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INFRASTRUCTURAL DEVELOPMENT AND SMALL AND MEDIUM ENTERPRISES PERFORMANCE IN OSOGBO METROPOLIS

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Abstract

This research seeks to evaluate the impact of infrastructural development on SMEs' performance in Osogbo Local Government of Osun State. The study assessed the determinants of Small Medium Enterprise development in Osogbo, it also determined the rate at which poor financing and capital formation stall the development and survival of SMEs and the impact government policies and intervention programmes has on the performance of SMEs among others. The study adopted descriptive research design while employing statistical with econometric techniques to achieve the specific objectives. The study employed survey method by distributing Questionnaires to the respondents. 200 Questionnaires were distributed out of which 160 retrieved and coded with MS Excel 13 and SPSS 20.0. However, the result shows fit goodness test for all observations; P-value (Sig) <0.05 thus; sig. (.000) we reject H_0 . The study concludes that inadequate social infrastructures, lack of managerial skills and multiple taxations constitute a major challenge in the performance of SMEs. The study also concludes that the top six importance of infrastructural development on small and medium scale enterprises includes roads communication network, irrigation, storage facilities, market facilities, research and extension institutions, schools and universities which train and turn out a variety of skilled agricultural work person on the basis of factor loading. The study recommends Government guaranteeing short, medium and long-term loans to SMEs in Osogbo City since they lack the necessary collaterals to access such funds from financial institutions.

Keywords: *Infrastructural Development; Small and Medium Scale Enterprises; Osogbo Local Government*

Introduction

Small and medium enterprises have been an engine to national economic growth and development across the globe. This development has led to the commitment of World Bank group on SMEs as core elements to foster economic growth and poverty alleviation. The development of Small and Medium Enterprises (SMEs) via effective financing options have stem debate and growing interest among researchers, policy makers and entrepreneurs, recognizing the immense contribution of the subsector to economic growth (Akingunola, 2020).

The Small and Medium Scale Enterprises (SMEs) development facilitates the mobilization of human and capital resources towards economic development, in general, and the rural sector, in particular. Small scale business started gaining prominence in Nigeria in the early 1970s when many personal enterprises started springing up. Before this time, agriculture dominated the

economy. There were a lot of agricultural small holding before and during emergency of oil boom. Over 75 per cent of agricultural holding were managed by the small farmers which comprise mainly family business, Government agricultural holdings were not more than 10 percent (Osotimehin, *et al.*, 2012).

Annabel (2022) frowned at the neglect that the SME subsector had experienced in Nigeria adding that this same subsector was the major source of the rapid economic growth and identified lack of management strategies, poor educational background of operators, and huge financial problems as internal factors while the external problems include: policy inconsistencies, multiple taxation, harsh regulatory requirements and trade groups. It is also important to note that SMEs are not immune from the aforementioned challenges in their day-to-day operations hence it becomes necessary to embark on a study that investigates the issues, challenges and prospects of small and medium scale enterprises.

This paper focused on assessing the impact of infrastructural development on the performance of Small Medium Enterprises' in Osogbo metropolis, Osun State, Nigeria. To do justice to that three (3) hypotheses were formulated for the smooth sailing of the knowledge. They are that:

H₀₁: Inadequate social infrastructures do not constitute a major challenge in the performance of SMEs.

H₀₂: Lack of managerial skills does not constitute a major challenge in the performance of SMEs.

H₀₃: Multiple taxation does not constitute a major challenge in the performance of SMEs.

Literature Review

This study reviews the literature related to the variables. It consists of conceptual review and empirical review. The review relied greatly on data obtained from published reference materials such as books, online magazines, and journals. The review provides an overview of main past activities that had earlier been studied in relation to the study.

Concept of SMEs

Small and Medium Scale Enterprises (SMEs) as defined by the National Council of Industries (2019) as revealed in Abbas *et al* (2024) refer to business enterprises whose total costs excluding land is not more than two hundred million naira (N200,000,000.00) only. Although, there exists no agreement among policy makers and scholars concerning the point at which a business firm is deemed to be small or medium. Indeed, there is no universally or even nationally acceptable standard definition except that the scale of business needs to be defined for a specific purpose (Al-Shaikh, 2018).

Challenges faced by SMEs in Nigeria

The growth of SMEs in Africa faces a number of generic challenges. The first and common challenge is the lack of access to appropriate capital from both the banking sector and the capital markets (Arinaitwe, 2016). There is a general perception in the financial sector that lending or provision of capital to SMEs is risky business due to a number of reasons: high mortality rates of SME businesses, suspect management capabilities and skills, poorly prepared business proposals,

difficult understanding of the historical records of the operations of the SMEs and the lack of reliable collateral or collateral mismatch between type of assets held by SMEs and type of assets required by banks for collateral among others (Binks & Ennew, 2019) .

Solution to the problem of SMEs in Nigeria

Small businesses contribute to local economies by bringing growth and innovation to the community in which the businesses are established (Ariyo, 2019). Small businesses also help stimulate economic growth by providing employment opportunities to people who may not be employable by larger corporations (Auty, 2020). Small businesses tend to attract talents who invent new products or implement new solutions for existing ideas (Bruch & Hiemenze, 2019).

Roles of SMEs to Economy

Small and Medium Enterprises (SMEs) occupy a place of pride in virtually every country or state. Because of their significant roles in the development and growth of various economies, they have been referred to as the engine of growth and the vehicle for socio-economic change of any country (Ihyembe, 2020). SMEs are seen as an authentic medium for the realisation of national economic objectives of poverty alleviation and employment generation at low investment cost (Beckman, 2019). Another benefit of SMEs includes access to the infrastructural facilities made available by the very existence on these enterprises (Ekpeyong & Nyong, 2019; Haper, 2019).

Contribution of SMEs to Nigerian Economy

SMEs (Small and Medium-sized Enterprises) are very important to the growth of any nation (Fatai, 2017). It is no surprise that developed countries enjoying a growing and booming economy attribute most of their achievements to a flourishing SMEs sector (Ojiako, 2020) and (Hashim & Wafa, 2022). In the developed economies, small businesses are recognized as the main engines for growth and development because of their significant contributions to economic growth and prosperity (Muhammad *et al.*, 2017; Okpara, 2020; Oboh, 2022)).

Empirical Review

There have been some studies on the impact of SMEs, availability of credits and their contribution to economic growth in Nigeria with various result from different scholars. For example, (Lawal & Ijaiya, 2023) using a time series linear forecasting model to examine the amount of commercial banks credit that would be needed to guarantee an increase in the contribution of small and medium scale enterprises to total Gross Domestic Product (GDP) of the country between the year 2005 and 2014 and the trend suggest that an increase in commercial banks loan allocation to SMEs would increase their contributions to the country's total GDP.

Theoretical Review

This study was anchored on Keynesian economics theory of 1936. Summarily, the theory advocates a mixed economy, commonly private sector, but with a large role to be played by government and public sector. It equally offers an important insight to the understanding of the effect of government interventions on small scale enterprises. The ability of government to intervene in economic activities, because private sector decisions at times lead to inefficient macroeconomic score-line, therefore, the theory advocates active policy responses by the government, and this marks the link between the study and the theory.

Methodology

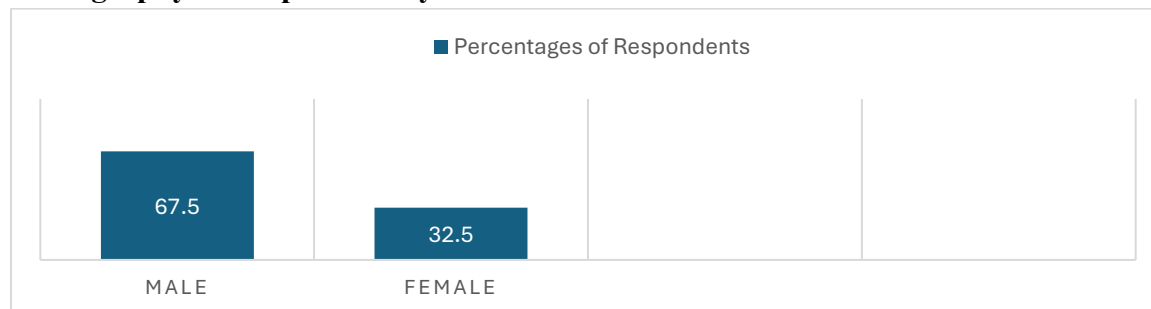
Research Design: Research design as defined by Taylor (2018) “the basic plan which guide the data collection analysis phases of the research project. It also concerned with the structuring of an investigation for the purpose of identifying the relevant variables and their relationship to one another. A careful selection of a representative of the population has been made since it is tedious to get the opinion of all the members of staff and business owners of the selected company due to time constraint. The method used in sample selection in this research is based on the theory of probability and the simple random sampling technique was used in which 200 copies of questionnaires were issued to SMEs operator especially artisan, traders, market men and women and others within Osogbo Local Government of Osun state in this procedure, every unit or element in the population has a chance of being selected. For the purpose of the study the researcher made use of primary data. The primary data is obtained through a well-structured questionnaire to obtain information from people of Osogbo, Osun state. The data are presented in tables generated from an MS Excel 13 and SPSS 20.0 Analysis of each of the research questions and questionnaire items.

Data Analysis

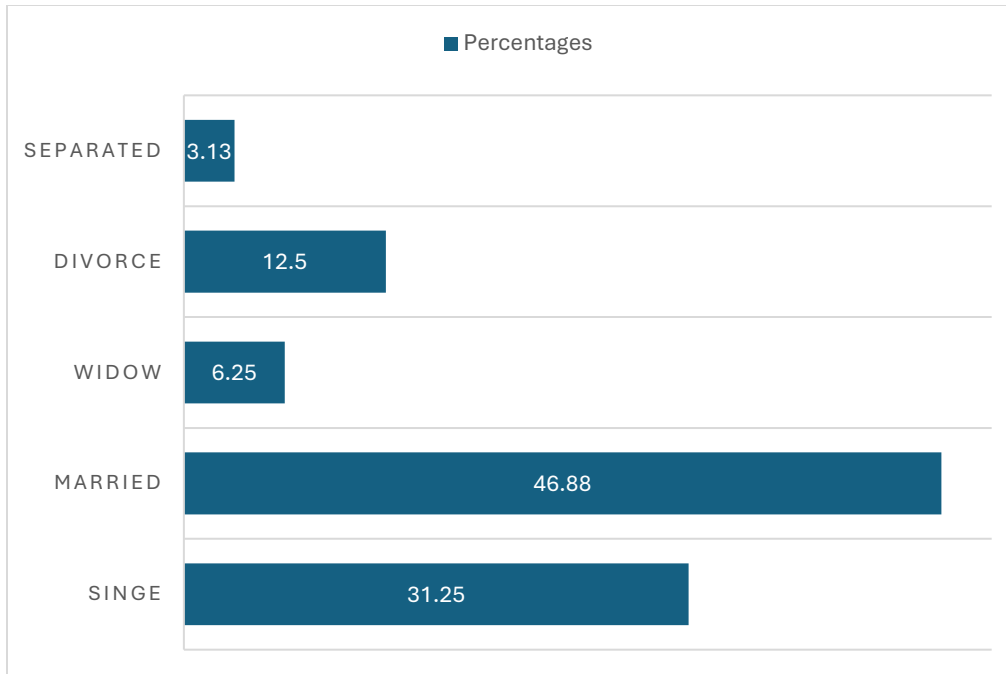
This chapter focuses on the data results presentation, analysis and interpretation of data collected from the field with the aid of questionnaire. The output result was represented in percentage bar chart of descriptive statistics and chi-square fit goodness test which measure the inferential statistics respectively.

Analysis of Respondents with respect to Sex Gender

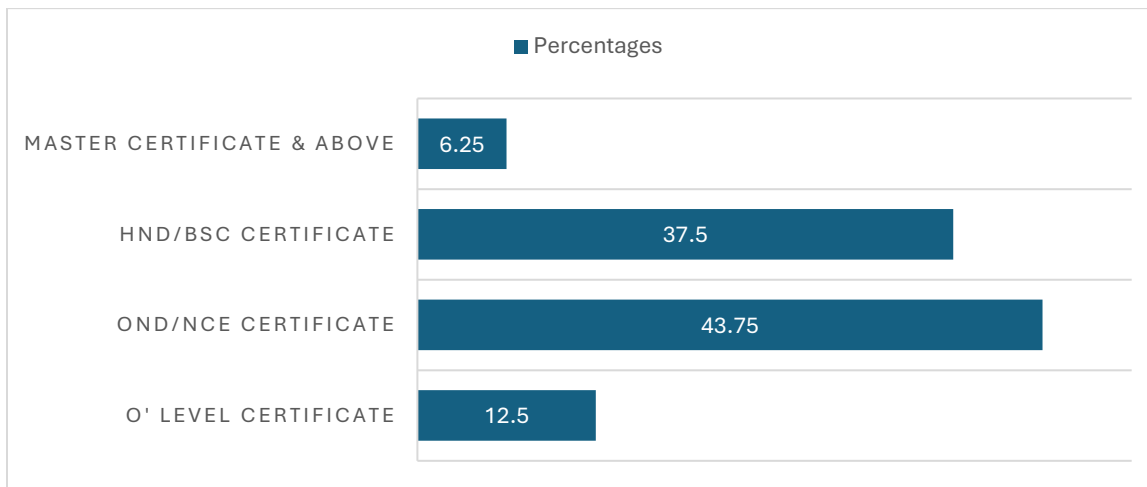
Demography of Respondent by Sex



Source: Field survey, 2024



Source: Field survey, 2024.



Source: Field survey, 2024.

Interpretation: 160 usable questionnaires were administered and returned. Data specifying their personal characteristics were given thus: 67.5% were male and 32.5% were female. Regarding their marital status, 31.25% were singles while 46.88% were married. 6.25% were widow, 12.5% were divorce, and the remaining 3.13% respondents were separated. Regarding their age, (50) 31.04% were 25 years and below, (61) 37.93% were the ages between 26 and 35, and (39) 24.14% were between 36 and 45 while (10) 6.89% were over 45 years old. Data relating to their educational level, signified that: ‘O’ level certificate were (20) (12.5%), OND/NCE certificate (43.75) 41.38%, HND/BSc certificate (37.5) 31.03%, and Master’s certificate and above (6.25) 10.34%. On data relating to respondents’ employment status, the following were reported: Employed respondents

(37.5%), Self Employed respondents (15.6%), Unemployed respondents (21.9%), while respondents that were clerical servants amount to (25%).

Statistical inference testing of Hypotheses

Hypothesis 1

Ho1: Inadequate social infrastructures do not constitute a major challenge in the performance of SMEs.

Level of Significant: $\alpha = 0.05$

Chi-Square Test

Frequencies

Inadequate social infrastructures do not constitute a major challenge in the performance of SMEs

	Observed N	Expected N	Residual
Strongly Agree	54	32.0	22.0
Agree	43	32.0	11.0
Undecided	36	32.0	4.0
Disagree	20	32.0	-12.0
Strongly Disagree	7	32.0	-25.0
Total	160		

Test Statistics

Inadequate social infrastructures do not constitute a major challenge in the performance of SMEs	
Chi-Square	43.438 ^a
Df	4
Asymp. Sig.	.000

a. 0 cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 32.0.

Source: Field survey, 2024.

Decision Rule: Reject H_0 if P-value is < 0.05 otherwise do not reject H_0 .

Valid conclusion: From the table above since P-value (Sig) < 0.05 thus; sig. (.000) we reject H_0 . And conclude that inadequate social infrastructures constitute a major challenge in the performance of SMEs.

Hypothesis 2

Ho2: Lack of managerial skills does not constitute a major challenge in the performance of SMEs.

LEVEL OF SIGNIFICANT: $\alpha = 0.05$

Chi-Square Test

Frequencies

Lack of managerial skills does not constitute a major challenge in the performance of SMEs

	Observed N	Expected N	Residual
Strongly Agree	43	32.0	11.0
Agree	54	32.0	22.0
Undecided	35	32.0	3.0
Disagree	20	32.0	-12.0
Strongly Disagree	8	32.0	-24.0
Total	160		

Test Statistics

Lack of managerial skills does not constitute a major challenge in the performance of SMEs	
Chi-Square	41.688 ^a
Df	4
Asymp. Sig.	.000

a. 0 cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 32.0.

Source: Field survey, 2024.

Decision Rule: Reject H_0 , if P-value is < 0.05 otherwise do not reject H_0 .

Valid conclusion: From the table above since P-value (Sig) < 0.05 thus; sig. (.000) we reject H_0 . And conclude that lack of managerial skills constitutes a major challenge in the performance of SMEs.

Hypothesis 3

Ho3: Multiple taxation does not constitute a major challenge in the performance of SMEs.

LEVEL OF SIGNIFICANT: $\alpha = 0.05$

Chi-Square Test

Frequencies

Multiple taxation does not constitute a major challenge in the performance of SMEs

	Observed N	Expected N	Residual
Strongly Agree	53	32.0	21.0
Agree	44	32.0	12.0
Undecided	29	32.0	-3.0
Disagree	17	32.0	-15.0
Strongly Disagree	17	32.0	-15.0
Total	160		

Test Statistics

Multiple taxation does not constitute a major challenge in the performance of SMEs	
Chi-Square	32.625 ^a
Df	4
Asymp. Sig.	.000

a. 0 cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 32.0.

Source: Field survey, 2024.

Decision Rule: Reject H_0 if P-value is < 0.05 otherwise do not reject H_0 .

Valid conclusion: From the table above since P-value (Sig) < 0.05 thus; sig. (.000) we reject H_0 . And concluded that multiple taxation constitutes a major challenge in the performance of SMEs.

Conclusion

This research revealed that gender influences the call for people to engage in entrepreneurship in the form of small and medium scale enterprises especially at such a time as this which on the long run will translate to improve and sustainable infrastructural development and that higher percentage of male as against the lower percentages of the female. Furthermore, age grade as one of the demographic factors was also having a positive relationship in influencing the infrastructural development enhancement on SME growth.

The study also concludes that the top six importance of infrastructural development on small and medium scale enterprises which includes roads communication network, irrigation, storage facilities, market facilities, research and extension institutions, schools and universities which train and turn out a variety of skilled agricultural work person on the basis of factor loading.

Recommendations

Arising from the findings of this study, it is recommended that the government should take the following steps towards addressing the major factors that determine SMEs growth and development in Osogbo Local Government of Osun State:

- Provision of soft loans to SMEs: Osun State government should encourage banks in Osogbo City to set aside 20% of their annual profits before tax as soft loans to SMEs at a very low interest rate.
- Government guaranteeing of long-term loans to SMEs: Osun state government should guarantee long term loans to SMEs in Osogbo City since they lack the necessary collateral to access such funds from financial institutions.
- Establishment of SMEs funding agency: Osun state government should set up an agency that will address the working capital requirement of SMEs in Osogbo City and make such funds available to them at a very low interest rate with long term repayment period.

- Public/Private sector partnership in infrastructural provision: Osun state government should partner with the private sectors in the provision of efficient public utilities (power supply, water supply, good transport/communication facilities etc.) in Osogbo City to ensure uninterrupted supply of these public utilities.

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