

EXTENT OF NETWORKING AMONG OPERATORS OF SMALL AND MEDIUM SCALE ENTERPRISES FOR ENTREPRENEURSHIP DEVELOPMENT

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Abstract

The study aimed at ascertaining extent of networking among operators of small and medium scale enterprises for entrepreneurship development within Nnewi metropolitan city, Anambra State. Two research questions guided the study and two null hypotheses were tested. Descriptive survey design was adopted for the study. A population of 920 SMEs operators within Nnewi metropolitan city was used for the study. The sample size 197 SMEs operators was adopted using stratified simple random sampling technique. A 20-item structured validated questionnaire was used for data collection. The reliability of the instrument was established using split half test and data were analysed using Cronbach Alpha which showed that the clusters achieved co-efficient from A and B clusters 0.82 and 0.86 respectively, with an overall reliability co-efficient values of 0.84 to determine the internal consistency. Data related to the research questions were analyzed using mean and standard deviation, while z-test was used to test the null hypotheses at 0.05 level of significance. Findings revealed that SMEs operators within Nnewi metropolitan city, Anambra State networked at a moderate extent among themselves to source finance, while, for the acquisition of managerial skills, they networked at a great extent. It was concluded that the sharing of information on financing and managerial skills through networking is critical to the growth and development of SMEs. It was recommended that for effective SMEs financing for entrepreneurial development in the State and the State government should establish intervention funds programme aimed at stimulating the economy and reducing poverty. This will promote the sharing of novel managerial thoughts and promote business operations.

Keywords: Networking, operators, medium, scale, enterprises, entrepreneurship, development

Introduction

Nigeria is naturally endowed with entrepreneurship opportunities. However, the realisation of the full potentials of these opportunities has been dampened by the adoption of inappropriate industrialisation policies at different times. Several policy interventions that were aimed at stimulating entrepreneurship development such as the Small and Medium Enterprise Credit Guarantee Scheme (SMECGS), National Directorate for Employment (NDE), National Poverty Eradication Programme (NAPEP) Small and Medium Scale Enterprises Development Agencies of Nigeria (SMSEDAN), and so many others (Aremu, 2011) seem to have failed to achieve the desired goals. Despite all policy interventions, most indigenous entrepreneurs became distribution agents of imported products rather than become local producers with high entrepreneurial capacity for manufacturing, mechanised agriculture and export services. Recent developments in the previously less-explored areas of telecom, transport, hospitality, entertainment and food processing have high probability of success, hence, the need for a concerted effort by government and the organised private sector to create the enabling environment to support the exploration of opportunities in these areas of entrepreneurship venture.

Entrepreneurship is the capacity and willingness to develop, organise and manage a business venture along with its risks in order to make a profit. The most obvious example of entrepreneurship is the starting of a new business (Peverelli & Song, 2012). Similarly, entrepreneurship is alertness to an opportunity and action to make use of the opportunity. Alertness in the sense that entrepreneurs see something new which might not be noted by many people, such an activity is known as discovery. Action begins when an entrepreneur pools together his or her resources to utilize the opportunity. The combination of alertness and action is known as entrepreneurship (Acs & Audretsch, 2010). In this perspective, entrepreneurship is also described as a process or activities of combining resources that can have value or create impact in a market purposely to utilize an identified opportunity for improved entrepreneurship development.

Entrepreneurship development according to Osemeke (2012) involves every undertaking characterized by efforts towards the advancement and propagation of the essence and practice of entrepreneurship. Mitchelmore and Rowley (2010) held that entrepreneurial development activities include those, which make the field of entrepreneurship attractive to non-entrepreneurs in order to develop their interest, skills and competences in small and medium scale enterprise activities.

Small and medium scale enterprises are recognized as integral components of economic development and crucial elements in the effort to lift countries out of poverty (Wolfenson, 2011). Small scale businesses are driving forces for economic growth, job creation, and poverty reduction in developing countries. Small and medium scale businesses have been recognised as feeder sources to large scale industries (Fabayo, 2009). While the contributions of small businesses to national development are generally acknowledged, enterprises in this sector face many obstacles that limit their long term survival and development.

Small and medium scale enterprises in Nigeria have contributed over 70 percent of national industrial employment and even represent about 90 percent of the industrial sector in terms of the number of enterprises. However, the SMEs development had only accounted for 10 percent of manufacturing output and a meager five percent of gross domestic product (GDP) as far back as 2008 (Ogundele, 2010). Thus, the government has played critical role in the effective implementation of entrepreneurship development in Nigeria. These became significant only after the Nigeria civil war in the mid 1980s through the establishment of the programme like the National Directorate of Employment (NDE), National Open Apprenticeship Scheme (NOAS) and, the Small and Medium Enterprise Development

Association of Nigeria (SMEDAN). Fundamentally the Nigerian government promotes entrepreneurial culture through initiatives that build business confidence, positive attitude, pride in success, support and encouragement of new ideas, social responsibility, providing technological supports, encouraging inter-firm linkages and promotion of research and development (Ebiringa, 2011).

Despite the support and incentive programmes to small and medium scale businesses, Akabueze (2012) succinctly stated that it would seem reasonable to expect that small scale businesses would grow and flourish. But the rate of business failure continues to increase because of the obstacles affecting business performance which include lack of financial resources and lack of managerial skills and so on. On the issue of finance resources, Muktar (2009) noted that every small and medium scale enterprise operator needs finance for operations, since it is a precondition to the growth of enterprises. Gbandi and Amisah (2014) opined that some sources of finance to small and medium scale enterprises operators include equity finance, finance, debt finance, lease and among others.

In addition, Lucky and Emechi (2008) noted that managerial skills needed for success in entrepreneurship include ability to communicate effectively using oral and written skills, knowledge and method of conducting effective meetings, ability to do long and short term planning; knowledge of factors involved in overhead control, knowledge of inventory control and turnover; acquisition of management and supervisory skills, ability to manage time and meet job schedule, and knowledge of good human relationship. Other obstacles affecting business performance include shortage of raw materials, handicap in obtaining finance, inadequate competent personnel and others. This could be overcome when small and medium enterprises operators make use of networking in their entrepreneurship operations.

Networking is a process of establishing and preserving interpersonal relationships, which are directed by principles of expectations and obligations (Watson, 2011). Bradley (2015) defined networking as the practice of interfacing two or more computing devices with each other for the purpose of sharing data. This means creating a group acquaintances and associates and keeping it active through regular communication for mutual benefit. The importance of networking in the society and especially in small and medium scale enterprises cannot be over emphasized because of its role in developing the private sector and contributing to gross domestic product (GDP), employment creation, and raising income levels through its spill-over effects.

An entrepreneur's network position reveals the entrepreneur's ability to access external information and knowledge. This knowledge is transformed into the production of new products and improvement upon existing ones. By occupying a central position in the network, a firm is likely to access desired strategic resources including finance, knowledge and skills. Such resources will again enhance the enterprises production activities by providing the external information necessary to generate new ideas.

The influencing factors on networking for entrepreneurship development among small and medium scale enterprises could be years of experience. Years of experiences in this research means the number of years in the business by entrepreneurs. There is recognition in literature regarding the extent SME network and make contribution for entrepreneurial experiences to venture performance (Sandra, 2014). Sandra noted that entrepreneurial experience can lead to success. Similarly, specific experience in similar businesses ensures survival and growth. It could be said however that the older the entrepreneurs are in their businesses, the more they are equipped to apply networking for entrepreneurship development. The extent of networking among operators of small and medium scale enterprises for entrepreneurship development therefore needs to be properly investigated if the sector is to contribute fully to the socio-economic development landscape. It was against this background that the researchers assessed the extent of networking among operators of

small and medium scale enterprises for entrepreneurship development within Nnewi metropolitan city, Anambra State.

Statement of the Problem

Small and medium scale enterprises are a sub sector that plays a very important role in the economic growth of any nation. No wonder it is seen as the catalyst and backbone of industrial revolution and development. Entrepreneurs are known to adapt with greater ease under difficult and changing circumstances because they are typically low in capital intensity and allow product lines and inputs to be changed at relatively low cost. They also retain a competitive advantage over large enterprises by serving dispersed local markets and produce various goods with low scale economies for niche markets (Evbomwan, Ikpi, Okoruwa & Akinyosoye, 2013). Despite the laudable policies of government focused on encouraging entrepreneurship development through programmes like the SMEDAN, SURE-P, UNESCO-TVE, YOUWIN, N-Power among others in order to improve small and medium scale enterprise, and reduce unemployment in the country at large. It has been observed that lack of financial resources and managerial skills among others are factors hindering the improvement of entrepreneurship development among small and medium scale enterprises operators (Akabueze, 2012). These issues could be linked to the operators of small and medium scale enterprises' inability to network among themselves to find solutions to problems affecting their business operations generally. In other words, there appear to be lack of effective networking among operators of small and medium scale enterprises. It is in this respect that the researchers sought to investigate the extent to which operators of small and medium scale enterprise network to further the development of their enterprises with particular reference to Nnewi metropolitan city, Anambra State, Nigeria.

Purpose of the Study

The main purpose of the study was to ascertain the extent of networking among small and medium scale enterprises for entrepreneurship development within Nnewi metropolitan city, Anambra State, Nigeria. Specifically, this study sought to determine the extent:

1. small and medium scale enterprises operators within Nnewi metropolitan city, Anambra State network to source finance for their operations.
2. small and medium scale enterprises operators within Nnewi metropolitan city, Anambra State network for the acquisition of managerial skills for their operations.

Research Questions

The following research questions guided the study:

1. To what extent do operators of small and medium scale enterprises within Nnewi metropolitan city, Anambra State network to source finance for their operations?
2. To what extent do operators of small and medium scale enterprises within Nnewi metropolitan city, Anambra State network for acquisition of managerial skills for their operations?

Hypotheses

The following null hypotheses were tested at 0.05 level of significance:

1. There is no significant difference in the mean ratings of operators of small and medium scale enterprises on the extent they network to source finance for the growth of their businesses based on years of experience.
2. There is no significant difference in the mean ratings of operators of small and medium scale enterprises on the extent they network for the acquisition of managerial skills for their operations based on years of experience.

Method

Descriptive survey research design was adopted for the study. The population for the study consisted of 920 small and medium scale business operators that registered with the Ministry of Commerce and Industry within Nnewi metropolitan city, Anambra State as at 2019. The simple size of 197 SMEs operators was adopted using stratified simple random sampling technique. A 20-item structured questionnaire was used in gathering data for the study. The questionnaire was validated by three experts, two experts in business education and one in measurement and evaluation. To establish the instrument's reliability, split half test was utilised. The data from the tests were analyzed using Cronbach Alpha to determine the internal consistency of the test items. The analysis achieved co-efficient values of 0.82 and 0.86 respectively for the two clusters with an overall co-efficient value of 0.84.

Data collected in the study regarding research questions were analysed using mean and standard deviation. The mean value was used to answer the four research questions while the standard deviation was used to determine the closeness of the mean ratings. Decision on the questionnaire items were interpreted relative to the real limit of numbers as follows: Very Great Extent (4.50-5.00), Great Extent (3.50-4.49), Moderate Extent (2.50-3.49), Small Extent (1.50-2.49) and Very Small Extent (0.50-1.49). In data collection, out of the 197 copies of the questionnaire distributed to the respondents, 193 copies were actually retrieved from the respondents which represented about 98 percent. 2 copies were not properly filled and discarded. Two copies were not retrieved representing 1 percent each. The z-test was used to test the null hypotheses at 0.05 level of significance. Where the calculated z-value was less than the critical z-value, it meant that there was no significant difference and the hypothesis was not rejected. Conversely, where the calculated z-value was equal to or greater than the critical z-value, it meant that there was significant difference and the hypothesis was rejected.

Results

Research Question 1

To what extent do operators of small and medium scale enterprises within Nnewi metropolitan city, Anambra State network to source finance for their operations?

Data relating to research question 1 were analysed and presented in Table 1.

Table 1:

Mean ratings of operators of small and medium scale enterprises within Nnewi metropolitan city, Anambra State on their extent of networking to source finance for their operations.

		N = 179		
S/N	Operators of SMEs network to source finance through	\bar{X}	SD	Remarks
1.	Parents and friends	3.90	.40	Great Extent
2.	Venture capital	2.90	.74	Moderate Extent
3.	Angel investors	3.10	.54	Moderate Extent
4.	Government grants	3.10	.54	Moderate Extent
5.	Debt Financing from Creditors	3.48	.49	Moderate Extent
6.	Bank and other commercial Lenders	3.30	.48	Moderate Extent
7.	Government programmes (Small Business Administration and USDA Rural Development programmes)	3.10	.54	Moderate Extent
8.	Bond from companies	3.11	.52	Moderate Extent
9.	Equity offerings	3.10	.54	Moderate Extent
10.	Initial public offerings	3.19	.50	Moderate Extent

Data in Table 1 show that the respondents moderately network to source finance for their operations. The item by item analysis shows that all the items achieved mean scores ranging from 2.90 to 3.48 indicating moderate extent, while only the first item (parents and

friends) achieved mean score of 3.90 showing great extent. The standard deviations show that there is homogeneity amongst responses indicating a greater consensus of opinions.

Research Question 2

To what extent do operators of small and medium scale enterprises within Nnewi metropolitan city, Anambra State network for the acquisition of managerial skills for their operations?

Data relating to research question 2 were analyzed and presented in Table 2.

Table 2:

Mean ratings of operators of small and medium scale enterprises within Nnewi metropolitan city, Anambra State on their extent of networking for the acquisition of managerial skills for their operations.

N = 179				
S/N	Operators of SMEs network to acquire managerial skills	\bar{X}	SD	Remarks
1.	To communicate effectively orally and in writing	4.30	.64	Great Extent
2.	To plan for long and short term investment	4.10	.70	Great Extent
3.	To share knowledge of factors involved in overhead control	4.00	.45	Great Extent
4.	To manage time/meeting of job schedule	4.20	.40	Great Extent
5.	To gain knowledge/needs for employee growth and development	4.10	.54	Great Extent
6.	To gain knowledge of human relation	4.20	.75	Great Extent
7.	To determine suitable employment criteria	4.30	.78	Great Extent
8.	To use specific methods/techniques in tackling managerial problems	4.19	.75	Great Extent
9.	To solve work conflicts, communication and working with people	4.49	.68	Great Extent
10.	To do things better, faster, and more efficiently	4.00	.63	Great Extent

The item by item analyses in Table 2 shows that all the items achieved mean scores ranging from 4.00 to 4.49 indicating great extent. The standard deviations show homogeneity of the responses. The results show that operators of small and medium scale enterprises within Nnewi metropolitan city, Anambra State network for the acquisition of managerial skills for their operations.

Testing the Hypotheses

Hypothesis 1

There is no significant difference in the mean ratings of operators of small and medium scale enterprises on their extent of networking to source finance for the growth of their businesses based on years of experience.

Analysis of data in respect of this hypothesis is shown in Table 3.

Table 3:

Summary of z-test analysis of operators of small and medium scale enterprises in their mean ratings on the extent of networking to source finance for the growth of their businesses based on years of experience.

Years of Experience	N	\bar{X}	SD	Df	α	z-cal	z-crit	Decision
1-10	112	3.11	.18	195	0.05	-1.23	2.00	Not Significant
11 and above	85	3.25	.19					

Data in Table 3 show that the z-calculated value of -1.23 is less than the z-critical value of 2.00 at 195 degree of freedom at 0.05 level of significance. Since the z-calculated value is less than the z-critical value, the null hypothesis is not rejected. This implies, therefore, that there is no significant difference in the mean ratings of operators of small and medium scale enterprises on their extent of networking to source finance for the growth of their businesses based on years of experience.

Hypothesis 2

There is no significant difference in the mean ratings of operators of small and medium scale enterprises on their extent of networking for the acquisition of managerial skills for their operations based on years of experience.

Analysis of data in respect of this hypothesis is shown in Table 4.

Table 4:

Summary of z-test analysis of operators of small and medium scale enterprises in the mean ratings on their extent of networking for the acquisition of managerial skills for their operations based on years of experience.

Years of Experiences	N	\bar{X}	SD	Df	α	z-cal	z-crit	Decision
1-10	112	4.11	.07	195	0.05	1.72	2.00	Not Significant
11 and above	85	4.14	.13					

The z-test analysis in Table 4 shows that there is no significant difference in the mean ratings of operators of small and medium scale enterprises on their extent of networking for the acquisition of managerial skills for their operations based on years of experience. This is shown by the z-cal value of 1.72 which is less than the z-critical value of 2.00 at 195 degree of freedom at 0.05 level of significance.

Discussion of Findings

Analysis of research question one revealed that operators of small and medium scale enterprises within Nnewi metropolitan city, Anambra State, Nigeria networked to source finance for their operations at a moderate extent. This means that small and medium scale enterprises operators networked to source its finance for the growth of their businesses at a moderate extent. This is in line with Gbandi and Amissah (2014) opined that some sources of finance to small and medium scale enterprises operators include finance, equity finance, debt finance, and leases among others.

The test of the first hypothesis revealed that there was no significant difference in the mean ratings of operators of SMEs on the extent they networked to source finance for the growth of their businesses as a result of years of experience. This finding is in disagreement with Sandra (2014) who found out that entrepreneurial experience contributed to the management and growth of entrepreneurship activities.

The research question two revealed that operators of small and medium scale enterprises within Nnewi metropolitan city, Anambra State networked for the acquisition of managerial skills for their operations to a great extent. This means that managerial skills are essential for conceiving, starting and managing business enterprises. This was supported by the view of Igbo in Lucky and Emechi (2008) that managerial skills needed for success in entrepreneurship include ability to communicate effectively using oral and written skills, knowledge and method of conducting effective meetings, ability to do long and short term planning; knowledge of factors involved in overhead control, knowledge of inventory control and turnover; acquisition of management and supervisory skills, ability to determine staff salaries and knowledge of good human relationship. This means that SME operators brought their wealth of experience in the management of their enterprises.

The test of the second hypothesis revealed there is no significant difference in the mean ratings of operators of small and medium scale enterprises on their extent of networking for the acquisition of managerial skills for their operations based on years of experience.

Conclusion

Based on the findings of this study, it was concluded that operators of small and medium scale enterprises within Nnewi metropolitan city, Anambra State network to source finance and network to acquire managerial skills for their operations. This act is critical to the growth of SMEs which in the main benefits imminently from shared experiences and information. Such exchange of ideas and information add to the wealth of knowledge and skills needed to make SMEs sustainable ventures.

Recommendations

Based on the findings of this study, the researchers proffer the following recommendations:

1. For effective SMEs financing for entrepreneurship development within Nnewi metropolitan city of Anambra State, the State governments should establish an intervention funds programmes aimed at stimulating the economy and reducing poverty.
2. SMEs in the State should be supported by industry watches and the government on the operations of micro finance institutions (MFIs) as a veritable sources of finance for their operations. This might be done through awareness creation on the purpose and activities of micro finance institutions and where they can be reached.
3. Operators of SMEs within Nnewi metropolitan city, Anambra State should establish a strong collaboration among themselves and experts in management in order to build their managerial capabilities. Through the exchange of ideas and workshops. This will promote the sharing of novel managerial thoughts and promote business operations.

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