MANAGEMENT PROBLEMS OF SMALL-SCALE INDUSTRIES IN NIGERIAN ECONOMIC DEVELOPMENT

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Abstract
Many people don't know what small-scale industries are. Even those who know what small-scale firms are may not know the reason why they develop management problems. The intention of this paper is to bring to light those management problems that hinder the progress of small-scale industries in Nigeria. Notable among the problems include, poor managerial capability of the management staff, financial problems as a result of insufficient capital available to management staff, lack of adequate infrastructures and unfavourable Government policies and regulations. It is a well known fact that industrialization is a way of life and that countries that are rich today are those that are highly industrialized. In realization of the benefits of promoting small-scale industries most writers argued on whether Banks/Government programme set up for promoting small-scale industries actually complied with Central Bank Circular on lending to small-scale businesses.

Introduction

This research focuses on the management problems of Small- scale enterprises in Nigeria's economic development. It recognizes its pivotal role in providing broad-based economic needs for economic development. It is in realization of this effect that both developed and developing countries has encouraged the development of this sector to ensuring self- satiability and found economic base (Inyanga, 2010). On attainment of political autonomy by Nigeria, various structural reforms was carried out, various development plans was put in place in other to reap the benefits of self- sustained, free market enterprise system devoid of external monopolistic suppression. This in other words encouraged is no small measure the development and encouragement of small- scale enterprise. But unfortunately for Nigeria, the oil boom period of the seventies encouraged large- scale capital- intensive import dependent type of industries. Indeed both the private and the government sectors embarked on heavy industrial investment expenditure. This of course had the attendant consequence of neglect of the small-scale industrial sub-sector of the economy.

Recent research has stress the need behind building any economy around small-scale and medium enterprises (SMEs).

Meir,(2000) analyzed that this was the experience of Nigeria after the sharp decline in oil earnings in the eighties, according to him; this necessitated a policy re- direction aimed at realigning domestic production with the local resource base. This result however is development on this standpoint based on its catalytic effect and impact in fostering balance in industrial development and in the provision *of* necessary facilities for economic growth.

Onuoha (1994) contended that SMEs is the dominant form of business enterprise in any economy whether developed or developing. This has received greater force in developing countries because of their need to have accelerate growth, ensure unflappable distribution and provide more jobs for the labour force, and the need to improve the living conditions of their people in a competitive global economy.

Anammah, (2009) strengthen the above assertion by stressing that this realistic approach has over time inspired the adoption of small scale enterprise policies, ranging from efficient factor utilization, employment generation, innovation industrialization and entrepreneurial development, stimulation and democratization of capital formation, regional development, poverty alleviation and environmental friendliness.

Onuoha, (1994), agreed that where they are established they will lead to increased food production, serve as good source of raw materials for big industries, brought about diffusion of economic power, promotion of indigenous technology, formation of entrepreneurship at the grass root level and in some cases develop into big industrial complex, thereby oiling the wheel of industrial development. This is why various governments of both developed and developing countries take the issue of small- scale industries very serious. Small- scale industries are vehicle for the economic development of any country.

Anammah, (2009) Stated that SMEs have of recent started playing a vital role in Nigeria's economic development. It is for this important role that the second and third national development plan of the country gave great support to small- scale business.

Nevertheless in exploring the importance of SMEs to economic development, it is sets by various problems which hinders its effectiveness in real situation among them are reliance on local made technology, employment of non- experts, planning problem, management problem etc.

Onuoha, (1994) from the foregoing analysis, it is true saying that small scale industries have a good prospect in that they are high blood of the society and such are unavoidably necessary, in the sense that it is considered as the engine of growth or power house of innovative and inventive skills for our modern production process.

In most developed countries, small- scale industries formed the bed role of their industrialization. In Nigeria, they constitute the greater percentage of business participation, their impact and potential contributions to broad- based economic development as well as their Catalytic effect in achieving macro- economic objective have led to the encouragement of these sector.

Ojo (1999) stated that this has motivated both the government and individuals to focus their interest on small-scale industrial development, to solve among other things the problem of unemployment.

The Small-scale industries nave a strategic role they play in the economic development of less industrialized countries like Nigeria. The society for example expects the small business to help in bring unemployment to the minimum, generate revenue to create a rich capital base for the society, bring about new product ideas, make more goods available to satisfy the demands of the consumers, work towards keeping a healthy hazard-free environment, meet certain financial obligations like the payments of taxes and levies and generally contribute in raising the standard of living of not only the entrepreneurs themselves but also of the people. In their attempts to achieve these objectives; the small-scale business is set by numerous problems. This not with standing only very few individuals in the final analysis succeed in establishing their own small- scale industries which further the unemployment problem.

Furthermore, finance has continues to pose a threat to many small- scale entrepreneurs. Financial constraints have become recognized as the most devastating problems of (SSIs). This is always the result of the undue termination being experience frequently on the part of this sector. Also the inability to source raw materials needed for industrial growth has also constituted a problem to economic development. There is also the problem of under utilization of local raw materials resulting from lack of technical expertise.

This therefore shows that the dynamic roles of (SMEs) in the economic development of Nigeria are not being fully realized to the great disadvantage of the whole economy. Small-scale enterprises can be justifiable and realistically beneficial if both the people and government play their own part by encouraging and removing bottlenecks hindering the effective performance of _ this sector. The quest for economic development to ensure overall improvement in individual well being of citizens has been the pre-occupation of every nation. The process involves a numbers of approaches one of this is the adoption of an industrialization strategy at a point in time reliant to the prevailing needs of development.

Theory of Small Scale Industries

However, the theory of small-scale industries has occupied a central place in the prose on economic development over the last three decades on the whole as a materialization of various attempts by the developing world to chart new economic strategy which would relieve them of economic dependence on their former colonial master, Ogudipe (2008). In disclosing his views circle of poverty which circulates apprehensively among the masses of our people, speedy industrialization is a must since it will have a positive effect on welfare of people through discriminating shortage of capital is the most immediate problem confronting them. Small- scale industries are everywhere today and many giant enterprises started as one person operation. Some as partnership others as co-operation these types of business which have been talked and written by many writers fall within the small- scale industries.

Industrialization according to Meir (2000) is a way of life; rich countries are believed to be rich because they are industrialized. Jorgansen (2007) is of the opinion that industrialization offers substantial dynamic benefits that are important for improving the economic system of less developing worlds. According to him the central task in industrialization is to acquire investment skills that are necessary to bring balances in any nation's economy. For instance, small-scale industries serve as school of development to entrepreneurship.

Oguntoye (2005), point out that most entrepreneurs of large scale industries today started on small-scale industries where they acquired the expertise with which they are running their large enterprise. He further observed that skills acquired during the development of entrepreneurship help them to know how to mobilize funds which would otherwise have been lying idle or wastefully spent and direct them to productive uses. However, developing countries are under much pressure in this regard because of their general peculiar features like, the concentration of a high proportion of the population in agriculture often ranging between 40-90% in some countries. Inadequate capital, power failure, bad planning, high interest rate, poor management, inadequate infrastructure facilities, inability to stand challenges and competition, restricted access to foreign exchange and inadequate account records and many others are the management problem facing the small-scale industries in Owerri municipal. The need for these firms to survive is of paramount importance.

Definitions of Small-Scale Industries

A little distinction should be made between the small and large- scale industries. Small-scale industries have been defined in various ways. Central bank of Nigeria through its guidelines to financial institution defines it as, any industry with a turn over of not more than N50,000.00 central bank monetary and credit policy guideline defined small- scale industry as those whose capital investment does not exceed NSmillion including land and working capital or whose turnover is not more than N25million annually.

The Federal Ministry of industries says that an industrial enterprise is small if it employs 'between one to fifty people with total investment not exceeding sixty thousand naira. It could be factory or non- factory establishments, a household, a cottage or a craft with or without motive power.

This definition was expanded by Ekpeyong (2009) by stating that much of small scale industry in Nigeria is based almost entirely on local raw material. The availability of raw materials which in turn may be influenced by the environment is important. David Anderson made distinction between small and large firms by saying that the large firms tends to be exception rather than the rule with the typical manufacture in Nigeria employing less than SOpeople. Obioha (2010) went further to say that today there are several forms of business unit existing side by side and engaged in activities which range from street hawking to manufacturing, He added that some are very small, so small that owners barely realize they are running business. Others are large manufacturing organization employing thousand of workers.

From the numerous definitions of small-scale industries and the distinction from large ones its shows that the business take depends on the following:

a. Number of person directly involved in the business, is it to be ran by just one person or are there a number of people who wish to combine to form the business or is the business to be thrown open to the public so that anybody willing may contributes some capital,
b. The nature of the business is to be retailing, wholesaling, manufacturing or supply service.
c. Capital, what amount of capital is available to start the business? A prospective firm with a small amount of capital would not contemplate a large-scale business organization.

However dodging from the numerous small-scale industries existing dry cleaning firms, tailoring, printing, block mouldings, bakery, poultry firnvwelding, soap making, baking garri and other food processing.

Responsibility and Essential of Small-Scale Industries in Nigeria

Small-scale business ownership which is the shortest way to ownership of capital and of cause the basic way to economic growth of many developing countries like Nigeria will help to solve the bad nature of our economic problems if effectively developed. The small-scale enterprises have the capacity to use capital productively. Data from Columbia, Ghana and Malaysia, for instance show high rations mobile the small savings of proprietors who would not use the banking system but who will invest in their own firms.

Development of small- scale industries in the rural sector of the economy does not only provide employment opportunity to people but also improves productivity and develops entrepreneurship due to the relative amount of capital required. Like Nigeria which is under developing nation with employment problems, a given capital invested in small business undertakings offer more employment, at least in the short run than the same amount invested in large-scale establishment.

Agu (2001) opined that small-scale industries provide self employment to majority of people in our society. He went further to say that it enable them to become earners and responsible members of the society, With the growing rate of unemployment in our country, the employment potential of small-scale industries was identified. Recent growths achieved in this area have significantly reduced graduate and rural employment in the country. The third national development plan (1975-1985) government provides funds small- scale industrial researchers to create a division of small-scale industry and encourage state to begin small-scale industrial credit scheme. The development plan stresses more on economic growth. Looking at the important and role of small-scale industries we observed that it enhances economic growth and development in Nigeria economy and it also aids industrialization process. They have move for survival of the nation economy and can no longer be waved. They have move form the substance level of pre-indigenization period to a position of important in the country industrialization process.

Sources of Finance to Small Scale Industries

Ojo (1999) identified two sources of financing small- scale industries.

1. Formal Sources: This includes banks, other financial institutions, government loan agencies and co-operative credit societies. He commented that these sources of finance are less importance to small scale industries than the informal types because of the banks unyielding demand for collateral securities which are usually not readily available.

A further examination concerning the formal sources of finance to small-scale industries to approach banks for loans; this is largely attributed to what appears to the small- scale entrepreneurs as stringent loan requirements often made by banks and an awareness of some-short comings of the small- scale enterprises such as lack of proper accounting system, inadequate information on their activities, poor preparations of feasibility studies and lack of suitable collateral securities (Ojo, 1999).

2. Informal Sources: Onuoh'a (1994) observed that the bulk of the finances needed by small- scale industries come from informal sources are more importance. For more monitored and regulated than the formal sources. They are estimated to cover 10-30 percent of the capital needed by the rural and small procedures.

Interest rate in the informal source could by higher than the bank but the crucial factor is the availability of the fund for operation than the cost of the credit.

Ojo (1999) noted that the transaction cost default rates of informal sources of finance are by and large lower them for commercial banks. Most developing countries benefited form informal sources in the development of their small-scale industries, for instance, in most African countries, the rotating saving and associations (ROSCA) played aprominent role in the rural economy. Nanjundan (2004), Ojo (1999) have observed that informal source of financing small- scale industries have met a large part of the requirements of small-scale industries in both urban and areas because of their ability to assess and ensure repayment and their lower loan transaction costs. It is worthy to note that informal credit markets are complementary to formal markets. Informal sources include circles of friends, relatives, traditional mutual aid groups like Esusu, middlemen, landlords and professional money lenders.

Types of Finance Accessible to Small- Scale Industries

Onuoha (1994) noted few organizations can finance business from their own operations. Hence there is need for finance pooled from various sources. This means that for a successful running of business organization, there is need for combination of sources of finance for instance, formal and informal sources would provide adequate finance for economic well being of business organization. The type of finance sought for depends on the organizations available resources and the extent of the need. However, the types of finance available to small-scale entrepreneurs are:

1. Personal Fund

This is fund provided by the businessman or his family friends, most of the time, money borrowed from friends are not repayable and even when repaid it do not attract interest payments and usually paid back at borrowers convenience.

Agulanna and Madu (2003), observed that most sole proprietors and partners finance their fixed assets form their personal savings. They went further to say that most people who start businesses on their own do so with money, which they have saved over a long period of time. They say that the major advantage of this source is that more often than not, interest is not paid by the business on the use of such money.

Also Agu {2001} says that most people save to invest in business because of the difficulties in getting bank credit or obtaining money from other source, and that sole proprietors in Nigeria raised their capital through personal savings. He {Agu) added that the major problems affecting personal savings in Nigeria are the low income level of the working population, high inflationary rate and large domestic responsibilities created by extended family system.

2. Venture Capital:

This is a private source for financing high risk and devours. Oshagbemi (2011), it is one financing alternative among many sources of capital that are available to growing companies like small-scale industries. He says that it is invested in the equity of a company or new venture. The investment is usually in the form of stock or a convertible debt, which is a loan that becomes a stock holding at same point. According to Ezejelue (2011) for any businesses that are pioneering in a new field a venture capital company or as often c-alled, Risk Capital Company is a good source of equity capital. Venture capital companies invest in relatively under developed industries that promise good growth potentials. They are highly specialized and are capable of commercializing unique business opportunities and research findings. There areas of interest include new services, processes, industrial and scientific industry. Their financing take a number of methods, but the common is by means of straight exchange of shares for funds. Ezejelue (2011), Venture Capital Company may agree to invest a certain maximum fund, but the fund is usually not given in block, but by pre-agreed periods, as the new business meets its projections.

3. Short Term Finance/Bank Over Drafts

These are funds needed for periods within one year. Short term funds are cheap source of finance and usually available for most small-scale entrepreneurs who posses good financial records and proven credit worthiness. Its advantages are the flexibility and cheap nature, sources of short term finance available to small- scale entrepreneurs are:

i. **Trade Credit:** This is made on basis of determent or payments. It is a formal agreement between the sellers and purchases. The small-scale entrepreneurs do iraot take loan from manufacture or seller rather carries goods and pay later. In this way small-scale business could increase business activity, cash that would have been used to pay irnmetSately is used on other business activities that needed promptness financially.

Ikwumezie (1997) opined that trade credit is a flexible source of finance for a company with a good credit, all that is required is to place order from suppfces for the goods required. Payment is subsequently made according to the term of credit According to Umoh (2006) some companies are in the habit of stretching their trade credit. Ttiey do this not paying within the prescribed credit period. The danger here is that such companies can hurt their credit worthiness and be denied future credit. Trade credit in rt from does not entail interest expense in bank.

ii. **Bank Over Drafts:** The bank manager allows the small- scale entrepreneur to over draw these accounts up to a specific unit. According to Nzotta (2002), these are the most ommon and simplest forms of short term credit facilities. They are usually granted for working capital purpose and the amount outstanding is expected to fluctuate over the life of the facility, depending on the borrower's working capital need at arty material time. He went further to say overdrafts permit the borrower to use the funds on a daily basis depending on the needs of the firm: saving overdrafts are repayable on demand and could be cancelled at the banks option without prior notice. All that is entailed in these types of short term financing is that entrepreneurs being of good character financially; otherwise it is flexible and interest is charges only on daily balances.

iii. **Acceptance Credit:** This is bill of exchange drawn upon a merchant bank for a special period. This is accepted either against securities or some other proof if ability to honour at due dates lower than overdrafts with a discount house. These types of short term finance are suitable for entrepreneurs who areJn the export business.

iv. **Medium Term Finance:** This type of finance is mostly for the purchase of fired assets. It usually leases for 1-5 years. Banks offering this type to entrepreneurs usually secure the loans and often insist that the principal amount is repaid over the life of the assets. One good thing about this type of finance for small- scale business entrepreneurs is that term of repayment are flexible that is it could be monthly, quarterly or half yearly to suit the particular business cycle. Sources of medium term loans are:

1. Bank Loans: This is different from overdrafts in the sense that they are negotiated agreement for advance of a certain sum at stated period at a table interest rate and often requires collateral securities from the entrepreneurs. Ikwumezie (1997) bank loan is a fixed sum and for specifies period placed to the credit of a customers account Interest is charged on this fixed sum and the repayment provisions of most term loans upon the firm to amortize the principal over the life span of the loan in given installments. Therefore there is usually need prompt, repayment of interest and redemption of the principal amount by the bank.

2. Hire Purpase: This is suitable for small-scale business entrepreneurs who are in the purchase of cornmercial and industrial fixed asset. Repayments are _usually 2-3 years, Agu (2001), He saw hire purchase as a contract by which goods are delivered to a person or buyer who agrees to make period installment payments. He went further to the say ownership title can only be transferred after the last installment. IMjoku (2005) in his book quoted the hire purchase Act of 1965 as saying that the Act applies throughout the federation and it defines hire purchase as the bailment of goods in pursuance of an agreement under which the bailee may buy the goods or under which the property in the goods will or may pass to the bailee.

3. Leasing: This is giving out of plants of specific requirements of business like industrial plant usually covered by a formal agreement and the agreement is entered into with a finance house for specific periods. Leasing does not bring in new money but finds a capital sum for the enterprise and introduces additional earning capacity. In the idea of Anuolam (2007), a lease is a contractual arrangement under which the lease has the right to use equipment, and in return makes periodic payments to the owner, the leaser who retains title to the equipment. Leasing is an important area of financing, in exchange for use of the asset, the firm can issue a claim against its future cash flows.

4. Long Term Financing: When the capacity of a business enterprise has gone beyond the need of owners' personal fund short or medium funds then the enterprise would seek long term financing for more expansion. Long term financing are for business growth and development. Sources of long term financing are:

a. Sharholder/lssues of Shares: This is a form of financing a business enterprise through fund provided by subscribing to shares or a stock issued by the company. This is common with companies incorporated under the companies and Allied matters decree of 1990. A share is the interest of shareholder in a company measured in monetary terms representing a fixed unit of the common fund contributed or capable of being raised by its members.

Onuoha (l994) share may be ordinary or preference share; ordinary share are those entitled to surplus profits only when preferential right and such interest on loans, creditors and suppliers commitments and entitlement of preference shareholders have been met. While preference shares are those entitled to a fixed divided and in the event of liquidation, they entitled to repayment of capital in priority to other classes of shares.

b. Debentures: This are forms of loans from numbers of the public. The details of the loan such as amount interest rate, security, repayments arrangements are set out in document which the borrowing organization signs and gives to the lender or lenders as evidence of its debt to the later. This document is called debenture; holders of debentures are creditors of the company and not equity holders. They receive interest on the debentures and this interest must be paid before dividends are distributed to shareholders

According to IMzotta (2002) debenture or bound are issued by various types of business organization (corporate bonds), by the federal and state government (government development bonds) or by local government (municipal bonds). They constitute a good source of fund for projects. Debentures are cheap and flexible and interest paid on them is tax deductible.

c. Mortgages: This is a form of long term available to land and building owners using the properties as mortgage or collateral. Njoku (2005) mortgage may be defined as the conveyance of property to a lender as security for money borrowed, jt may also be defined as the transfer of a legal interest in a land or building for the payment of a debt. Payment of a mortgage involves a gradual repayment of the principal and the interest repayment both by way of annuity. The annual interest payment is tax deductible. Mortgages are usually 50-70% of the value of the property mortgaged. Issuing of the loan by lender depends on how satisfactory the borrowers' financial standing is.

The Responsibility of Financial Institutions to the Development of Small Scale Industries

In January 1970 the Federal Government of Nigeria's industrial policy objective was stated as to achieve an accelerated rate of knots of industrial development Obitayo (2000). The element of the policy includes,

i. Providing greater employment opportunities.
ii. Disposal of industries,
iii. Increase export of manufactured goods.
iv. Improving the technological skills and capability available in the country,
v. Attracting foreign capital,
vi. Increased local content of industrial output,
vii. Increased private sector participation in the manufacturing.

The major policy tool through which government planned to enhance employment generation was to be the promotion of small-scale industries. Thus Federal Government evolved a broader based mechanism of credit delivery allowing small-scale industrialists greater access to credit facilities. Obitayo (2000).

Institutional Sources of Financing the Development of Small-Scale Industries

Government, in believing that dynamic and growing small-scale industries can contribute significantly to the implementation of side ranging development objectives, has employed several policy measures, each of which has become a major source of credit to small-scale industries. These include:

Issuing of Monetary and Credit Guiding Principle by the Central Bank of Nigeria

The central Bank has been influential in ensuring that small- scale businesses are adequately funded. It therefore directed in April (1992) that credit to indigenous borrowers was to be at least 35% of the Bank total loans and advances. The proportion was raised to 40% in the Fiscal Year (1999) to December (2000). It was observed that with the Central Bank of Nigeria (CBIM's) directives Bank granted about 20% of their total loans and advances to small-scale which totaled between N3.6 Billion, N5.1 Billion and N5.8 Billion without Central Bank of Nigeria's (CBN's) influence, it would have been highly unlikely that Banks would of their own volition/ have granted as much credit to small- scale industries. Ukpong (2000) observed that by the end of the third quarter of (1990), Commercial Banks granted 22.3% of their loans and advance outstanding while merchant Bank allocated 24.7% of their loans compared with the stipulated minimum of 20.0%. The total loans granted to small- scale businesses by Banks amounted to N7.4 billion at the end of October, 2000. By the end of December 2001, loans to small- scale industries amounted to N7.6 billion and exceeded the stipulated minimum of 20% by 3.8 percentage points.

Specialized Institutional Credit Granting Organizations

Small-scale Industries Credit Scheme (SSICS). In 1971, the Federal Government provided a more direct form of financial assistance to small-scale industries by setting up a small Industries development programme to provide technical and financial support for small-scale businesses.

This led to the establishment of Small- scale Industries Credit Committee (SICC) to administer small Industries Credit Fund (SICF) throughout the country. In the third national development plan, 1975-1980, the Small-scale Industries Credit Fund (SICF) was formerly launched as the Small- scale Industries Credit Scheme (SSICS). The scheme was operated as a matching grant arrangement between the Federal Government and the State Government and it was designed to make Credit available on liberal terms to enterprise with capital investment outlay not exceeding N130,000.00. This scheme was starved of funds and was discontinued by the Federal Government in 1971. The Bank for Commerce and Industry (NBCI) was set up in its place to fund small scale industries. (Umoh, 2006).

Special Credit Scheme in the Financing of Small-Scale Industries

Government, in order to enhance the spread and productive efficiency of small-scale industries set up specialized Credit schemes such as:

The World Bank Assisted Small-Scale Business Scheme

The World Bank, according to Ukpong (2000) a total sum of $270.2 Million or 64% loan was approved for small-scale project cost. A sum of N 268.2 Million (including $2.5 Million for technical assistance) has been made available to Central Bank of Nigeria for on lending to SmaW-sate businesses through eligible participating Banks.

Small-scale Industries are to supply $79.7 Million (15.9% of the project cost). The participating Banks are to bear the Credit risk while the foreign exchange risk is to be borne by the Federal Government.

The Central Bank is expected to on-lend at the prevailing rediscounting rate to eligible participating banks, the equivalent in Naira of the proceeds of the loan to small-scale Industries. The Credit Components include a time of Credit, pilot financial restructuring, and pilot mutualism credit guarantee, equipment leasing and pilot studies Facility. The interest rate on loans to beneficiary enterprises is a market determined variable, it is related to the central Bank minimum rate and to the prime lending rates of the Banks. The rate was 24.6 percent up till end of 1990. It was agreed that loans would be provided in foreign currencies and /or naira depending on the Financing requirements of the beneficiaries. Since the Federal Government bears the Foreign exchange risk of loans granted to small- scale, it implies that the indebtedness of a beneficiary in respect of a Foreign Currency loan is determined in Naira, using the rates of exchange on the date the loan is disbursed.

The World Bank Small-scale Business loan scheme has been operational for three years. At the end of 1991, approvals $79.7 Million (15.9% of the project cost). The participating Banks are to bear the Credit risk while the. Foreign exchange risk is to be borne by the Federal Government.

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The World Bank small-scale business loan scheme has been operational for three years. As at the end of 1991, approvals has been granted for 70 projects with total approved amount reaching $16.3 Million. The cumulative draw down by December 1991 was as $21.1 Million out of us $ 270 Million earmarked for the scheme.

The National Economic Reconstruction Fund (Nerfund)

With the introduction of structural adjustment of the Naira many small-scale industries found it difficult to finance their working capital and new investments. Thus the Federal Government set up (NERFUND) in January 1990 to provide medium to long term loans (5-10 years) to small-scale industries. Through NERFUND, it was expected that small- scale business would have easy access to foreign exchange which has been difficult for them to come by though the foreign exchange market (FEM).

The national economic reconstruction Fund (IMERFUND) is issued to small- scale industries through their bank and is required to source some_of their input (machinery raw materials etc) in a particular country depending on the origin of fund being utilized. The provision for eligible enterprises according to section 2 of NERFUND decree is that:

i. Small-scale business be 100% owed by Nigeria's
ii. Small-scale businesses are regarded as those with fixed assets plus cost of new investment, (Land exclude) not exceeding N1Q Million,
iii. A participating Bank (PB) has accepted on behalf of the small-scale business to assume risk
iv. In the case of manufacturing project, not less that 40% of the raw materials are locally sourced.

By 1998, National Economic reconstruction Fund (NERFUND) has financial resources of N300 Million and $50 Million is to be utilized in procuring machinery and equipment from (Zechoslovakia).

The impact of NER FUND in promoting small-seal business depends on effective and repayments and also on the efficiency of the participating Banks in identifying viable projects. Ojo (1999) observed that national economic reconstruction Fund (NERFUND) assisted 141 projects in 27 States and Abuja were projected to provide a total of 7,134 jobs thus averaging 5 employees per enterprise. Government had the hope that the schemes provided would enable small-scale business to become productive by increasing investments in existing enterprise and establishing new ones. Some of the problems encountered in disbursing the loans stern from the inefficiency of the participating Banks in loans. For stance, the level of actual disbursement and efficient use and the timeliness of credit supply are critical. Also, in terms of viability of the small-scale business financial facilities, most of them are yet to be viable. The bulk of the funds still come from the Government as loans or grants. The small-scale industry credit facilities could perform better through greater efficiency by way of prompt and courteous service to their customers and regular monitoring of funded projects to ensure their survival, profitability and loan repayment.

Management Problems of Small-Scale Industries in Nigeria

Most of the problems encountered by small-scale industries were as a result of their nature and characteristics but the following problems limited their access to capital and their capacities to State and sustain employment opportunities, some of the problems are enumerated below.

1. Inadequate capital
2. Bad planning
3. Power failure
4. High Interest rate
5. Poor management
6. Inadequate Infrastructural Facilities
7. Inadequate account records
8. Lack of effective Government Policies
9. Unavailability of trained manpower

1. Inadequate Capital

In Nigeria today, security adequate Fund is a major problem facing small- scale industries. The establishment of people Bank and National Economic Reconstruction Fund (NERFUND) has not solved the financial problem of small- scale industries in Owerri Municipal. What the Bank provides is not enough to do any serious business and the technical details required by the NERFUND are beyond the scope of most small-scale industry.

Above all, the main fact that Commercial Bank are the executing organ of the Fund is enough to scare many small- scale industry away. Agu (2001) Observed that Banks and Government Agencies charged with the responsibility of financial assistance to small- scale businesses have not performed very well due to administrative reason and dishonesty. He went further to say that many Bank and Financial Institution shy away from small-scale businesses because of their high risk profile. This arises for the reason that relationship between Commercial Banks and small-scale Industries is not cordial to allow the latter to have enough confidence in the former.

2. Power Failure

Many businesses have run ground as a result of the crippling erratic electricity supply in Nigeria due to the fact that their owners could not afford power generators. The few surviving ones that rely on generators are constantly exercising fear that they will soon fold up if the incessant power failure persist much reactions from concord June 7, 1993 few reaction from wide range of small and medium scale business concerns, in dud ing the Dry cleaners, Tailors, Photographers, Welders, Panel beaters, Makers, Medical Laboratories, business Men and Women not only complained of dividing returns, but also loss of capital. Many who have generators find it difficult to run them due to excess fuel scarcity like what is happening in Nigeria today.

Some of these small- scale industries cannot function anymore due to fuel scarcity and high cost of the available one. Due to the smallness of their capital, they cannot even afford to buy the available one at the high cost and the only alternative now for them is to fold up.

3. Ghastly Planning

Often period relating to incompetence, management of small-scale industries development due to ghastly planning. David (2002) in his opinion said that many entrepreneurs go into business without taking a realistic view of their strengths and weakness. Let alone giving careful consideration in that particular sector of activity. They are unable to analysis their administrative adequate they think business can be a simple thing they can just jump into. Some enter into business simply because of job opportunities for them in the village or even they were thrown out of employment in the business.

According to business times, April 9, 1990 small business without a reader and business without a plan is like starting a direction less journey.

4. High Interest Rate

To obtain Bank credit for small-scale industries in Nigeria is often difficult. In 1990 budget, interest on current account was ordered with not doubt goes a long way to increasing the interest rate on then make profit The high cost dissuades small-scale enterprise from going to them for fear of not being able to repay when the time comes up.

Agu (2001) noted that "Banks Insist or collateral security which may not be affordable. Even where the credit could be_.obtained the interest rate is usually prohibitive. He_ went further, to say that with our interest rate of about 21% charged by commercial Banks on loans it is obviously too expensive for small- scale of operation, it is often too difficult for them to meet their objective using this method of funding. The interest rate in money market as well as the declining purchasing power of consumers as a result of inflation also results to the management problems of small-scale industries.

Adekunle (2009) noted that "there is no where in the where a country leaves the value of Its currency to market forces to determine to make for a stable growth, Government must. Limit with his adviser. In counties where there is derogation of interest rates, borrowers will face the problem of high interest rates and run the risk of being defrauded by dubious finance companies. And due to the smallness of this business, Akpan (1999) noted that since many of them is too small in size they are insufficiently constitute unavailable risk which bank fear to commit fund by why of loan and overdraw. High interest rate in Nigeria enhances the failure of many small- scale industries.

5. Poor Management

For any business to grow there must be effective management, there must be experience and training. More over most sole proprietors are illiterate and do not posed the necessary skill required in business operation, it is the case that because of their lack of organizational and marketing skills many small-scales business fail to capture a full share of the market for their product and service.

Ukpong (1998J also noted that because of their smallness in size lack of organizational and managerial skills, their operation constitute unavailable risk which banks shy away personal skill is not enough in business management because as they begin to grow in size, they begin to realize the need for both technical managerial and organizational skill.

6. Inadequate Infrastructural Facilities

This contributes to the management problem of small- scale industries in Owerri Municipal. Many small firms do not have the raw materials needed for production even when they do, the cost of transportation of these raw materials are very high. On this Endermereyor (2008) emphasized that "even within the country the cost of transportation of raw materials may well be more than the value of the raw material itself, because of poor rail road, and air transportation system which transverse the enormous land territory of Nigeria. The director of manufacturing association of Nigeria identified other factors responsible for low capacity utilization in industries as lack of both imported and local raw materials. He noted that. "Even when these raw materials are in short supply in that country, it is being exported.

7. Inadequate Account Record

An anonymous woman of problems of the small-scale enterprise is the inadequaterecord keeping. Small-scale industries lack adequate planning and monitoring because there is no official date on them and that brought about their problems. Using bright future motor limited as a case in point They advanced the enterprise a sum not less than N157,000.00 and at the end of last two years when there was a course to visit there, there was very few record concerning there total revenue and expenditure, production as it concerns its new acquisition consequent production, total purchase and money spend on capital items were not separately kept. With this types of report, how could the bank ever further in case loan to such uncaring or carefree business in view of the fact that the process and sustenance of some is at stake and imminent to the bank is loss of funds. Other factors contribute to the management problems of small-scale industries in Nigeria.

8. Lack of Effective Government Policies

In many cases the stunted growth experienced in small-scale business industries is as a result of lack of effective Government policies. Sometime, even where support policies appear to exist, it is only on paper. As has been observed, there is no strong body or Governmental Agencies responsible for monitoring and evaluating the activities of small businesses Madu (2000). The small-scale business association of Nigeria still lacks the strength and capability to attract Government recognition and assistance for the sector. The support from Government in many cases appears to be lip- service because not much action follows the policies.

9. Unavailability of Trained Manpower

Unlike in the past when it was generally believed that inadequate finance was the cardinal problems of our small- scale industrialist. It has now become crystal clear that the current problem is mainly inadequate supply of trained manpower in the various relevant fields. This shortage of trained manpower to man small-scale industries generates a chain of other problems, mainly organizational and managerial problems. Theses problems could in turn adversely affect both the product and market performance of the small-scale enterprise. For instance some entrepreneurs do not understand the intricacies of maintaining adequate business but they may lack the necessary knowledge and appreciation of their value to interpret them and use them effectively. Dickson {2007} agreed with this view when he said that small-scale enterprises are plagued by inadequacies and serious misuse of business records and business inforrnationi

Ohehe (2011) stated that one problem of small-scale (business is the lack of strategic planning. This problem can also be seen as managerial inability.

Summary

In attempt to find out economic contributions made by smaB-scaie industries, the writer reviewed how small-scale businesses sourced their funds, types of finances available to them for growth development and expansion of their enterprise, management problems of small-scale industries in Nigeria and the role financial institutions .played in supporting their growth development. It is a well known fact that industrialization is a way of life and that countries that are rich today are those that are highly industrialized. In realization of the benefits of promoting small-scale industries most writers argued on whether Banks/Government programme set up for promoting small-scale industries actually complied with Central Bank Circular on lending to small-scale businesses. The related literature has revealed that from the on set, Federal/State Government have been playing active roles in stimulating small-scale businesses. Its policy objective in this context could be summarized as follow.

i. Employment generation
ii. Industrialization particularly of the rural areas and
iii. Even development through industrial disposal.

Accordingly, the Government has employed monetary, fiscal and industrial policy measures and incentive to achieve its desired goals. It has also enunciated policies through national development plans and budgets and its agencies to provide financial assistance, training and some infrastructural facilities to small- scale industries. Ojo (1999) noted that Government has played a lead role in:

i. Providing local finance through its agencies- the Federal Ministry of Industries (small-scale Industry Credit scheme SSICS) the Nigeria Industrial Development Bank (NIDB), the Niger Bank for Commerce and Industry (NBCI), the Central Bank of Nigeria (CBN) and the Small-scale Businesses Apex unit SME.
ii. Funding and setting up Industrial areas and estate (to reduce over- head costs). Facilitating employment generation through the national directorate of employment (NDE which also initiate the setting up of new small- scale businesses).
iii. Facilitating and guaranteeing external finance through the world Bank, African development bank and other international institutions willing to and capable of assisting small- scale businesses.
iv. Setting up through decree No2 of (1989) the National Economic Reconstruction Fund (NER FUND) which is a source of medium to long term Local Foreign loans for small-scale businesses, particularly those located in the rural areas. Various writers have critized Government implementation of policies and incentives for promoting small-scale industries. Others supported Government, for instance Ojo (1999) noted that formal sources of financing small-scale industries such as Banks and other Financial Institutions are of less importance to small-scale industries that most of the bulk of the finances needed by small-scale industries from informal sources such as fund from relatives, friends and owners fund etc.

Ojo (1999) observed that transaction cost and default rates and informal of commercial Banks, this opinion might be responsible for the Luke-Warm attitude of small-scale businessmen to approach the bank for loans.

Ohehe (2011) found that small-scale industries are highly under financed and that most banks operated at for below the stipulated 21 percent.

Furthermore, this paper highlighted source and types of finance available for small-scale businesses for growth and development of their enterprises. It also went further to X-ray the problems that inhibited the flow of credit to small scale industries and also the management problem of small-scale industries in Nigeria.

The issue is not the amount of fund pumped into small-scale industries and incentives and policies of small-scale industries but Government programmes been monitored as to ascertain whether small-scale industries are actually receiving the minimum credit limit approved for by Federal Government and also whether entrepreneurs of small-scale industries are using the credit in the running of the businesses. It is only when appropriate measures are taken and effective monitoring exercise are implemented that the purpose for which small-scale industries are set can be achieve in his council.

Conclusion

This Paper has tried to ascertain and examine the management problems of small-scale industries in Nigeria. From the foregoing, it is quite clear to note that managers have very important role to play in small-scale industries. This is why this paper has looked deeply into the causes of these problems and problems faced by these small-scale industries.

This paper reveals that management problems in small-scale industries are attributed to poor managerial know-how, inadequate capital and unfavorable attitudes of the financial institutions, Government fiscal and monetary policies, unavailability of trained man-power and machines breakdown and power failure. Therefore, one can conclude that developing Countries like Nigeria can accelerate their economic development through the encouragement of small-scale industries. From the forgoing conclusion, the justification for carrying out this write up therefore is to find out the problem of small scale industries in Nigeria and the roles financial institutions have played in financing them as machinery for achievement of economic development. In the course of this write up, it was discovered that management problems have been considered as one of the most important elements affecting the small-scale industries in Nigeria. A careful reading revealed that what caused management problems in these small-scale industries in Nigeria are attributed to inadequate fund to small-scale managers, poor managerial capabilities, lack of adequate infrastructures and unfavourable Government policies and regulations.

Therefore, it can be deduced from the write up that;

i. Management problems of small-scale industries have been a thing of concern for entrepreneurs in Nigeria. This is because the part played by management in these industries affects to great extent the machines, employees .ami tithe development of Nigeria.
ii. Poor managerial capabilities among the management Staff and[1] sqpenrisor constitute problems in small-scale industries. When the people at ihe lefcii of the managerial know-how, it has become a great problem for the industries.

iii. Poor finance and unfavourable attitude of financial institutions to fhese small-scale industries necessitated managerial problem to these snial^scafc MhHlries. Capital is one of the factors of production, and when this is not adequate imiGStiifig; and expansion become impossible for the management.

iv. Managerial problems of these small-scale industries in Nigeria, the welfares of their employees are neglected.

v. Government regulation and policies constitute a problem to the management of small-scale industries in Nigeria. When these policies and negrfations are unfavourable to these small-scale industries they constitute management problem to these industries.

vi. The effective performance of these small-scale industries in Nigeria is affected if the management of such industries is ineffective.

Recommendations

The general picture of this write up shows that:

1 The financial institutions have not attained the desired expectation in the aspect of assisting small-scale industries financially. If the financial institutions would encourage small-scale credit scheme, this will assists in solving the management problems of managerial incompetence and lack of finance.

Therefore, confidence, goodwill and communication should be established with the financial institutions. This will ensure the required understanding between applicant and manager regarding each others needs and requirements the later is aware that provision of the right type and amount of finance is essential ingredient in the success and development of the business. The lively application would equally lease the risk of inadequate funding and under capacity operation.

2. This paper is recommended to the management staff of these small-scale industries in Nigeria in solving the poor management capability of their industries and also the management should organize seminars and workshops to solve the problem of unavailability of trained man-power.

3. Government should also look into the type of regulation and policies set for small-scale industries because if not look into it will still be a problem of effective performance of the management of these small-scale industries in Nigeria would be ineffective.

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