ENVIRONMENTAL SUPPORT AND PERFORMANCE OF SMALL AND MEDIUM SCALE ENTERPRISES IN SOUTHWEST NIGERIA

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Abstract
This study examined the effect of environmental support on the performance of small and medium scale enterprises in bakery firms in Southwest Nigeria. The coverage of the research work was restricted to bakery enterprises in the six states of south west Nigeria. Primary data were adopted for this research. Structured questionnaire were administered to elicit information from the entire 240 bakery firms that were registered with ministries of trade and commerce in the six (6) states of the south west geopolitical zone of Nigeria. This means that the entire population was adopted as the sample. The primary data gotten were sorted, grouped and coded for ease of analysis. A model of three (3) linear equations was formulated and specified capturing the components of performance, infrastructure, technology and finance. Both descriptive and inferential statistical methods were employed. The descriptive statistics were used to analyze the data, while Binary logit regression analysis was used to explore the effect of environmental support on the performance of bakery firms. The study therefore recommended that government should do everything within its capacity to revamp basic infrastructures such as energy or electricity and water supply in order to boost the output of bakery firms in Nigeria.

Keywords: Enterprise, entrepreneurship, growth, environment, SMEs

Introduction
Business or trade is as old as life itself (Seweje, 2007). In Nigeria's pre-colonization era, trade went on successfully in the historical kingdoms or empires such as Bornu, Oyo and Benin. The people's economy thrived on agriculture, craft, and commercial activities. Nations then traded in commodities like gold, ivory, kolanut, salt, and slaves in exchange for items that were brought by the Portuguese. When colonization came into Africa and British took control of Nigeria trade with the British was bolstered. While the British industrialists needed raw materials such as palm oil, groundnuts and cocoa "which were produced cheaply in West Africa" for their industries, they also needed trading outlets for their finished goods. Prior to independence, the economy and trading activities of the nations were controlled by the Europeans. However, with the indigenization decree of 1972; 1977 government's direct involvement in the ownership of business, the control has shifted from Europeans to Nigerians.

The primary purpose of business is the supply of goods and services to satisfy the societal needs. Wherever people live in conurbations, there is always the need for goods and services. These goods and services are supplied by institutions such as the family, the voluntary organization, the business firms, local, state and federal government.

Business is a social activity aimed at creating goods and services within the legal framework of a society or community. This implies that the types of business activity that takes place in a particular community, state or nation, is largely determined by the beliefs, needs, attitudes as well as the stage of development of that community. A business cannot exist in isolation; it is bound to relate with its environment. The community, in which it operates, amounts to the business environment, and the community makes some policies.

The business environment is an intricate and dynamic concept which embraces the independent actions of all institutions, organizations; and individuals that directly or indirectly impact on the operations of business organizations (Olson, 1983). Olson also opined that participant within the Nigeria business environment include; one, individuals who act as customers of goods and services; labour/employees in organization, providers of capital and entrepreneurial skills to organization producing the goods and services. Two, business organizations, which are primary suppliers of input and services used for production, distribution and retailing of the goods and services. They also act as competitors to business. Three, the state, which acts as a consumer of goods and services, an employer, a producer of goods and services as well as the regulator of the economy.

Statement of the problem
The worldview of Small and Medium Scale Enterprises (SMEs) as an index of technological backwardness or as a sign of industrial backwardness is changing tremendously with time (Ariyo, 2008). Indeed, in many developed and developing nations of the world, SMEs are now appreciated as a necessary complement to

the industrial structure of any modern economy (Owualah, 1987). The dimensions of the recent attention on them border on the perceived wisdom that they could leapfrog their initial early stage and embrace modern large businesses in the development process (Adaramola, 2012). Many developing countries have recorded success and positive results from the discovery of SMEs in the past two or three decades.

Nevertheless, the contribution of SMEs to the Nigerian economy is still very small and negligible when compared with other countries such as the Asian tigers (Adaramola, 2012). The SMEs in Nigeria still face a lot of problems ranging from financing to survival. The rate of mortality is alarming. The government has made a lot of efforts to ensure that the SMEs are given a helping hand to frog-leap; growing to complement the modern day industrial structure like other developing nations of the world. Over the years, there have been serious divergent opinions as to what should be an appropriate policy to develop for Nigerian SMEs. In the recent times, the government merged the Nigerian Industrial Development Bank (NIDB), Nigerian Bank for Commerce and Industry (NBCI) and Nigerian Economic Reconstruction Fund (NERFUND) to form the Bank of Industry (BOI); all in the effort to assist SMEs in Nigeria. The government also established the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) as coordinating and regulatory agency for SMEs sector. The government also went ahead to establish the National Guarantee Scheme for the collateral for SMEs so as to reduce the risk of financing. The Small and Medium Enterprises Equity Investment Scheme (SMEIS) was set up in 2001 by the Bankers Committee which was a response to government overture that banks should device ways of funding SMEs in Nigeria. Now government has converted all the Community Banks in the country to becoming Micro finance Banks, strengthening the capital base, so as to be able to lend helping hand to the development of SMEs.

In spite of these developmental policies, the result from this sector of the economy has not been encouraging. Adaramola (2012) is of the view that the effort of Nigerian Government is unidirectional. According to him, apart from financial support, little is being done by the government about other environmental supports such as adequate infrastructure and modern technology. So examinations of literatures have revealed that researches have been carried out on SMEs and performance, also related discipline. However evidences have also shown that SMEs in Nigeria still face a lot of problems affecting their performance. Yet, the extent to which infrastructure support, technological support, and financial support affected SMEs particularly in bakery firms, Southwest, Nigeria has not adequately been explored.

Roles of SMES in Nigeria economy

An objective assessment of the roles of small business in Nigeria, however, suffers from the paucity of adequate information to accurately do justice to the job. This is not very surprising for in spite of the importance of the roles which they play or are expected to play in national development, it is the least studied. Equally conspicuous by its absence, at least until recently was a conscious policy of distinguishing between business establishment by their sizes or proper institutional arrangement for data collection and information gathering on the small business sector. Thus, separate, comprehensive, comparable and up to date statistics on small businesses are rarely available. Besides, being mostly proprietary or partnership in their organizational structure, many of them are deficient in maintaining systematic record- keeping of their activities.

However, some insight into their contributions to national economic development can be gleaned from the limited indicative statistics and findings of few previous studies and official publications. The risk of over simplification notwithstanding, the discussion in this section can be attempted mainly on the basis of anecdotal evidence and supported with the scantly available empirical evidence. It has to be noted and appreciated that this course of action is fraught with the danger of either exaggerating or understanding the actual roles of the sector in the Nigerian economy. Furthermore, whatever roles the sector has played must be recognized against the backdrop of the absence of any prescribed goals or targets.

The relatively higher level of development reported in countries like India, Pakistan, and Singapore were contingent in part on the active roles played by indigenous in those countries. Kilby (1965) listed 13 functions performed by Nigerian entrepreneurs. Fadahunsi (1992) summarized them into 10. These are: one, searching for and discovering new information; two, translating new information into new market, techniques and goods; three, seeking and discovering economic opportunities; four, evaluating economic opportunities; five, marshalling the financial resources necessary for the enterprise; six, making time-binding arrangements, seven, taking ultimate responsibility for management, eight, providing for

being responsible for motivational system within the firm; nine, providing leadership for the work group and ten, taking the ultimate risk of uncertainty.
Creating off-farm employment opportunities in the rural areas while increasing agricultural productivity is indispensable but it cannot substitute for long-term strategy to create jobs especially in urban areas, by means of sustainable industrial and modern service sector development. It is therefore important to ensure a balance between the needs of rural and other disadvantaged area. SMEs are central in this regard as they form a main source of economic growth and employment, while increasing competition and contributing to a more equitable distribution of income (Omotosho, 2007).

In term of employment, the small business sector has remained a major source of primary and secondary employment in Nigeria. Although very few nation-wide data to support this statement are available, we can exploit the 1967 Industrial Census covering 555 business establishments in Nigeria. Total employment generated by the reporting firms was put at 77,777. Out of this figure, the small business contributed 1824, about 2.4 percent for firms between 10 and 19 workers and 5245 about 6.8 percent, by those between 20 and 49 workers. The apparent meager contribution of the sector according to survey must be interpreted with caution and against backdrop of the exclusion of establishments employing less than 10 workers; the employment range in which the bulk of the nation's small firms is concentrated. However, the total share of employment by the sector in 1972 shows a remarkable increase. Seventy-four percent of national employment out of which 15 percent was in manufacturing establishments with fewer than 100 employees, was contributed by small businesses. An educated guess, is that the sector's contribution to employment generation might have risen given the improvement in personal income brought about by the "oil book" era, the steady decline in the employment potential of the agricultural sector and as more Nigerians opt for self-employment with the widening of economic opportunities, if not the decline in formal employment since the 1980s (Owualah, 1999).

It is in view of the foregone that an alternative development model based on a "bottom up approach" through the direct involvement in income generation, social activities, self-development and empowerment have been recognized to have significant impact on poverty. Hence, this approach is being advocated to enable them develop. Poverty reduction requires resources and capacity to adopt programs to diverse an uncertain condition alongside a strong performance orientation supported by demand pull of the poor themselves. Ironically, these attributes are not possessed by governments. The limitation to the action of government lies in difficulty to respond and adopt her services to the needs of the poor. It is on this premise therefore, that there is currently a strong merit for the carefully consideration of small and medium scale enterprises (SMEs) as an alternative development model. Thus Okafor (2007) observed that SMEs development supported by integrated micro credit skill-improving programme can dramatically transform the life of the poor people nearly in every country of the world.

Materials and methods

Sample and Sampling Technique

The study purposely made use of the entire 240 registered bakery firms in the geopolitical zone as the sample. The sampling technique used is the census sampling. This is because the researcher intentionally and purposively used the entire population size as the sample frame for the study because the population is fairly not large.

Data collection, data analysis and model specification

Data used for this research are from the primary sources. The major instrument of data collection that was considered adequate for the work is the use of questionnaire. This is because most bakery firms don't publish financial statements where secondary data can be sourced. Personal interviews were conducted along with the administration of questionnaire and as such the respondents were well guided so as to avoid misunderstanding of questions contained therein.

However, the work as a whole also used data and published information from government agencies such as the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN), National Directorate of Employment (NDE), various journals and public works on SMEs.
A logits regression analysis was also used to ascertain if a definite relationship exists between the performance of SMEs (total assets and output) and the independent variables which are: finance (capital invested, bank credit and non-bank credit); Infrastructure (energy and water); Technology (mode of acquisition of machine, training and educational background of the owners). Hence specification of the SMEs performance functions for Nigeria which permits a test of the hypotheses that 'improved technological, infrastructural and financial policy support will boost SMEs performance that will accelerate growth in the economy yields the following functions (Awe, 2002):

Performance variable = *f* (Environmental Support)…………….………………….. 1
Environmental support= *f* (Technology, Infrastructure, Finance) …………… 2
Output = *f*(Acquisition, Energy, Capital) ……………………………………… 3
Asset = *f*(Training, Water, Bank Loan) ……………………………………….. 4
Employment = *f*(Education, Age, Non bank Loan) …………………………… 5
Output = *f*(Ac, En, Cp) ………………………………………………………… 6
Ac = Acquisition
En = Energy
Cp = Capital
Ot = Output (Dependent variable)

$$\text{Ot} = \beta_0 + \beta_1 Ac + \beta_2 En + \beta_3 Cp + e$$

β_0 = Intercept/Constant
$\beta_1 - \beta_3$ = Parameter estimates
e = error term
The explanation logistics function will be inform of

$$f(Z) = \frac{e^{a+bx}}{1 + e^{a+bx}}$$

Where the input is Z and Output is f(Z)
e stand for exponential function
a is the intercept/constant
b is the parameter
x is Output
For a multiple independent variable as the case in this model, the logistic model is given as:

$$f(Z) = \frac{e^{a+\beta_1 \text{Ac}+ \beta_2 \text{En}+ \beta_3 \text{Cp}}}{1 + e^{a+\beta_1 \text{Ac}+ \beta_2 \text{En}+ \beta_3 \text{Cp}}}$$

The predicted logit (Ot=1) = $\text{Ot} = \beta_0 + \beta_1 Ac + \beta_2 En + \beta_3 Cp$
Asset = *f*(Tr, Wt, Bl)
Asset = Ass (Dependent)
Tr = Training
Wt = Water
Bl = Bank Loan

$$\text{Ass} = \beta_0 + \beta_1 Tr + \beta_2 Wt + \beta_3 Bl + e$$

$$f(Z) = \frac{e^{a+\beta_1 \text{Tr}+ \beta_2 \text{Wt}+ \beta_3 \text{Bl}}}{1 + e^{a+\beta_1 \text{Tr}+ \beta_2 \text{Wt}+ \beta_3 \text{Bl}}}$$

The predicted logit (Ass=1) = $\text{Ass} = \beta_0 + \beta_1 Tr + \beta_2 Wt + \beta_3 Bl$
Emp = *f*(Edu, Age, Nbl)
Emp = Employment
Education = Edu
Age = Age
Non bank loan = Nbl

$$Emp = \beta_0 + \beta_1 Edu + \beta_2 Age + \beta_3 Nbl + e$$

$$f(Z) = \frac{e^{a+\beta_1 \text{Edu}+ \beta_2 \text{Age}+ \beta_3 \text{Nbl}}}{1 + e^{a+\beta_1 \text{Edu}+ \beta_2 \text{Age}+ \beta_3 \text{Nbl}}}$$

The predicted logit (Emp=1) = $\text{Emp} = \beta_0 + \beta_1 Edu + \beta_2 Age + \beta_3 Nbl$

Hence, on apriori, the expectation of the model estimation is that the three (3) independent variables in each of the three (3) equations will impact on SMEs' performance as follows:

$\therefore \frac{\delta Out}{\delta Aqu} > 0, \frac{\delta Out}{\delta Enr} < 0, \frac{\delta Out}{\delta Cap} > 0$ ------------(4)
$\frac{\delta Ast}{\delta Tra} > 0, \frac{\delta Ast}{\delta Wat} > 0, \frac{\delta Ast}{\delta Bnk} > 0$ ------------(5)
$\frac{\delta Emp}{\delta Edu} > 0, \frac{\delta Emp}{\delta Age} > 0, \frac{\delta Emp}{\delta Nbk} > 0$ ---------(6)

All the hypotheses formulated for this research work was tested at 95% level of confidence.
To establish whether a definite relationship exists between performance of SMEs and financial, infrastructural, and technological support represented by the independent variables, a logistic regression analysis enables the study to measure the strength thereof. With this, the study was able to test the statistical significance or otherwise of the coefficients of the explanatory variables. It also allowed the study to test for the statistical significance or otherwise of the overall goodness of fit of the model.

The data for the study were analyzed using descriptive and inferential statistics. Descriptive statistics of tables and percentages, bar chart and pie chart for data classification, while Logit regression analysis was used to test hypotheses and achieve the objectives which are to ascertain whether a relationship exists between the performance of bakery firms and infrastructure in south-west Nigeria; determine whether technology has a significant effect on the performance of bakery firms in south-west Nigeria and as well as to investigate whether availability and cost of finance have significant effects on the performance of bakery firms in south-west Nigeria.

The first step in the analysis of the data was the sorting and tabulation according to their peculiar characteristics. Next, the researcher determined the frequencies and the percentage of the responses. The E-Veiw version 4, STATA 13.1 and SPSS 23 IBM version, were used to run the logit regression analysis with the data. Through this, the researcher was able to assess the relationship between performance and policy support. The t-test was used to determine the statistical significance or otherwise of the explanatory variables while the f-test was used to determine the overall statistical significance of the model.

Results and discussion
Demographic Characteristics of Respondents

Demographic characteristics of the respondents are presented as frequencies and percentages in Table 1. The types of business enterprise revealed that two hundred and thirty four (98%) are sole proprietors of their bakery firms in Southwest Nigeria; only six, representing 2% of the respondents, are partnership type of business. The sex distribution of the respondents showed that Male owners of bakeries are more than Female owners ranging from 69% to 31% of the respondents. The Educational background revealed that those below WASC/Grade II are 58, representing 24%, while the owners of bakery firms with WASC and higher qualifications amounts to 76% of the total sample. The age of the business showed that those owners with less than 5 years of existence are 73, those between 5 and 10 years of existence are 77 while those that have above 10 years of existence are 90 in number. These proportions represent 30%, 32% and 38% respectively.

Table 1: Demographic Characteristics of Respondents

Type of Business Enterprise	Frequency	Percent	Valid Percent	Cumulative Percent
Sole Proprietor	234	98	98	
Limited Company	0	0	0	98
Partnership	6	2	2	98
Total	240	100.0	100.0	100.0
Sex Distribution				
Male	166	69	69	69
Female	74	31	31	100.0
Total	240	100.0	100.0	
Educational Background				
Below WASC/Grade II	58	24	24	24
Above WASC/Grade II	182	76	76	100
Total	240	100.0	100.0	
Age of the Business				
Less than 5 years	73	30	30	30
Between 5 and 10 years	77	32	32	62
Above 10 years	90	38	38	100.0
Total	240	100.0	100.0	

Source: Data Analysis, (2016)

Establishing the relationship between infrastructural, technological, and financial support and performance (output) of bakery firms in Southwest Nigeria.

Infrastructure and related services help to make things happen. The coefficient of energy consumption which is one of the three variables that stood for infrastructural support in this study is positive and significant (β= 12.10752, $p<0.05$). The null hypothesis that infrastructure has no significant impact on the performance of bakery firms in Southwest Nigeria in 'hypothesis 1' is hereby rejected. Infrastructure is fed by trade. It fuels foreign direct investment and backs up the creation and sustainability of industrial clusters. It cuts costs and raises competitiveness. This makes efforts to promote industrial development extremely urgent and rural focused (Kinyua, 2012).This is also business which might reduce the infrastructure support of bakery firm in Southwest Nigeria. The infrastructure problem includes poor state of roads, inaccessibility to land, work space, electricity and utility. Lack of allocation of suitable land to SMEs in most urban and rural areas is a major impediment to growth and development. Inaccessibility to land and lack of property rights hamper access to infrastructure and utilities by line SMEs (Kamunge, et al., 2014).

The coefficient of acquisition mode which is one of the three variables that stood for technological support in this study is also positive and significant (β= 18.9034, $p<0.05$). The null hypothesis in 'hypothesis 2' is hereby rejected. The result corroborates the finding of Ombura (1997) pointing out that indigenous technological innovations are useful instruments within the modern economies.

The coefficient of initial capital is negative but significant (β = -18.2701, $p < 0.05$). This variable is one of the three variables the study used to represent financial support. The result suggests that access to capital and its cost have negative effect in starting up a bakery firm in southwest Nigeria. The null hypothesis in 'hypothesis 3' is hereby rejected.

However, the result did not support the *a priori* expectation of this study.

Table 2: Establishing the relationships that exist between infrastructural, technological and financial supports, and performance (output) of bakery firms in Southwest Nigeria

Variables	Coef.	Std. Err	Z	Marginal effect
Acquisition mode	18.90354	2186.088	0.0086	
Expenditure on Energy	12.10752	1745.012	0.0069	
Initial Capital	-18.27011	2186.088	-0.0084	
Constant	.405465	.6454972	0.6281	
LR chi2(2)	39.09			
Prob. >chi2	0.0000			
Pseudo R^2	0.2544			
Log likelihood	-57.284217			

Source: Data Analysis, (2016)

Establishing the relationship between infrastructural, technological, and financial support and performance (Number of Employees) of bakery firms in Southwest Nigeria.

From table 3, age of the business has a negative but significant (β = -17.1369, $p<0.05$) impact on the performance of SMEs represented here by number of employees in Southwest Nigeria. This implies that age of the business does not automatically lead to increase in the number of employees of bakery firms in South West Nigeria. This result is however contrary to Ariyo (2008) and Adaramola (2012) where finance is one of the most prominent constrains of SMEs. The problem related to finance includes lack of information on where to source for finance, restrictive lending offered by commercial banks, lack of access to finance, insufficient financing, lack of track record required by the banks, limited access to collateral, and the fact that financial institutions lack appropriate structure for dealing with SMEs. Insufficient financing is as much a problem as lack of finance and as a result of scarcity of finance, small enterprises are unable to expand, modernize or meet urgent orders from customers. The profit margins are usually little to support growth.

The result affirms that education is positively and significantly related with relevant information to government policy formulation (β = 3.33351, $p<0.05$) related to environmental support of SMEs in Nigeria. Findings of this study are in line with Harper and Soon (1979) who noted that businesses like grain millers and tailors are unable to compete with large manufactures of ready-made goods because they have to wait until a customer provides them with raw material or money to buy it. Some may be unable to get started until a customer pays the deposit, which will be used to buy the raw material.

The influence of Cooperative Society is positively related but also significantly related to environmental support of Performance of SMEs. Recommendations from environment have positive influence on government agencies on policy formulation guiding the development, environmental support of bakery firms but the influence is significant (β = 17.6311, $p<0.05$). This is in agreement with Kamunge, et al. (2014) who showed how SMEs are constrained by finance. Studies undertaken by Tushabonwe-Kazooba (2006) for Uganda Rural Enterprise Programme (K-Rep) confirm that a major constraint within the small business enterprise sector is financing. In the study carried out in Nairobi among small manufacturing enterprises. Widner (1991), established that finance was rated among the biggest problem. Access to finance is essential for improving SME competitiveness, as SMEs have to invest in new technologies, skills and innovation. Access to finance issues cannot be resolved by implementing financing schemes or programs in a vacuum. There are institutional issues covering a spectrum from the macro level to the micro level, which are accompanied by capacity deficiencies (Sagagi, 2006). Ihua (2009), makes a detailed analysis of finance as a constraining factor and includes collateral, interest rates, extra bank charges, inability to evaluate financial proposals and lack of financial management skills as hindrances to small enterprise growth. This finding indicates the need for capital which may just not be available, property rights regimes may not allow ownership of land, markets for transfer of immovable assets may be very underdeveloped, credit and collateral legislation may not allow certain assets that SMEs commonly have access to, to be used as collateral, absence of registries for mortgages and pledges may increase risks to lenders, contract enforcement and asset liquidation may be hampered due to weaknesses in legislation and in the judiciary (Brijlal, 2008).

Table 3: Establishing the relationship between infrastructural, technological, and financial support and performance (Number of Employees) of bakery firms in Southwest Nigeria.

Variables	Coef.	Std. Err	Z	Marginal effect
Education	3.335063	.4520614	7.38	0.000
Age	-17.13687	2106.532	-0.01	0.994
Cooperative Society	17.63107	2106.532	0.01	0.993
Constant	-2.325474	1.522562	-1.53	0.127
LR chi2(3)	161.47			
Prob. >chi2	0.0000			
Pseudo R^2	0.5085			
Log likelihood	-78.024268			

Source: Data Analysis, (2016)

Recommendations

Considering the empirical findings of this research work, visa vis the objectives of study, the following policy recommendations are hereby suggested:

i. Even though, expenditure on energy as a variable is statistically significant, the variable has an inverse relationship with output of bakery firms. It is, therefore, suggested that the government should do everything at its disposal to revamp the energy sector so that Nigeria SMEs can contribute maximally to the economic growth and development of the nation as in other nations of the world.

ii. From the findings, majority of the owners of bakery firms do not have any formal training as far as the production process is concerned. This may also be the situation for SMEs in other sectors. It is, therefore, recommended that training workshops should be organized for the owners of SMEs as well as their employees by government agencies such as the National Directorate of Employment (NDE), National Agency for Food and Drug Administration Control (NAFDAC), Small and Medium Enterprise Development Agency of Nigeria (SMEDAN) etc.

iii. Also, from the findings of this research, less than 20% of the entrepreneurs in bakery has access to bank credit facilities. This may be as a result of lack of information on the part of the entrepreneurs. The study discovered that the cost of bank facilities is cheaper than facilities from cooperative societies. Owners of SMEs should be encouraged to approach the banks for credit facilities. Commercial and microfinance banks should also be encouraged by the government so as to be willing to lend to Nigeria SMEs at concessionary interest rates devoid of heavy collaterals and stringent conditions.

v. From the findings, it is interesting to note through the acquisition mode of the machines used that locally fabricated machines contribute greatly to the output of SMEs. It is, therefore, recommended that the manufacturers of the locally fabricated machines/tools should be encouraged by the government. The manufacturers can be exposed to inductions outside the country so that Nigerian indigenous technology and design can compete favourably with what obtains anywhere in the world.

vi. Lastly, educational background of the entrepreneurs was found to be statistically significant in this research work. Therefore, many of our graduates and school leavers should be encouraged by the government to be enterprising. By this, they become employers of labour and contribute meaningfully to the economic growth of the nation.

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