = 3$

df = $(5-1) (3-1) = 8$ and the tabulated $X^2 = 15.507$.

Decision: The H_0 is therefore rejected and H_1 accepted. This hypothesis revealed that there is positive relationship between the economic development and small scale industries.

Table 10 Small Scale Firms and Standard of Living

Standard of Living	Number of respondents	Percentage (%)
Improved	95	66
Negative improvement	15	10
Nil	35	24
Total	145	100

Source: Field Survey, 2013

Table 10 revealed the contribution of small scale firms to standard of living. Out of 145 respondents, 95 (66%) agreed that small scale firms has contributed significantly to improved standard of living, 15 (10%) opined that small scale contribution to commercial activities has been negative. While 35 (24%) believed that the small scale industries has no contribution to improved standard of living. It is

therefore apparent that small scale firms have contributed tremendously improved standard of living.

Table 11 Small Scale Firms and Poverty Alleviation

Poverty Alleviation	Number of respondents	Percentage (%)
Significant reduction	109	75
Insignificant reduction	16	11
No Effect	20	14
Total	145	100

Source: Field Survey, 2013

Table 11 revealed the contribution of small scale firms to standard of living. Out of 145 respondents, 109 (75%) agreed that small scale firms has contributed significantly to improved standard of living, 16 (11%) opined that small scale contribution to commercial activities has been negative. While 20 (14%) believed that the small scale industries has no contribution to improved standard of living. It is therefore apparent that small scale firms have contributed tremendously to poverty alleviation.

Table 12 Contribution to other Sector of the Economy

Poverty Alleviation	Number of respondents	Percentage (%)
Positive	101	75
Negative	-	11
No Effect	44	14
Total	145	100

Source: Field Survey, 2013

Table 12 has revealed the contribution of the small scale industries to other sector of the economy. Out of the 145(100%) respondents, 101(75%) opined positive contribution, while 44(11%) agreed that it has no effect on the other sector of the economy. This connotes that small scale has aided the development of other sectors.

5. SUMMARY AND CONCLUSION

The paper examines the regional economic performance of small scale firms on economic development of Akure. It revealed the significant positive relationship between the small scale firms and economic development of the region, the hypothesis tested in this regard was very significant. The positive relationship between small scale firms and economic development may be attributed to the fact

that Akure is the capital of Ondo state. It is vivid from the research that the small scale industries are major employer of labour, and it has also impacted positively on other commercial activities. The paper has revealed the significant positive impact on technological innovation, Standard of living, poverty alleviation, as well as the tremendous contribution to the other sector of the economy. The research however, revealed that small scale industries have no impact on infrastructural facilities.

No wonder, scholars have long understood that small scales industries can play a major role in economic development. In fact the United Nations in 1989 reported that the share of small and medium scale enterprises in manufacturing value added in developing countries varied from 10% to 60%. Moreover it can be assumed that 80% of all enterprises in the developing countries are in small and medium category, it also account for 50-60% of total employment in the manufacturing sector. This sub sector is important as an engine of growth and is expected that the gains to be derived from the establishment of small scale industry will be translated into development at low investment cost. These industries will also be able to harness their raw materials locally and serve as raw materials inputs to the large scale industries.

As a result of findings emanating from this study in order to attract more investors to the small scale business here are some recommendations below for policy objectives: Government participation in the small scale firms is recommended, this could be achieved through granting or giving of loan to interested investors at an affordable interest rate. The location factors such as power supply, water supply and government policies etc. should be made liberal. Also, tax holiday policy should be implemented, so that the younger investors would be able to benefit from it. Finally, the entrepreneurs should have close associations with themselves by forming co-operative and thrift societies; this will substantially help in the area of finance, and also provide an avenue through which various regulations and laws that would govern the small scale firms positively will be provided.

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