

Chapter 6

Problems Financing Small Business Enterprises in the Current Economic, Business, and Organizational Environment in Nigeria: With Recommendations for Future Support Initiatives

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ABSTRACT

A number of significant problems face small business enterprises (SBEs) in terms of their ability to source financing in the current economic, business and organizational environment in Nigeria. This chapter investigates various financing difficulties facing SBEs, and from the findings makes recommendations for future support initiatives which will be of considerable interest to academics, policy makers and practitioners. The chapter explores problems involved in the financing of SBEs in terms of global dynamics investigating financial bodies, enterprises and the funding of SBEs. Secondary data sources are used to assess the existing financial environment which exists in Nigeria and from this identify the main financial drawbacks facing SBEs.

INTRODUCTION

There are a number of significant problems facing small business enterprises (SBEs) in terms of their ability to source financing in the current economic, business and organizational environment in Nigeria. The scholarly value of this chapter is to investigate the various financing difficulties facing SBEs, and

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from the findings make recommendations for future support initiatives which will be of considerable interest to academics, policy makers and practitioners. The overall objectives and mission of the chapter are to explore the drawbacks involved in the financing of SBEs in the emerging economy of Nigeria in terms of global dynamics investigating financial bodies, enterprises and the funding of SBEs. The research question explored is “what are the problems for the financing of SBEs in the current economic, business and organizational environment in Nigeria?” Following this, recommendations for future support initiatives are made.

Nigeria is located in W. Africa extending between the Lower Niger and Lake Chad, and it is situated on the north east shore of the Gulf of Guinea. The area of Nigeria is approximately 357,000 sq. m. In terms of natural resources there are considerable mineral resources and oil reserves. Table 1 below summarizes the country statistics.

In terms of the Nigerian economy SBEs make a valuable contribution to employment, wealth creation and the annual income of the country. As such the financing of SBEs is important for the development of the economy. The chapter uses secondary data sources to assess the existing financial environment which exists in Nigeria and from this identify the main financial problems facing SBEs. It draws primarily on existing research and secondary data sources. Secondary data sources include existing literature which consists of both published material and ‘grey’ literature available (including reports from government organizations, universities and consultants).

There is discussion of the various financial problems identified in the findings that face SBEs in Nigeria and recommendations are made for future support initiatives. The potential contribution of the chapter is to bring together findings on the problems involved in financing SBEs in Nigeria. This chapter provides a basis for future study of financing SMEs in emerging economies and further potential investigation and contexts for research, scholarship, study and academic inquiry to be utilised by students, researchers and scholars in the area of the financing of SMEs but also for policy makers and practitioners in emerging economies. The next section considers relevant literature concerning SBEs in Nigeria, their characteristics, difference between small and large businesses, and financial issues.

LITERATURE REVIEW

Small Business Enterprises in Nigeria

SBEs play an important role in the economic development of Nigeria and their contribution to the economy and ability to create more employment opportunities is widely recognised. SMEs are drivers of economic growth and innovation (Kotelnikov, 2007). Kazmi and Farooque (2000) reason that SBEs play a very important role in the overall production in the economy and this viewpoint is supported by

Table 1. Country statistics for Nigeria

Statistic	Area (1,000 sq m)	Population (1,000s)	Density (persons per sq km)	Capital City	Annual Income US\$
	357	182,202	197	Abuja	2,640

Source: United Nations (2015) World Population Prospects The 2015. Key Findings and Advance Tables: United Nations New York 2015

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