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Innovation and small business survival in Nigeria

Ofem L.U.

Peoples' Friendship University of Russia

Supervisor: Ivanova T.B (PhD) Associate Professor

Moscow-Russia

fred.offem@yahoo.com, +7(925)9016873

Аннотация: В данном исследовании изучается влияние инноваций в создании малых предприятий, состоящих из финансовых и нефинансовых продуктов предлагаемых банками, осуществляющих микрофинансирования микро и малых предприятий для их роста, становления, развития и производительности в Нигерии.

Ключевые слова: *Инновации, для малого бизнеса, предпринимательство, Микро-финансирование*

Introduction

The findings of this article among others reveal that 90% of the small business enterprises financed by the Central Bank of Nigeria with track records of regular participations in Innovative programmes and easy access to micro financing survived up to 4 ½ years.

It also reveals that the likelihood of survival of small firms increases provided that they are able to generate profits regularly, have access to micro credit and plough back profits generated into re-investments. This article further shows that formal education has positive impact on the ability of business owners and operators to conduct business efficiently. The study also reveals that high level of education is a significant factor in increasing operational efficiency, profitability and success of businesses. Technical capacity may be assessed in terms of ability to adapt to new technology, regular technology-related training, application of information technology and sound business plan writing. Successful businesses and enterprises were associated with managers who are given continuous innovation and adapting to new technology.

The study reveals profitability as a key predictor of long-term survival and viability of small business enterprises. Easy access to micro credit is significantly associated with small business survival. Easy access to microfinance is closely associated with cordial relationship and regular contact with loan/field officers as well as regular participation in innovative seminars. The appropriateness of loan size, proper utilization of loan given and a good repayment plan schedule are factors that make micro credit worthwhile for small business operators. The study has shown that businesses that participate in microfinance programmes, particularly at the group level has survived much better than those which do not participate. These results have shown that there is a robust and positive correlation between small business survival and regular participation in microfinance activities.

This article will discuss Micro financing and small business growth, Micro finance and entrepreneurs' productivity, Non-Financial Services of Microfinance and Business Performance, and finally make Recommendations to enhance further research.

Micro financing and Small Enterprises Growth

The outcome of the study on the effect of innovation on the creation of small businesses shows that innovation does not enhance the expansion capacity of small businesses in Nigeria. Looking at the result critically, it was revealed that variables such as technology-related training received by small business operators, business location (urban area) and business registration impact positively and significantly on small business expansion and growth. The result obtained from micro firm samples reveals that owner's education (OND/NCE), loan utilization, duration of

asset loan, business location (urban area), technology related training received and size of asset loan all significantly impact positively on micro expansion but the magnitude of the coefficient of microfinance are very small. When the sample was split into legal status of business (that is into registered and unregistered businesses), it was observed that only owners' characteristics variables and business characteristics variables are found to be statistically significant with small business expansion. When the result was split by the type of business activities, the result obtained shows variation in the type of variables that significantly affect small business growth and expansion. In the services sub-sector, only owners' education (OND/NCE), female gender, business size, and duration of asset loan appears to be statistically significant. In the trading sub-sector, repayment of asset loan, loan utilization, duration of asset loan and business location, urban and other owners' and firms are characteristically variables and are positively correlated with sales growth and also statistically significant. In the manufacturing sector, it is technology-related training received by the entrepreneurs, loan utilization, urban location, business registration and business age that appears to be statistically significant. Among artisans, the variables that are positively correlated with business growth and statistically significant are repayment of asset loan, duration of asset loan, size of asset loan. In the agricultural sub-sector, it is technology-related training and business registration that significantly affects sales growth. One can observe that, in all sectors, technology-related training is highly significant and correlated with sales growth.

Microfinance and Entrepreneurs' Productivity

The findings of this aspect of the study in this article shows that, of all the owners' characteristics variables, some firm characteristics variables and microfinance variables such as contact with lender/loan officers has significant impact on entrepreneurs' productivity in Nigeria. When the sample was split into firms and micro firms, the same variables were seen to have significant impact on entrepreneurs' productivity. The same order was obtained for small business operators except that weekly meetings and weekly repayment were found to have positive correlation with entrepreneur's productivity.

When the data was further split by the kind of business engaged by the entrepreneurs, the findings imply that different efficiency and productivity strategies may be emphasized for the different sub-sectors of the Small enterprise sector. Our findings revealed that innovation, entrepreneurship training, entrepreneur's education (primary education), business experience, business size, business location (urban area), loan interest, micro loan received, and contact with the lender in that order found to have significant impact on the level of entrepreneur's productivity in the trading sub-sector. Among artisans, the most significant factors are entrepreneurial training, business experience, business size, and business location, regular contact with lender/loan officer, and micro loan. In the manufacturing sector, regular contact with lender/officer was found to be the most significant factor; other factors of significant impact are weekly repayment of loan, business size, entrepreneur's training, owner's education and business experience in that order. In the agricultural sub-sector, entrepreneur's training was found to be the most important contributory factor into entrepreneurs' level of productivity.

Non-Financial Services of Microfinance and Business Performance

The findings of this aspect of the study in this article revealed a positive correlation between non-financial services offered by Microfinance Banks and pre-loan training on business performance of Microfinance Bank clients/customers. When the result was split into small and micro firm category, networking meetings and pre-loan training was found to have the highest coefficient among small firm operators. This is an indication that the non-financial services provided by Microfinance Banks affect business performance in different magnitudes and this will aid policy formulation for Microfinance Banks in the development of programmes targeting both small and micro firms. When the data was split by legal status, for registered business, group membership, pre-loan training, advisory services and networking meetings, are the microfinance variables that were found to have significant impact on entrepreneur business performance. For registered businesses, cross guaranteeship among members of a group was found to be the most

significant factor. Lastly, when the data was split by kind of business activities, the result obtained reveals variation in the magnitude of the data coefficient as it relates to business performance. In the trading subsector, advisory services, pre-loan training, cross guaranteeship, group membership and networking meetings are the most significant non-financial services that affect business performance of the Small business enterprises in Nigeria.

Conclusion

Entrepreneurs in the small and micro sub-sector of the economy in Nigeria require access to finance for their business to thrive on a substantial basis. Although, the small business sector contributes significantly to the national economy, the sector has so far not been given due recognition commensurate with its level of contribution. Although financial issues are important to all firms, results from this study show that both financial and non-financial services obtained from the Micro finance bank have highly benefited the Small business sector in Nigeria and have facilitated the sharing of business skills and innovative ideas, as well as alleviated the acute shortage of finance to an extent. The policy implication of this study is that, micro-financing contributes significantly to an enhanced entrepreneurial environment by making the business environment more conducive and narrows the resource gap for small businesses.

When properly harnessed and supported, microfinance can scale-up beyond the micro-level to a sustainable part of the process of economic empowerment by which the poor improve their situation. Based on findings in this article, the use of Microfinance banks has potentials for enhancing the performance of small businesses in three major ways; regular participation in micro-financing, offering of non-financial services, and as a means of enhancing entrepreneur's productivity.

If we consider the variation in impact of these factors on the intensity of Small business enterprise growth and survival within any of the sub-sector, it is possible to define a common series of critical factors for sub-sets of firms. This suggests that policies aimed at promoting the performance of micro and small enterprises should adopt a sectoral approach. Thus, approaches and resources should address the most critical determinates of performance in local sub-sectors, aiming to augment access to critical resources and, perhaps overcome the disadvantages that cannot be easily varied.

Recommendations

1. Enterprises supported by Microfinance banks should be linked up with larger financing windows like the SMEEIS fund or strategic partners as suggested by Ojo (2003). The linkages should be such that the entrepreneurs would be serviced through their MFBs based on social capital. This will enable MFBs to introduce loan products and strategies targeted at financing technology acquisition by MSEs.

2. In order to encourage technology acquisition for MSE expansion, MFBs should categorize their loans into low and high interest loans. The conventional loans to clients can be maintained as high interest loans, while loans for capital assets or technology acquisition should be low interest loans, which can be secured by a mortgage over the fixed asset so acquired by the micro-borrower. To achieve this, the Microfinance Banks can be recapitalized.

3. MFBs should increase the duration of their clients' asset loans, or spread the repayment over a longer period of time, or increase the moratorium. This will enable the clients to have greater use of the loan over a longer period for the acquisition of capital assets and technology.

4. The MFBs should employ collective group-based loan disbursement and staggered disbursement strategy, this will reduce the default rate and the volume of portfolio at risk.

5. The microfinance banks should reduce the gap between their savings deposit rate and the lending rate by mobilizing more savings from the informal financial market which is an integral part of their operating environment.

6. In terms of policy on support services, MFBs should assist their clients by providing training on credit utilization and provide information on government programmes to small business enterprise operators in the Nigeria. Such small business support and training institutions should be

strengthened and properly funded while the services should be properly delivered too. MFBs can partner with relevant technology enterprise development organizations/skills training institutions to provide client-focused skills training to their clients.

7. The small scale training and agricultural sectors should be given priority financing from the N50billion micro credit capital fund since the sector is found to have the highest mortality rate.

8. University education is found to have positive effects on entrepreneurs' productivity; Entrepreneurs should therefore be encouraged by the MFBs to improve on their current level of education by engaging in adult education or life-long learning; as this will have the potency to increase their level of productivity.

9. Banks should engage in the target site selection and means testing before they are sited in a particular location. This will enable the banks to develop appropriate financial product that will suit the need of the entrepreneurs in a particular location rather than offering blanket services that will not have positive impact on the small business enterprise's growth.

10. MFBs should seek long term capital from the pension and insurance Companies in Nigeria. This will help to reduce their lending rates and enable them spread their interest payments over a longer period to encourage the acquisition of capital assets and technology.

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