# Financing Small Scale Business in Nigeria; Challenges and Potentials of Animal Products Processing

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**Abstract**

In Nigeria, Agriculture is the largest sector for decades that has employed nearly 60% of its workforce and its growth rate is still below the potentials of the country's natural and human resources due to high cost of agricultural inputs, poor funding , inadequate functional and infrastructural facilities, inconsistencies in government agricultural policies, inadequate private sector participation, poor mechanized farming and little or no adoption of simple agricultural technologies developed by scientists. Small scale business has played a vital role in reducing unemployment and adding to the country's gross domestic product (GDP) but is still faced with a lot of problems such as poor electricity, high cost of agricultural processing machines and most recently poor funding. A lot of reviews have been written on small scale enterprises, however, financing small scale businesses in Nigeria, challenges and potential of Animal products processing sector has not been complied. Therefore this review is focused on the challenges facing the development of small scale businesses, the role and contribution of government in facilitating the growth of small business enterprise as well as the potentials of the animal product and processing sector.

**Keywords;** Agribusiness, animal product, processing, prospects, fiscal policy

## Introduction

Small scale enterprises have long believed to be catalysts for economic growth and national development both in developed and developing countries. In Nigeria where private sector is not well-developed, small-scale businesses is assumed to play the role of employment generation, facilitator of economic recovery and national development. The term SMEs has no universally accepted definition. The definition and criteria for classification of an enterprise as small, medium or large varies from one country to another, depending on whether it is developed or developing country Chukwemeke (2004), defines small scale business as one whose total asset in capital, equipment, plant and working capital are less than N250,000 and employing fewer than 50 full time workers. The Central Bank of Nigeria (CBN, 2004) defines small-scale business as an enterprise whose annual turnover ranges between N25, 000-N50, 000.

Sources of finance available to SME are:

i. Partners and shareholders in the venture, banks and lendng institutions, small business administration and financial assistance programme. Other businesses, local capitalist sales finance companies, factor and other sources.

Small-scale enterprises source their finance from the following financial institutions in Nigeria.
Micro Finance Bank or Community Banks, Development Banks, Nigeria Bank of Industry

Animal production industry is very essential to food security and the development of any nation. It provides: (a) foreign exchange for the economy (b) employment for the citizens (c) rich source of protein which is essential for human nutrition (d) it is a source of prestige (e) provides income for the citizens (f) provides draught power (g) transportation (h) provides raw materials for the clothing and shoe industry and by-products can be used in various other industries such as the cosmetic industry.

Animal products are responsible for one-sixth of the human food energy and also more than one-third of the protein requirement on a global basis (Bradford 1999). Livestock, including poultry are usually raised for their meat or egg. However, other areas of interest are dairy, bone, wool/feather, and hide/skin. Due to the very large market for meat, there has been a tremendous growth in the meat processing industry.

Slaughter houses are built where a large number of animals are processed daily which include but not limited to goats, sheep, cow, rabbit and pigs.

**Challenges of animal product processing**

Below are listed the major challenges facing the animal product processing sector in Nigeria and possible solutions which when incurred will help curb these challenges.

**Source Verification, Identity Preservation and Food Traceability Systems**: It is critical to better understand the benefits, costs and functionality of food product traceability and identity preservation systems. In the absence of government edicts, economics will dictate the type of traceability system used in each segment of each industry. Developing technology continues to reduce costs and increase the technical feasibility of enhancing information collection and product and animal tracking. Increased assessment of market implications of government mandated vs. market-driven animal and/or meat product traceability systems is needed.

**New Markets/Niche Markets**: The scope of niche and highly differentiated markets for meat products is yet uncertain. Understanding consumers' willingness to pay for extrinsic attributes is critical to assess the implications of differentiated product markets on the competitive position and growth opportunities for producers and processors.

**Regulatory Costs**: The significant impact that regulatory costs have on cost competitiveness, relative to size of firm and location, is essential to understanding the global competitiveness of the livestock industry. Uniform regulations are not size-neutral because it is generally less costly per unit of output for larger firms to comply than it is for small firms. Different regulations in various communities will differentially impact costs.

**Role of government in facilitating small scale business**

Government fiscal policy towards taxation has a positive effect on small scale business. However, this effect is not significant. The positive influence taxation has on small scale business owners showed that the tax policy on small scale businesses is not detrimental to their operations and they do not encounter multiple taxation. The statistical insignificance of government fiscal policy implies that it is not a government action that determines the growth of small scale businesses. (Adeusi,S.O)Also, small scale business owners believe government has been effective in encouraging financial institutions to lend to them due to the positive effect. This finding is in agreement to (Aluko O. A) who suggested that without the role of government on financial institutions, small scale business owners might have encountered difficulty in accessing credit facilities from financial institutions. The infrastructural facilities provided by the government have contributed to the growth of small scale businesses.

**Discussion**

Onwukwe and Ifeanacho (2011) evaluated the impact of government intervention on SME growth in Imo State, Nigeria and found that in spite of various specialised institutions in charge of micro credit and policy instruments, SMEs are being inhibited by the gap between policy and policy implementation in contributing to meaningful economic development. Hassan and Olaniran (2011) examined how assistance institutions contributed to the development of SMEs in Nigeria, with special reference to Industrial Development Centre (IDC), Osogbo. The outcome showed that the assistance institutions have enormously contributed to the promotion of SMEs and entrepreneurship development.

Mobolaji (2010) conducted a study on the impact of SMEs on economic development in Nigeria (1980-2008). Employing a time series econometric approach, the study found that though SME is a catalyst for development and its impact on the development path in the country is still negligible. The study suggested that the poor performance of SMEs may be due to inadequate funding facilities, low education level and poor government support amongst others. Ekot (2010) adopted the survey design focused on small business ownership and management in UyoAkwa Ibom State, Nigeria and identified that lack of funds and interest by the young and literate people to undertake small businesses and poor government and institutional support constitute part of the problems plaguing small businesses in Uyo metropolis and Akwa Ibom State generally.

This is not in claim with Adeusi,S.O(2015) who carried out a survey in kabba metropolis of Kogi state showing responses from small scale business proprietors that the role government plays cannot be overlooked in the growth and survival of their businesses. This study identified that without government intervention, most small scale businesses would have gone into extinction. Measures taken by the government in time past have been seen to have a significant and positive impact on their businesses. This portends that policy actions implemented by the government towards promoting small scale businesses produce a favourable outcome on their operations. Government initiatives related to entrepreneurship development has had a significant and positive influence on the performance of small scale businesses. Small scale businesses are widely seen as a training ground for the development of entrepreneurship skills. Government has identified them and has taken initiatives to develop entrepreneurship abilities in them. These initiatives have improved the performance of small scale business operations and encouraged them to continue doing business.

**Conclusion**

The government contribution towards the development of small scale business cannot be over emphasized as government fiscal policy towards taxation has a positive effect on small scale business. Also small scale business owners believe government has been effective in encouraging financial institutions to lend to them due to the positive effect. Also the infrastructural facilities provided by the government have contributed to the growth of small scale businesses. This is because the work carried out shows that infrastructural development by the government has a positive and significant effect on small scale businesses.

**Recommendation**

It is pertinent to recommend policy measures so as to ensure that small businesses in animal products and processing sector can continue to grow and impact on the economy. The recommendations includes

- More efforts should be made by the government to channel more funds to small businesses towards their development. This can be done by compelling banks to set aside certain percentage of their credit distribution for lending to small businesses.
- Government should consider the ability to pay tax by small business owners when implementing tax policies on them. This can be done by taking into consideration the size of the business and profit generated.
- Government should continually provide small scale businesses with the necessary infrastructural facilities to enhance the growth of their businesses.
- Government should establish more agencies meant to grant small scale businesses credit facilities as well as financial and technical advice.

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