Strategies for Sourcing Funds and Improving the Financial Management Practices of Small Scale Business Operators in Cross River State of Nigeria

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Abstract

The study identified the strategies for sourcing funds and improving the financial management practices of small scale business operators in Cross River State of Nigeria. The study adopted the survey research design. It was guided by three research questions. The population for the study consisted of 644 small scale business operators who registered with Cross River State Ministry of Commerce and Industry. Two hundred and thirteen small scale business operators were used as sample of the study. 33 item structured questionnaire was used for data collection, the instrument was validated and tested for internal consistency using the Cronbach Alpha Reliability Coefficient. The instrument yielded a reliability coefficient of 0.86. Data collected were analyzed using mean and standard deviation. The findings showed that the respondents rated all the 15 strategies as ways for improving their financial management and the 8 control measures identified were also needed. It was recommended that the Federal/State Ministry of Commerce and Industry and NASME should encourage small scale business operators to gain relevant knowledge in financial management by organizing workshops, conference and training programs as financial resources management.

Keywords: Strategies, Improving, Financial management, Entreprenuers Nigeria

Introduction

There will be no meaningful development in any society without small scale business. Small scale business is an economic force in a society, it improves and better the life of the people at a particular time over a period of time. Many scholars agreed that small scale business significantly transform the life of rural populace and economic development of any nation. Small scale business is viewed in terms of capital outlay, number of employees, sales turnover, fixed capital investment, available plant and machinery etc. Third National Development Plans (TNDP), in Oduma (2012) defined small scale business as manufacturing establishment employing less than ten workers or whose investment in machinery and equipment does not exceed six hundred thousand naira. The Central Bank of Nigeria (CBN) in its credit guidelines, classified small scale business as those business with an annual income/asset of not less than half a million (N500,000). The Federal Government small scale industries development plan viewed small scale business as a manufacturing process or service industry, with capital not more than N150,000 in manufacturing and equipment alone. The center for management development (CMD) defined small scale business as, a manufacturing, processing or servicing industries involved in a factors production type of operation, employing up to 50 full time workers. Osuala (2004) defined small scale business as one that is indirectly owned and operated and is not dominant in its field, and meets employment or sales standard developed by the small business administrative agency.

Small scale businesses are generally considered to be Nigeria's driving force to enhance economic growth, reduce poverty and create employment opportunity for job seekers. In Nigeria today, small scale business is generating high number of employment, it is playing a significant role as far as export produce is concerned. In every economy, small scale business operators are regarded as the most reliable vehicle of socio-economic growth. The impacts of small scale business are so imperative that no country can move forward economically and industrially without a strong private enterprise sub-sector. One should also note that small scale business equally creates job, better utilization of local raw materials, poverty reduction, better utilization and development of indigenous technologies, and rural transformation.

Adesina (2012) noted that private enterprises comprises a substantial portion of Nigeria's economy and supporting them will help develop local communities, create job, and promote economic growth. Nwosu (2008) also noted that contemporary knowledge across has confirmed that a nation's march towards economic greatness starts with the establishment of strong industrial base of which small scale business operators provide the building blocks. In Nigeria, the significance of small scale business as the bulwark for employment generation, economic and technological advancement has been acknowledged and highlighted in various budgets (Musa, 2007). Since the inception of Cross River State in 1969, the state has always been conscious of the importance of private enterprise. In recognition of this fact, the federal government of Nigeria, state government, non-governmental organizations and other agencies have put in place some programmes of assistance for enhancing the development of the private enterprise sub-sector. The assistance so far is in the areas of finance, extension and advisory services as well as provision of infrastructure. Some institutions such as credit Banks, Micro Finance Banks, National Economic and Reconstruction fund (NERFUND), small and medium industries equity investment scheme (SMIES), Federal Ministry of Industry (FMI) and Bank of Agriculture (BOA) are set up for provision of local finance to small scale business operators.

Cross River State Government has made significant efforts to boost small scale business through small scale industries credit scheme which grants loans to deserving applicants to set up business but have always failed. Cross River State partnership with the United Nation's Development Programme (CRSPUNDP), and First Bank Plc to establish a Micro Credit Scheme (MCS), which have given out loans of about N20 million to deserving applicants to establish various businesses and trades. Further more, industrial layout has been made available at Calabar (TINAPA Business Resort), and land were allocated to those who want to venture into any business of their choice. These scheme and finance institutions were established to provide appropriate financial assistance to small scale business operators in the state (CRSPUNDP, 2013). Despite all the programmes of assistance, small scale business operators in Cross River State have continued to fail, to attain the expected industrialized and socio-economic development, may be due to poor management. Management encompasses all the decisions involved in planning, organizing, leading and controlling business resources (Agu, 2011). Management is equally viewed as the process of achieving organizational goals by engaging the major functions of planning, organizing, controlling and budgeting (Oduma, 2012 and Inegbenebor, 2006). Management could be in the areas of administrative, personnel, risk, materials and finance. Management in this study is particularly concerned with the financial resources of enterprises known as financial management.

Studies have revealed that many small scale business operators in Nigeria encounter difficulties in applying financial management process (acquisition, allocation, control and evaluation) in their business operations. Onah (2011) noted that SME operators in Cross River State were discouraged and constrained by high rate of illiteracy, inability to obtain credit facilities from formal financial institutions, and inadequate technical support. Ada (2010) and Emma (2012) in their various views lamented that the rising wave of unemployment in the country for about three decades has left many Nigerians highly impoverished as the national economy is getting worse year by year, this urgly seniero has turned a lot of Nigerians to be criminals, street beggers, political thugs, human traffickers, drug peddlers and advance fee fraudsters. This has necessitated the government to rise in order to forestall the situation before it gets out of hand, through encouragement of private sector participation in national economy development. Oduma (2012) opined that the extent of industrialization in any economy has a direct bearing on the level of enterprise activities. The critical role of financial resources in every enterprise operation demands that SMS business operators must have good knowledge of financial management to enable them be more competitive and achieve economic goals, thus, the need for the study.

Purpose of the Study

The main purpose of the study was to identify the strategies for sourcing funds and improving the financial management practices of small scale business operators. Specifically, the study sought to identify:

1. Strategies considered effective for sourcing funds for small scale business operators in Cross River State.
2. Strategies considered effective for enhancing small scale business operators funds allocation in Cross River State.
3. Control measures considered effective for improving the financial management practices of small scale business operators funds allocation in Cross River State.

Research Questions

The following research questions guided the study:

1. What are the strategies available for sourcing funds?
2. What are the strategies for enhancing funds allocation?
3. What are the strategies for improving financial management practices?

Methodology

A descriptive survey research design was used for the study. The area of the study was Yala and Ogoja Local government areas of Cross State. The population of the study consisted of 644 small scale business operators who registered with Cross River State Ministry of trade and investment. The sample consisted of 213 small scale business operators who were selected through random sampling technique. The instrument for data collection was a four point structured questionnaire that contained 33 items. The instrument was subjected to face validation by three lecturers in business education and science education departments. The reliability of the instrument was determined by using Cronbach Alpha Reliability Coefficient and it yielded a reliability index of 0.86. Mean and standard deviation were used to analyze the data collected.

Data Analyses

Research Question 1: What are the strategies available for sourcing funds?

Table 1: Mean Rating of Respondents on Strategies for Sourcing of Funds (N = 213)

S/N	ITEMS	$\overline{X}$	SD	D
1	Sale of personal assets	2.98	1.04	Accept
2	Family assistance	3.11	.97	Accept
3	Credit unions and societies	3.17	.82	Accept
4	Friendly loans	3.49	.95	Accept
5	Gratuity and pensions benefits	3.12	.87	Accept
6	Partners	3.23	.87	Accept
7	Launching of appeal funds	3.30	.87	Accept
8	Part-payment for supplies	3.28	.85	Accept
9	Mobilization fees	3.36	.89	Accept
10	Retained earnings	3.29	.81	Accept
11	Overdraft	3.39	.79	Accept
12	Leasing	3.52	.66	Accept
13	Hire purchase	3.54	.79	Accept
14	Stock financing	3.39	.84	Accept
15	Loans from community banks	3.48	.72	Accept

The results in Table 1 showed that all the items scored above were all accepted. Sale of personal assets had mean of 2.98 with standard deviation (SD) of 1.04, family assistance had mean of 3.11 and SD .97, credit unions and societies had mean of 3.17 and SD .82, Friendly loans had mean of 3.49 and SD .95, Gratuity and pension benefit had mean of 3.12 and SD .87, partners with mean of 3.23 and SD of .87, Launching of appeal fund with mean of 3.30 and SD .87, part-payment for supplies with mean of 3.28 and SD of .85, mobilization fee with mean of 3.36 and SD .89, Retained earnings with mean of 3.29 and SD .81, overdraft with mean of 3.39 and SD of. 79, leasing with mean of 3.52 and SD of. 66, Hire purchase with mean of 3.54 and SD of.79, stock financing with mean of 3.39 and SD of .84 and loans from community banks with mean of 3.48 and SD of.72, all the items in the table where accepted by the respondents.

Research Question 2: What are the strategies for enhancing funds allocation?

Table 2: Mean Ratings of Respondents on Strategies for Funds Allocation (N = 213)

S/N	ITEMS	$\overline{X}$	SD	D.R
16	Seeking assistance form relatives	2.72	1.10	Accept
17	Franchising of patents	3.05	.13	Accept
18	Seeking equipment supplies	3.12	.89	Accept
19	Recovering of bad debts	2.75	1.04	Accept
20	Making annual budgeting	3.51	.75	Accept
21	Adequate utilization of long term loan	3.30	.86	Accept
22	Establishing a firm credit policy	3.03	.83	Accept
23	Monitoring project profit or loss	3.59	.67	Accept
24	Routine checks of assets	3.55	.74	Accept
25	Quarterly preparation of manufacturing and trading account	3.34	.72	Accept

The results in Table 2 showed that all the items scored above cut off were all accepted with the following means and standard deviation (SD). Seeking assistance from relatives with X 2.72 and SD 1.10, Franchising of patent with X of 3.05 and SD.13, seeking equipment supplies with X of 3.12 and SD.89, recovering bad debts with X of 2.75 and SD 1.04, Making annual budgeting with X of 3.51 and SD.75, adequate utilization of long term loan with X of 3.30 and SD.86, establishing a firm credit policy with X of 3.03 and SD.83, monitoring project profit or loss with X of 3.59 and SD.67, routine checks of assets with X of 3.55 and SD.74 and quarterly preparation of manufacturing and trading account with X of 3.34 and SD.72 respectfully.

Research Question 3: What are the strategies for improving financial management practices?

Table 3: Mean Ratings of Respondents on the Strategies for Improving Financial Management Practices (N = 213)

S/N	ITEMS	X	SD	D.R
26	Analyzing of risk elements before investment	3.69	.55	Accept
27	Determining the actual stock quantity	3.42	.55	Accept
28	Preparation of cash flow	3.43	.71	Accept
29	Issuing of sales documents (invoice, receipts) on every transaction	3.67	.59	Accept
30	Receiving of Purchased documents (invoice) on every transaction	3.67	.52	Accept
31	Quarterly preparation of profit and loss account. Preparation of balance sheet	3.30	.62	Accept Accept
32		3.69	.76	
33	Making regular/interval verification of recorded account figure	3.62	.59	Accept

The results of the analysis in Table 3 above showed that respondents rated personal savings, analyzing risk elements before investment, using model to determine stock quantity, using every transaction, receiving of purchased documents on transaction, quarterly preparing of profit and loss account and regular verification or recorded account figure as control measures to improve financial management practices of small scale business operators in Cross River State. However, the standard deviations could show that the responses do vary so widely from the mean.

Discussion

The findings in Table one showed that small scale business rated the fifteen (15) strategies as ways for sourcing funds. This is not surprising because Ekanem (2012) noted that small scale business operators in Cross River State can source funds using different strategies. Even though the entrepreneurs had reported that they have not had the opportunities, and they did not have the ideas on how to go about it.

Thus, Ekanem (2012) stated that if small scale business operators had the opportunities and were exposed to the strategies they would utilize them probably to meet the economic and industrial growth expected of them. However, few small scale business operators who had the opportunities and the ideas confirmed that the success of their enterprises was as a result of funds they sourced from various avenues available to them. Ekanem reiterated that funds sourced from various available to these entrepreneurs can consolidate the capital base of their businesses.

This is in line with Oduma (2012) who noted that small scale business is the heart bit of nation's economy. He further stated that no nation will be economically viable and improved standard of living without small scale business controlling the economy. Ita (2013) Equally noted that the balanced economy in Cross River State to day is as a results of state government partnership with small scale business operators in terms of financing and other congenial environment that make the operations effective. The results in Table 2 revealed that there was a general consensus among the small scale business operators as all the strategies for enhancing funds allocation to the entrepreneurs. This is in line with Odah(2011) who noted that the entrepreneurs can raise funds from friends, relations, trade credits, loans from banks etc. areas which funds will be allocated are very successful. The purpose of efficient and productive fund allocation in an enterprise is to have a good return on investment that would be committed to meeting the enterprise's varied financial obligations. Onah (2013) noted that any small scale business operators who stock inventories which are not relevant to the needs of the target market stands the risk of tying down the financial base of the business and this situation poses a lot of negative implications on the business financial resources. The finding in Table 3 revealed that small scale business rated high the eight strategies as control measures that enhance financial management. The findings corroborated the view of Wolfenson (2012) who submitted that financial control is usually affected by the style and strength of financial objectives, plans, accounting policy and conventions, internal control, auditing, equity and leverage system adopted in an organization. The results also confirm the views of Igboke (1997) and Nwofe (2004) who stated that the procedures that are involved in preparing a business help the small scale business operators to avoid mistakes and save him time and money.

Conclusions

It was concluded that small scale business operators agreed that their financial management practices can be effectively improved through the application of the identified strategies in souring of funds, controlling and evaluation of financial worth. The respondents also accepted the strategies identified for fund allocation; financial planning and records keeping at every stage of financial process are indispensable activities that must be adopted in any enterprise in order to achieve a strong and balanced financial management. The number of years of experience of small scale business operators have in managing a business is very Crucial and significant in souring the financial resources of small scale enterprises.

Recommendations

On the basis of the findings of the study the researchers have proffered the following recommendations

(a) Small scale business operators in Cross River State should make concerted efforts to adopt the strategies identified in this study, in order to ensure efficient financial management practices.
(b) Federal/State Ministry of Commerce and Industry should encourage practicing small scale business operators to gain relevant knowledge in financial management by organizing workshops, seminars and training programmes as financial resources management, employing these identified strategies.
(c) Small scale business operators should improve their sourcing abilities by developing themselves academically.
(d) Federal/State and non-governmental organizations should assist, institutions concerned to build industry, attach students of vocational technical education like teaching hospital for medical students, where students can get first hand experience as they go there from time to time for their practical so that the study environment will be a replica of the work environment.
(e) Federal/State Ministry of Industry, NASME and other SME stakeholders should reward outstanding achievements by formulating suitable systems and procedures for assessing small scale business financial performance.

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