

The Characteristics and Challenges of Small Businesses in Africa: an Exploratory Study of Nigerian Small Business Owners

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Abstract

An extant review of literature revealed that there is more closure of small businesses in Nigeria than their birth, and very little empirical research have been done, up to date, to reveal the actual causes of this phenomenon. In an attempt to fill the gap in the literature, therefore, this exploratory study investigates the characteristics and challenges of small businesses in Nigeria. This is done through an in-depth interview of 152 small businesses in Nigeria, and the data set comprised of responses from these business owners. The findings show that small businesses in Nigeria are characterised by the unemployed citizenry who opt for small business as last hope. Another finding reveals the five major challenges confronting small businesses in Nigeria and the study thus suggests recommendations for running successful small businesses in Nigeria.

Keywords: *small business, economic development, Nigeria*

JEL Classification: *M5*

Introduction

Small businesses irrefutably remain critical to the development of any nation's economy as they are an excellent source of employment generation, help in development of local technology, and develop indigenous entrepreneurs (Erdem and Erdem, 2011; Alaye-Ogan, 2012). The importance of small businesses to the citizens' standard of living and the nation's general growth cannot be overemphasised. Even co-existence of large-scale industries is seen as dependent on healthy activities of small businesses (see Fabayo, 2009). However, small businesses in Nigeria have not been able to add value to the economy due to many challenges confronting their operations. It is important to note that an increasing amount of development plans that have been inaugurated by successive government in Nigeria to empower small businesses have not lived to their expectations (see Sule, 1986). This study, therefore, study investigates the characteristics and challenges of small businesses in Nigeria.

Background Information

Small businesses In Nigeria, the gross under-performance of small businesses have undermined their contributions to the nation's economic growth and development (Central Bank of Nigeria, 2014). Before the advent of the colonial administration, majority of Nigerians are predominantly small business owners who engaged themselves in one form of small business or the other, majorly agriculture. During this period, agricultural produce, like cocoa from the south-west, rubber and palm oil plantations from the east and groundnut pyramid from the core north were the main sources of wealth. Thus, small businesses through which the country's wealth was generated were accorded due attention and unwavering support (Adisa, 2008).

However, the post-independence period witnessed a massive transformational change. The governance of the Nigeria states and its economy seized to be in the hands of the British government, and Nigeria discovered hidden oil treasures in some part of the country. The eventual discovery of oil in Nigeria is widely consented, most especially among the lower class majority who dominated the small business in agricultural sector, as bad occurrence. This is because the sector was totally neglected and hence paralysed hundreds of thousands of small businesses both in the rural and urban area (see Organisation for Economic Co-operation and Development (OECD), 2009). Successive Nigerian government since then right up to 2008 have focused on the oil generated revenue with very little or no attention given to the small businesses at the grass root level. In 2008, the economic downturn hit so many small businesses hard that many of them went into oblivion. By the turn of the century, however, all these had combined to produce a chorus of complaint from small business owners and stakeholders at all levels across the country.

Furthermore, several studies have indicated that thousands of small businesses start up every year but significant numbers of them fail before or by the first year of their operation while majority shut down before their second year (Dickenson, 1981 Almus, 2004; Persson, 2004). This assertion is also supported by Van Praag (2003: 21) who succinctly puts it thus: *Of every 100 start-ups only 50 firms survive the first three years*. The rate of small businesses dissolution is alarming that researchers have enjoined authorities to come to their aid in order to reduce unemployment and boost the gross domestic product output. Consequently, White (2005) and Marlow (2005) also argue that venturing into small business is very risky and that the rate of small businesses failure in developing countries such as Nigeria is very high. However, the topmost priority in this study is to fill the research gap in the literature by making a significant contribution towards advancing our understanding of the realities of small businesses in Nigeria.

Specifically, the main objectives of this study are (a) to examine the characteristics of small businesses in Nigeria, (b) to critically evaluate the challenges and difficulties hampering the growth and survival of small business in Nigeria, (c) to examine the government and individual efforts to support the growth and survival of small businesses in Nigeria, and (d) to examine the causes of small businesses short live in Nigeria. It is, therefore, hoped that this study will be of immense benefits to several millions of existing small business owners, and those who are nursing the ambition of operating small businesses of their own in Nigeria. Also business researchers, academics, and the government will find it very useful in their research, introduction and implementation of government policies. To achieve these objectives, this paper is structured as follows. After the abstract and the introduction, the next section presents a review of previous studies on small business. This is followed by the analysis of the characteristics of small businesses in Nigeria. The next section covers the data and methodology employed to gather the empirical evidence, follow by the main findings, discussion, conclusion, and recommendations of the study.

Small Business in Context

Understanding the size, components, and benefits of SB to citizens' life, most especially people at the grass root level, is an important factor to be considered in defining small scale business. With the current rate of unemployment and poverty level in Nigeria, small business has become source of livelihood to millions of Nigerians. About 60% of all the business established in Nigeria is on small scale level (Okeke, Ezenwafor, and Femiwole, 2013). However, just like other social science subject, the concept of small business does not have acceptable or uniform definition (Nel and Simpson, 2011).

Small business definitions differ within the fixed co-ordination of national boundaries. For instance, Alaye-Ogan, (2012) defines a small business as companies with capital base between twenty thousand naira and thirty million naira (equivalent of \$125 to \$193,500). According to Hatten (2012: 4), *a company is considered small if it is independently owned, operated, and financed; has fewer than 100 employees; and has relatively little impact on its industry.* Also, the Federal Ministry of Commerce and Industry of Nigeria defines small-scale business as a business with capital investment that is not over seven hundred and fifty thousand naira (N750, 000), while the Central Bank of Nigeria (CBN) (2010) defines small and medium enterprise (SMEs) as business with asset base of between five and five-hundred million naira, and staff strength of between 11-300 people. For Hatten (2012), small business, nevertheless, include business activities of the stay-at-home parent who provides day care for children whose parents are not around, factory workers who engage in after hours' deliveries, to owners of fast food restaurants.

However, concerted effort should be made to look at the geographical and economical composition in defining small scale business in Nigeria. This is because the poverty level has ruthlessly altered the threshold of small business fund according to most of the financial establishment. For the purpose of this study, small business will be defined as a business whose starting and operating capitals are between twenty-five thousand Naira (equivalent of £100) and two million Naira (equivalent of £8000), as opposed to small business definition of National Council of Industries (NCI, 2002) which classify small businesses as any enterprise with working capital between one and half million and fifty million Naira. In this way, the study will be able to capture several small businesses at the grass root level, and will also be able to focus on the myriad of challenges confronting them.

Most small businesses are managed by their owners because they could not afford to hire expertise to run the businesses for them (Rajaram, 2008). Consequently, small business owners perform so many operational tasks and management functions themselves (Kirsten, 2013), which may often result in business failure (Ihua, 2009). The independent and private ownership (sole proprietorship or partnership) of small business always promote uncertainty (Keasey and Watson, 1993). This invariably means that small business success or failure squarely depends on the sole ability of the owner(s) without the shield of limited liability; SB owners may be personally liable for the business misfortunes such as debts (Carter and Jones-Evans, 2006). In this regard, Akande (2006) also argue that small businesses heavily rely on owner(s) skills, ability, and personal characteristics for the prosperity of the business. Nevertheless, small business, across the developed world, still account for a significant fraction of industrial build up. They play some defined roles in the economy that support and strengthen the growth of a nation (Mwobobia, 2012). Undoubtedly, small business is very crucial to a nation's healthy economy, and *their competitiveness is indispensable to nation's success and growth* (Wong and Aspinwall, 2004: 46).

According to the Global Entrepreneurship Monitoring (GEM), many Organisation for Economic Co-operation and Development (OECD) countries have seen small businesses ownership rate

increase in the last thirty years. However, access to starting and operating finance remains the most significant challenges for their creation, survival, and growth (OECD, 2009). This problem is further exacerbated by the 2008 economic downturn which wiped off trillions of dollars of financial wealth (World Bank, 2009). During this period, the rate of loan rejection for small businesses sky-rocketed, and rate of loan repayment also became unbearable (Fraser, 2010).

Consequently, performance and activities of small business in Nigeria since the global economic meltdown has been very low (Okeke, Ezenwafor, and Femiwole, 2013). Although government at different level have come up with different policies (e.g. National Poverty Eradication Programme (NAPEP), Nigerian Agriculture People's Bank (NAPB), National Directorate of Employment (NDE), National Economic Empowerment Development Scheme (NEEDS) to boost the performances of small businesses in order to alleviate the level of poverty and enhance economic development. However, despite all these policies and government agencies, *small businesses have failed to perform optimally up to the required, thus, significant gap still exist between their contributions and their potentials* (Akanke and Ojokuku, 2008). Most small businesses literature concentrate on the financial problems of small scale businesses (Adisa, 2008), but this study has, in relation to the Nigerian context, identified other problems such as lack of adequate funding, inadequate infrastructural facilities, lack of proper business and management knowledge, poor record keeping and information management, inability to distinguish business capital from personal money.

Characteristics of Small Scale Business in Nigeria

In recent time in Nigeria the growing rate of small businesses is characterized with high rate of unemployment and the increasing rate of graduates from different institutions without correspondent employment opportunities and consequently, the society is gradually getting to the stage where the average graduate is willing and ready to go into business (Ahmed, 2006). Small scale enterprise is usually managed in by the owners or relatives of the business. Most of the ownership structure being sole proprietorship and partnership. The sources of fund are majorly from the owners' savings, borrowing from friends, relatives and banks (Ekpenyong and Nyong, 1992). In Nigeria, government also provides soft loans to the small scale businesses.

However, the definition of small scale business in Nigeria by the central bank does not reflect the typical characteristics of Nigerian small-scale enterprises in terms of their capital base and number of employees (Ekpenyong and Nyong, 1992). Whereas the Central Bank of Nigeria defined small-scale enterprises as having an annual turnover not exceeding 500,000 naira but many small businesses in Nigeria had a capital base of less than 100,000 naira. This was contained in its Monetary Policy Circular No. 22 of 1988, but a typical small business in Nigeria has less capital investment. There is, therefore, the need to redefine small business in Nigeria. The originator of the business according to Adeyemi (2014) often plays the double role of owner as well as responsibility for planning, directing, coordinating the activities that lead to the creation or production of business value.

Another major characteristic of small-scale enterprises in Nigeria is the difficulty they experience in raising adequate capital for their businesses (Adeyemi, 2014). External sources are difficult to be assessed from finance houses and banks. Even where the banks agree to provide fund for these businesses, the conditions or collateral for these loans are always difficult to be met by the business owners. Small enterprises with a small capital base tend to use the informal financial institutions. Chukwuemeka (2006) pointed out that about 80% of small enterprises are not thriving as a result of poor financing and other problems associated with it. Therefore, small businesses are often found in certain areas of the sector particularly due to their financial ability, and human resource capabilities and opportunities presented by the economy and not necessarily because of their passion or expertise (Adeyemi, 2014). Most of the

businesses were engaged in service-related activities. According to the survey carried out by Ekpenyong, and Nyong (1992), few of the small business owners had tertiary education (16 per cent) while the majority had primary and secondary education (84 per cent). Many of them had no previous experience in business before embarking on their current business activity.

Many of the small businesses in Nigeria find it difficult to survive because the death of the owner might lead to the death of the business. According to Scholes, Westhead and Burrows (2008) transfer of ownership is very important to the continuity and success of small business. The inability of small business owners to transfer the business successfully to another person may lead to the closure of the business. Moreover, small businesses are affected by limited financing, poor management skills, infrastructure and regulatory issues. These factors affecting small business owners may have negative impact on the small business growth.

Importance of Small Business to the Economic Development of Nigeria

As earlier mentioned, small scale industry plays important and crucial roles in the industrial development of any country (Ahmed, 2006). According to Ojo (2009), small-scale industry has a better prospect for developing domestic economy through the generation of goods and services that propels the economy of Nigeria. The need to focus on small scale industry became important in Nigeria because it was a means of ensuring self-independence, job creation, and import substitution, effective and efficient utilization of local raw materials (Ojo, 2009). Small businesses in Nigeria contribute to employment and a path to entrepreneurship. The focus of small businesses has shifted from providing only social goods but as a vehicle to entrepreneurship (Thurik and Wennekers, 2004) Therefore, it serves as a source of job creation and economic growth. This may well be the reason policy makers in Nigeria pay attention to small businesses.

Methodology

Qualitative method was employed using face to face interview in other to established rapport with participants. The rationale behind the use of this approach is that it does not usually follow a rigid and tightly woven plan, rather sanctions inquiry into selected issues in great depth, and also allows for flexibility in terms of data collection and analysis (Erikson and Kovalainen, 2008). Also, qualitative research has done much to encourage full descriptions of the role of the researcher because emotional maturity and strong interpersonal skills which are required in qualitative research are difficult to assess (Hawamdeh and Raigangar, 2014)

Interview using face to face interaction process according Behar (1996) is the most regularly experience social reality. The most commonly used method for the collection of data is interview (Fife, 2005). The researchers adopted semi -structured interview, which enabled the researchers to understand the interviewees from different perspectives and achieved the objectives of the study. The interview questions centred around four major areas: Characteristics of small businesses in Nigeria; the challenges and difficulties hampering the growth and survival of small business in Nigeria; government and individual efforts in supporting the growth and survival of small businesses in Nigeria; and the causes of small businesses short live in Nigeria.

In other to realise the study objectives, an in-depth interview of 152 small businesses was conducted across the six geopolitical zones of Nigeria. This is particularly done to ensure fair representation of all the regions in Nigeria. The interviews were conducted in English language, in a very conducive environment; interviews lasted between 20 and 40 minutes. The interviews audio-taped and carefully transcribed shortly afterwards. The data generated were categorized into five. These include lack of adequate funding, Poor record keeping and information

management, Inability to distinguish business capital from personal money, lack of crucial infrastructural facilities and Lack of proper business and management skills/knowledge. The researchers tried to reduce the incidence of bias by carefully structuring the interview schedule. This is because interview is subjective. According to Collins and Cooper (2014), subjectivity strengthens the validity of findings if properly handled.

Findings and Interpretations

Four factors were found to be the major challenges confronting small business in Nigeria. These include lack of adequate funding, Poor record keeping and information management, Inability to distinguish business capital from personal money, lack of crucial infrastructural facilities and Lack of proper business and management skills/knowledge.

(a) Lack of adequate funding

Problem of funding is one of the five major themes discovered in this study. Despite the widely acclaimed beneficial effects of small businesses on economy development, improvement of local technology and development of indigenous entrepreneurship and among others (see Etebefia and Akinkumi, 2013; Moses and Adebisi, 2013), small businesses in Nigeria have recorded a gross under performance over the years and this has undermined its contribution to economic growth and development. Small business owners across the country attributed this situation to poor funding of small businesses and charged the government to address the problem without further delay. The issue with funding small businesses in Nigeria is twofold; (a) problem of securing adequate fund to start-up the business, (b) lack of funding to sustain and upgrade small businesses. During the interview, participants shared their experiences in relation to securing funding to start, maintain and improve their businesses. The following quotations typify their shared views:

Starting a business here in Nigeria is very complicated, many things need to be put in place, but the chief among them is funding that is extremely difficult to get. I had to sell my things and solicited for money from friends and family to start this small business about two years ago; no properties to secure a bank loan (Small business owner in the North).

I think I should say, first of all, that a proper credit facility which weighs and evaluates individual credit status for loan purpose does not exist in Nigeria, one needs to present a worthy collateral to secure a bank loan in Nigeria which is very difficult for many of us (small business owners)...I started this business with my savings and funding has been the bane for growth over the years (Small business owner in the South).

These findings resonate with Klein's (2014) argument that most entrepreneurs start their businesses with their savings and loans from friends and family. According to Organisation for Economic Co-operation and Development (OECD 2009), Nigerian government, over the years, have introduced a number of financial schemes channelled at assisting small businesses in Nigeria but these schemes have yielded very little or no result. Taking into account the country context of this study, bank loans that are an important source of funding for small businesses (see Lappalainen and Niskanen, 2013) is a hurdle too mountainous for small business owners to climb. Another respondent said:

Since graduation from the University, I could not secure a job so I decided to start a business that will, at least, cater for my daily and family needs. My savings were too weak to start any business, so I approached my local bank for a business loan which was abruptly turned down because I did not have collateral to get a loan. The same thing happened to every other bank I

went...it's really frustrating. No matter how good your business idea is in Nigeria, funding will eventually kill the idea (Small business owner in the East).

The preceding statements from the respondents indicate that funding a business in Nigeria is very difficult. Securing a bank loan for the same purpose is very challenging that small business owners found it daunting to provide collateral as security for bank loans. In their study, Moses and Adebisi (2013) echo the financial difficulties confronting entrepreneurs in the developing nations. They further argued that most entrepreneurs' business ideas are aborted at conception due to lack of funding. More so, an impressive body of research have argued that lack of access to funding is connected with very rigid financial policies and bank practices which place collateral as the major requirement for securing bank loans, thus making small businesses suffer what is called *financial illusion* (Mambula, 2002; Moses, 2010; Kennedy and Tennent, 2006; Moses and Adebisi, 2013). Moreover, appropriate credit facility mechanism which weighs and evaluates individual credit status for loan purpose does not exist in Nigeria, potential loan seekers need to provide creditable collateral to secure bank loans. According to Balogun (2004), several government schemes and financial institutions initiatives to address the issue of funding for small businesses in Nigeria have yielded no positive result over the years. Clearly, lack of funding occasioned by rigid lending practices pose many problems which tend to impede the starting and sustaining small businesses in Nigeria (also see Ishak, Omar, and Ahmad, 2012).

(b) Poor record keeping and information management

Poor record keeping and lack of information management are very pronounced among Nigerian small businesses. These phenomena, undoubtedly pose many challenges to the success of small business in Nigeria. The overwhelming majority of small business owners interviewed do not prioritise record keeping, and very few that keep records do not do it professionally. It is surprising that some small business owners think that keeping records is not necessary. The following statements mirror their shared views:

I do not think that lack of record keeping will affect my business, I am literate and I know what I'm doing (Small Business Owner in Lagos)

Another respondent said:

There really is not time for that. This is a small business; my working capital is less than one million naira, so what record keeping? I can tell you everything about my business finance without looking at any book...I think is not necessary for me (Small Business Owner in Kaduna)

When the question "Do you keep records of your business" was put to a respondent, he replied thus:

For what? Why should I keep record of a business that is worth less than two million naira...sorry, for what exactly? (Small business Owner in Asaba)

These statements show that most of the Nigerian small business owners do not priorities record keeping, most especially the financial records of their businesses. However, it has been argued that for small business to operate successfully, entrepreneur need to properly manage his business, keep up-to-date records of his business affairs including finances, document and store the company financial records (see Ejemobi, 2013).

(c) Inability to distinguish business capital from personal money

Aside from the fact that a vast majority of small businesses in Nigeria do not have proper accounting system which is threatening their business performance and survival (see Onaolapo, Fasina, Opoola, and Olatunji, 2011: Olatunji, 2013), inability to distinguish working capital from money meant for personal use is another problem staring at small businesses in Nigeria.

The overwhelming majority of companies have suffered set back, in some cases closure because of this problem. Many small business owners do not have separate account for their businesses; they keep only one account for both the business and personal use. Majority said they did not feel it is necessary to have a different account for their companies. The following statements typify their views.

I do not think I need a separate account for my business that is worth just a little over a million naira (Small Business Owner in Ilorin)

Other respondents said:

I understand that the business should have a separate account for accountability purpose, but the criteria and process of opening business account are too knotty...more so, I do not believe small business such as mine should keep a separate account...I use one account for all purpose (Small Business Owner in Ibadan)

I will open a business account when I have a bigger business but not now (Small Business Owner in Kano)

The above statements reflect the mentality of Nigerian small business owners toward having a separate account for their companies. In resonance with the above statement, research has confirmed that financial management is one of the biggest problems confronting small businesses (Yusuf, 1997; Ishak *et al.*, 2012). These findings also align with Huang and Brown's (1999) study about problems of small businesses.

(d) Lack of crucial infrastructural facilities

Another challenge confronting small business operations in Nigeria is lack of infrastructural facilities. Provision of Infrastructural facility, according to Boter and Lundstrom (2005) can make or break entrepreneurs. This means, in other words, that availability of infrastructural facilities can determine the success and/or the failure of small businesses. In Nigeria, these problems have been around for decades and still linger on. Crucial facilities such as uninterrupted electric supply, good road network, good water supply, sewers and efficient waste disposal facilities, and other essential infrastructures needed to support society and business operations are lacking (see Akabueze, 2002; Opara, 2011). Small business owners commented on the excruciating effects of lack of crucial infrastructural facilities on their businesses. A respondent said.

My business would have grown better if there are adequate infrastructural facilities provided by the federal government. These facilities are prerequisite to business growth (Small Business Owner in Lagos)

Most small businesses operations require facilitating resources and services. These facilities may be either the responsibility of the government or the owner of the business to provide. The facilities are expected to enhance the growth of the business. Over the years, inadequate or lack of infrastructural facilities has been identified as one of the major challenges facing small businesses in Nigeria, a phenomenon that continue to hamper the growth of Nigeria economy at a desirable pace (Oraka, 2013). One of the outstanding of decay infrastructures in Nigeria is the epileptic power supply and erratic supply. This negatively affects the operation and provision of services that require stable power supply. Majority of the respondents identified lack of good power supply as a major problem militating against their operations. They following typified their shared views.

We rely on electricity supply from Power Holding Limited (PHL), a major supplier of electricity owned by the Federal Government, but the distribution of power is not stable. It is even worse if your outlet is not within the industrial zone. Moreover, other sources of power are very expensive to

acquire and to maintain. The costs of buying a power generating set or solar energy are very expensive. Therefore, power supply adds to the cost of operation that affects the sales because consumers will prefer cheaper products (Small Business Owner in Onitsha)

Another respondent said:

My business will only thrive on uninterrupted power supply...as you can see, it is printing press job. We need power supply from the start to finish. However, unfortunately, I cannot remember the last time we had uninterrupted electricity supply for 3 hours in a day. This is a major problem for running this business successfully, and so it is for thousands of businesses whose operations also depend on electricity (Small Business Owner in Kaduna)

Similarly, another respondent said:

Power supply is epileptic in this area. Cold soft drinks are, therefore,, difficult to be obtained in my shop, and I am losing customers because they always demand cold soft drinks from my shop...It is killing my business as I cannot afford to buy a power supply generating set (Small Business Owner in Ibadan)

Bad infrastructural road network is another major challenge hindering the growth of small business in Nigeria. The bad road syndrome makes distribution of goods and services difficult in some areas of the metropolis. This invariably raise the transportation costs and makes operations of small businesses difficult (Opara, 2011). In some areas in Nigeria, bad or poor road network has been a problem for the small business owners. Consumers find it difficult to reach certain places due to poor road and will prefer to buy their goods that are available along the road rather than an area reserved for small business owners, but with inaccessible roads. A respondent said:

Bad road discourage people from frequenting our shops. It is even worse during the raining season. The roads are so bad that customers dread to walk up to our shops for fear of soiling their clothes (Small Business Owner in Maleta, Ilorin)

The above statements resonate with Gill and Biger's (2012) argument that infrastructural facilities of a country are the stimulus catalyst with which its economic growth can be assured. Similarly, Oraka (2013) bemoans lack of good roads in Nigeria, which makes transport more expensive and the product less marketable. In other words, small businesses can only be successful in a country where there are healthy infrastructural facilities such as uninterrupted electricity and good road network among others (see Okpara and Wynn, 2007; Asaba, 2012).

(e) Lack of proper business and management skills/knowledge

Formal education is one way of acquiring management skills. However, it was discovered that most small business owners in Nigeria have formal education below first degree. Carson and Gilmore (2000) argued that essential factors to the growth and success of small business are an educated and skilled labour force. These will also assist businesses to gain some competitive advantages in the industry. According to an aluminium worker in the North:

I learn this trade through apprenticeship. Though, I attended school but not beyond secondary school. It is now that I appreciate the importance of education to business success because I would have acquired better understanding of the managing business if I had proceeded to degree level

It was found that small business owners do not have the required skills to manage their business. According to Analoui (1995), people related skills are crucial in small business because small business interact directly with their customers. These skills include problem-solving, interpersonal communication, decision-making, assertive conduct, conflict resolution and negotiation. Lack of these skills is responsible for loss of customers. Business owners have personalized management style. This style differentiates small business owners and preference of customers.

Some customers are very rude and impatient. They are very difficult to handle especially in the negation process. In our business, customers that have compared prices tend to be assertive in their negation not even considering changes in prices. Nigeria market is not stable, and there is always fluctuation in prices and if we fail to convince them, they will never patronize us again

Small businesses are more concern with challenges associated with the retention of employees who have knowledge and skill in managing people (Walker *et al.*, 2007). Owners of small business do not always employ a manager that is highly skill in management. Management decisions in small businesses are made by owner irrespective of their skills in managing people but believe in the general way of conducting business activities (Carson and Gilmore, 2000). However, small business owners or managers that have these skills tend to be successful. Didonet *et al.*, (2012) pointed out that businesses have potential to succeed if the owners have better skilled in human resource management.

I am able to retain my customers and attract new customers. The success of my business is the ability to retain my customers through healthy interaction and knowledge of customers' sensitivity to their priority

Therefore, entrepreneurs who are educated and have the required skills, self-confidence and technical knowledge attain high growth rates in their businesses and always successful (Didonet *et al.*, 2012). They define managerial skills as a set of complementary skills that are integrated and possessed by the business owner. These are administrative ability, persuasiveness, and fluency in speaking, creativity, diplomacy and conceptual skills. The performance of the business is influenced by these managerial skills especially human resource skills. Xheneti and Bartlett (2012) argue that managerial skills have an important role in explaining differences in business performance. Skills and knowledge may be acquired in the business through experience that is most important towards the success of the business. A respondent said:

I learnt this trade through experience and the business have been successful

Skills and trait are used interchangeably in the literature. Yukl (2002) defined the word trait as variety of individual attributes which include temperament, personality and value and skills as the ability to do something in an effectively.

Discussion

Evidence from this study revealed that lack of capital to start-up and to sustain businesses is one of the problems confronting small business owners in Nigeria. Most small businesses in Nigeria are started and maintained by personal fund. Banks and building societies demand for collateral security inform of landed properties to give out loan that most business owners cannot afford. It was discovered that a well-managed credit system which weighs and evaluates individual credit worthy status for loan purpose does not exist in Nigeria, every potential loan seekers are expected to provide creditable collateral to secure a bank loan. This phenomenon makes borrowing for business purpose almost impossible for the Nigerian small business owners.

The situation is, however, different in the US, UK, France, Germany and other EU nations where financial institutions have designed credit facility mechanisms that take care of personal and business loan without loan seekers having to provide collateral for securing loan (see Worth, 2009; Silverman and Patterson, 2011; Blau, 2009; Feast, 2013). The study also revealed that poor record keeping and lack of information management are very pronounced among Nigerian small businesses. Majority of Nigerian small business owners do not prioritise record keeping, and few that keep it do not do it well. According to Ejemobi (2013), excellent and up-to-date record keeping is one of the requirements needed for small business to operate successfully.

One very worrying finding of this study revealed that most of the Nigerian small business owners find it difficult to distinguish between business and personal capital, an attitude that have closed up a considerable number of small businesses. This finding aligns with Ishak *et al.*'s., (2012) argument that financial management, which is required for the sustainability and growth of business, remains one of the biggest problems confronting several small businesses. This study also revealed that lack of infrastructural is hampering the success of small business in Nigeria. For example, how can a business that requires electricity to operate be successful in a country where two uninterrupted hours of electricity supply is not guarantee in a day? Such is the fate of small businesses in Nigeria. This finding resonates with Oraka's (2013) argument that lack of infrastructural facilities curtails the success of small businesses in Nigeria. Also, the study revealed that lack of proper business and management knowledge are very rampant among Nigerian small business owners. Most of them do not possess the required knowledge and skill to run a successful business, and this is partly responsible for the failure of millions of small businesses in Nigeria. According to Didonet *et al.*, (2012), small businesses are billed to succeed if their owners possess the right knowledge and skills. The authors of this study acknowledge the economy builder and jobs provider roles of small businesses in a nation.

Conclusion and Recommendation

The importance of small businesses in offering employment to the pool of unemployed youth and adults in Nigerian cannot be overemphasised. The country unemployment continues to rise with the army of University and polytechnic graduates storming the hopeless labour market on a yearly basis. The government is not creating enough jobs to cater for its ever increasing population, making small business the last hope of securing employment for millions of Nigerians. This study, however, provided insights into our understanding of the challenges confronting small businesses in Nigeria. The study, thus, enjoins the Nigerian government to look seriously into the problems of small businesses in Nigeria with a view of providing succour to them. This study supports the establishment of community banks where small business owners can borrow money without hurdles and very stringent requirements of the high street banks. The study also recommends that government at all level should step up their assistance to small businesses in terms of providing seminar, workshop and training for small business owners on how to run a successful small business. Most importantly, Nigeria government should make concerted efforts to upgrade the infrastructural facilities to meet up with the international standard. This will not only help businesses to grow and flourish, but will also make Nigeria, a destination for the international investors. It is hoped that the ideas presented in this study will go a long way in finding solutions to small business problems in Nigeria.

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