

Survey of Sources of Capital among Traders of Wunti Market in Bauchi Metropolis

Mohammed Uwaisu Hussaini Bsc Msc
Federal Polytechnic, Bauchi-Nigeria.
uwais1304@yahoo.com

Abstract

Lack of funding is the number one reason given for the failure of so many small businesses. Why? Success today hinges not only on providing a quality and timely product or service, but also on knowing how to finance the business. One of the major determinants in establishing any firm is Capital and most failure of trading/business enterprise is associated with absence or inadequate Capital. Hassan (2009) defined Capital as the resources or money used for and required in carrying out the activities of the business venture. The objectives of this study is to undertake an in depth study so as to identify the sources of capital among traders of Wunti Market in Bauchi Metropolis and in so doing identify whether the traders are aware of the existence of formal institutions that provide such services and the associated problems encountered or act as hindrance to accessing such facilities. The survey made use of both primary and secondary data. Data was presented in tabular and chart forms for understanding and easy analysis. The study found that most the traders source their capital from past savings and assistance from well wishers. Those enterprises that got their capital from the formal sector complained of the difficulty in accessing such funds and repayment arrangement is not suitable. The research concluded that Government being the prime mover of economic activities, should come up with an arrangement for those funds set aside for the promotion of trade reaches the desired traders, awareness campaigns should be organized to educate the traders on how to access funds from the formal sector and Central Bank in collaboration with commercial banks should develop a new strategy in encouraging traders to utilize the funds available to commercial banks.

1.1 INTRODUCTION

Recognition of the importance of trading in emerging economies had bolstered research efforts in this area. Lack of funding is the number one reason given for the failure of so many small businesses. Why? Success today hinges not only on providing a quality and timely product or service, but also on knowing how to finance the business. One of the major determinants in establishing any firm is Capital and a lot of literatures have shown that most of the failure of trading/business enterprise is associated with absence or inadequate Capital. Hassan (2009) defined Capital as the resources or money used for and required in carrying out the activities of the business venture. This paper is set on the background to survey the sources of capital among traders in Bauchi, specifically Wunti Market in Bauchi metropolis. As Capital is essential for the smooth operation of any business concern, absence or lack of adequate working capital may endanger the survival of any trade. Inadequate capital affects the growth of any business, prevent the trade from taking advantage of any favourable opportunities, growth or expansion may be lost, operational/marketing plans becomes very difficult to implement and the trade may lose its reputation because of its failure to pay debt when due. These incidences of trade failure are mostly as a result of the absence or inadequate capital. Oshagbemi (1984) identified the following reasons as the major causes of business failure Government policy, inflation, fluctuating economic conditions, Management incompetence, lack of experience, lack or inadequate capital, insufficient preparations in starting a business, overtrading leading to liquidity problems, poor records or complete lack of records keeping system, low level of education, Sales and marketing problems

Among all these problems this study is concerned mainly with the absence or inadequate capital among Traders, based on the importance attached to capital in any trade. The literature on business management has clearly indicated that for a start-up, adequate capital is an essential success factor in increasing the chances of survival and reducing the incidence of failure of the business. Similarly for any established trade, adequate capital increases chances of staying in business and earning desirable profits.

1.2 THE OBJECTIVES OF THE STUDY

The objectives of this study is to undertake an in depth study so as to identify the sources of capital among traders of Wunti Market in Bauchi Metropolis and in so doing identify whether the traders are aware of the existence of formal institutions both private and government owned organisation that provide such services and expected problems encountered or act as a hindrance for accessing such facilities. The study would also proffer useful suggestions to counter such problems.

1.3 SCOPE.

The study would limit itself to Wunti Market, a market located at the town centre of Bauchi Metropolis which offers variety of products to the teeming population ranging from fruits and vegetables, tailoring and textile products, household/kitchen utensils, cosmetics, provision, clothes, shoes and bags, electronics, meat, Hair

dressing salon, restaurant, animal feeds etc. The study will survey about 100 randomly selected shops at the market using stratified sampling technique. The major limitation of the study lies in its scope. It would have been desirable of the survey to cut across the entire metropolis.

1.4 SIGNIFICANCE OF THE STUDY.

- i. Employment Generation, trading in Nigeria is looked upon as sources of employment (-Carr 1984). Trading provide income opportunity to both the traders and the sales boy/girl and serve as a catalyst in the growth of the economy. Ogundare (2000) observed that “close the shops of micro and small enterprises in any town in Nigeria and the economy of the entire country will crash like a pack of hurriedly arranged cards”.
- ii. Trading through the instrument of apprenticeship provide both a nursery and a proving ground for enterprise. It has been argued that such practices have provided a seedbed for the proliferation of so many young entrepreneurs.
- iii. Respond quickly to market situation. Traders are in a position to take note of customers’ needs, and to respond quickly to these. In so doing they further act as competitive spur to larger organizations (Scott, 1986).

2.1 LITERATURE REVIEW

Zimmerer and Scarborough (2005) described capital as any form of wealth employed to produce more wealth. Also added that raising the needed capital to launch or expand an existing trade has always been a challenge for Traders. Most of the traders, especially those in less glamorous trade or those just starting out, face difficulty in sourcing of finance. Many banks shy away from making loans to start ups, venture capitalist have become more risk averse, private investors have grown cautious. Capital exists in many forms in a typical business, including cash, inventory, plant and equipment. BusinessDictionary.com defined capital as wealth in the form of money or assets, taken as a sign of the financial strength of an individual, organisation, or nation, and assumed to be available for development or investment. While Hassan (2009) defined Capital as the resources or money used for that is required in carrying out the activities of the business venture.

2.2 SOURCES OF CAPITAL FOR BUSINESS CONCERN.

There are many alternative places to raise money: private, institutional, and government. Some sources may be better suited to a particular need: *inception, survival, growth, expansion, or maturity*. Tim Chen in his paper on “5ways to fund your business” stated that every small business owner knows that financing can be simultaneously one of the most important and most difficult challenges a company faces. There’s startup capital, there’s funds to tide you through the lean years, there’s money needed to expand your scope. He further explained the five sources as Loans, crowd funding platforms, advance order, personal assets and savings and Grants. While Atanda Ibrahim Kolawole discussing sources of enterprise funding in Nigeria wrote that If an entrepreneur cannot personally provide the needed amount of money from his or her savings to fund the business, there are other alternatives; **other people’s money!** Other people’s money is either by Debt or Equity. He further explained the two major sources of funding based on the length of time for refund, these are the two main types of financial institutions in Nigeria and they are:

- Micro Credit or Short Term Institutions
- Macro Credit or Long Term Institutions

In his work “How to Get Capital to Start a Business in Nigeria” Uzor Onyes (2012) listed personal savings, family/friends, business investors, bank loans as the major source of getting capital to fund business. Olusifayo posted in Entrepreneurship the three major source of capital for funding business, an entrepreneur can source for fund through, Owner’s Equity, Loans and Grants. Dileep Rao in entrepreneurship.com widens the sources of capital to twelve in America from least to most attractive, listed them as Angel equity, smart leases, bank loans, federally sponsored debt-financing programs, local and state economic development organizations, customers, vendors, friends/family, Small Business Innovation Research (SBIR) grants, tax increment financing, internal revenue service and bootstrapping.

3. RESEARCH METHODOLOGY

This section focus on the various methods and procedures utilized in the course of collecting data and the analysis of such data. The population comprised of traders of Wunti Market located in Bauchi Metropolis. For practical purposes a sample size of 100traders were chosen randomly. The traders are chosen by the use of stratified sampling technique. Both Primary and Secondary sources were used to collect data. Questionnaires interviews and observations were the data collection methods utilized in the survey. Data was presented in tabular and chart forms for understanding and easy analysis.

4. DATA PRESENTATION AND ANALYSIS

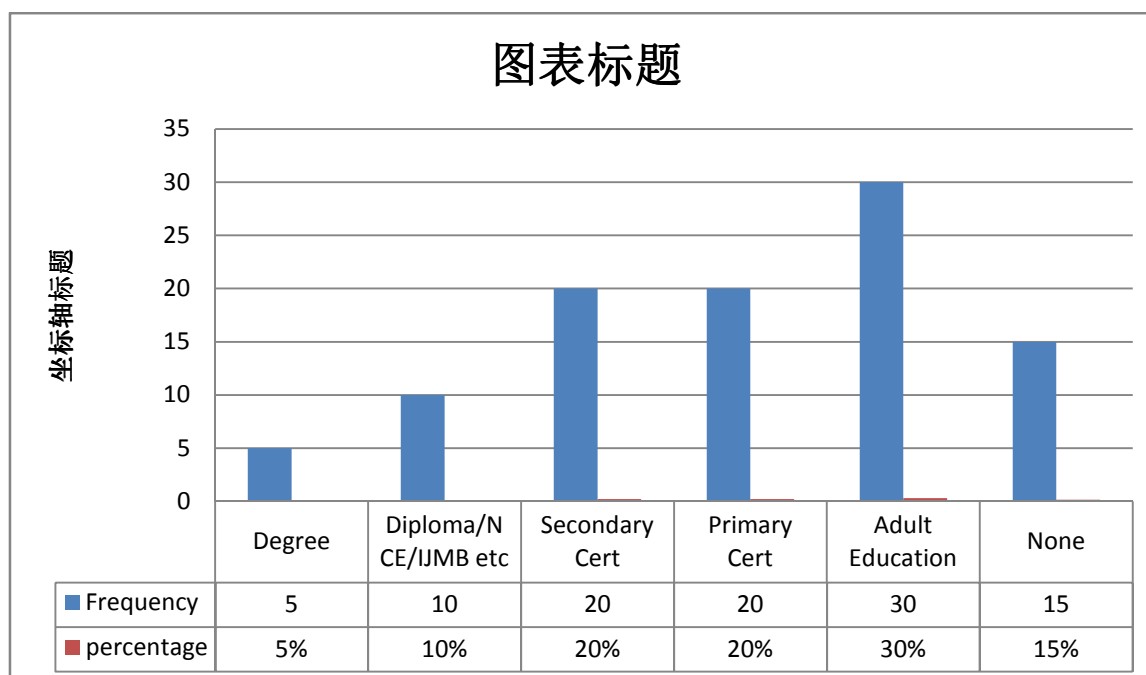
The study undertaken is a pilot of study of sources of capital among traders of Wunti Market in Bauchi metropolis. One hundred questionnaires were administered to a small select group of firms. The responses

collected were tabulated and presented as follows:

Table 1: Qualification of the Traders sampled

Qualification	Frequency	Percentage
Degree	5	5%
Diploma/NCE/IJMB etc	10	10%
Secondary Cert	20	20%
Primary Cert	20	20%
Adult Education	30	30%
None	15	15%
Total	100	100

Source: Field survey 2013



The table and chart above presents the educational qualifications of the respondents. Most of the respondents are either primary/secondary certificate holders or have simply gone through adult education, literacy programmes to enable them read and write. The table indicates low literacy level among the traders.

Table 2: Capital Investment in Small Firms Surveyed

Capital	Frequency	Percentages
N100,000 – N200,000	10	10%
N200,001 – N300,000	25	25%
N300,001 – N400,000	40	40%
N400,001 – N500,000	15	15%
N500,001 – N1,000,000	10	10%
Total	100	100

Source: Field survey 2013

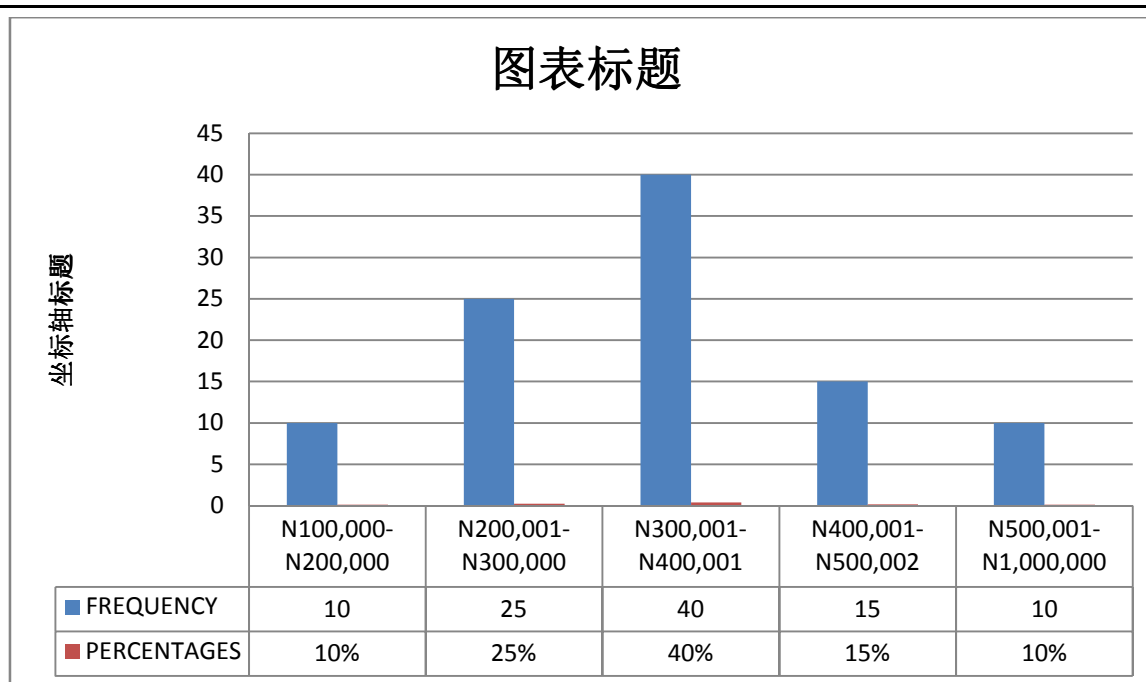


Table 2 and the chart indicates that most of the firms surveyed belonged to a class with total investment of N300, 001 — N400, 000. All the sampled traders can be classified to be either under cottage or small scale entrepreneurs, as none of them has a capital of more than one million Naira.

Table 3: Form of ownership of traders surveyed.

Form of ownership	Frequency	Percentages
Sole proprietorship	74	74%
Partnership	8	8%
Family venture	18	18%
Joint stock company	-	-
Cooperative society	-	-
Total	100	100

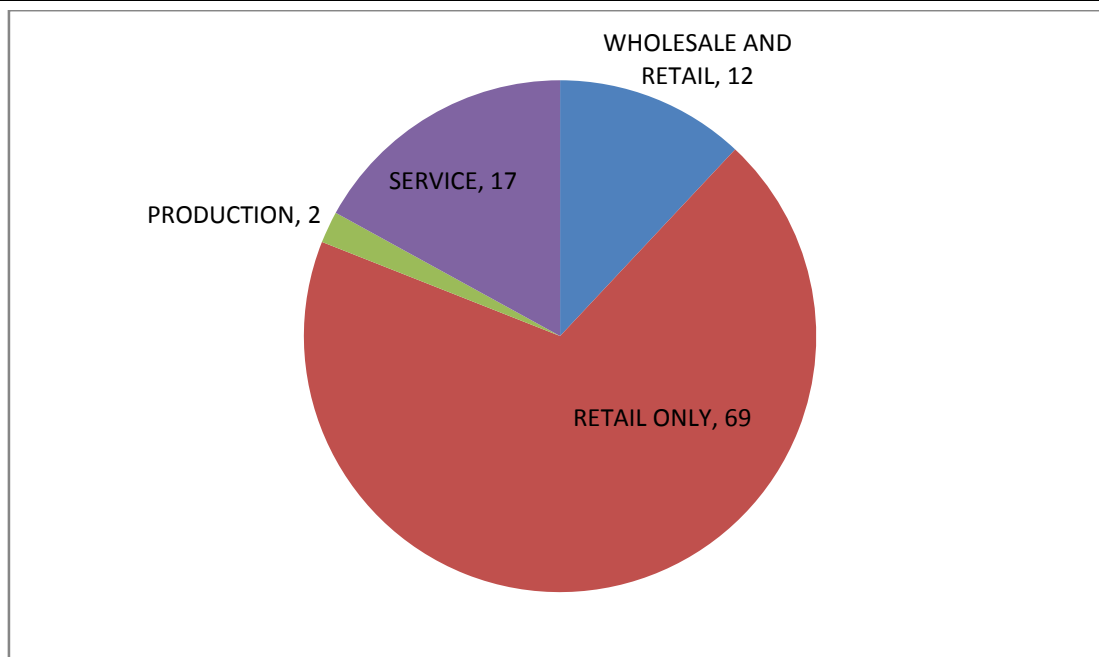
Source: field survey 2013

Most of the small businesses surveyed are sole proprietorships. This probably could be the explanation of why many of the firms suffer from inadequate financing.

Table 4: Nature of the Business

Nature of Business	Frequency	Percentages
Wholesale and retail	12	12%
Retail only	69	69%
Production	2	2%
Service	17	17%
Total	100	100

Source: Field Survey 2013

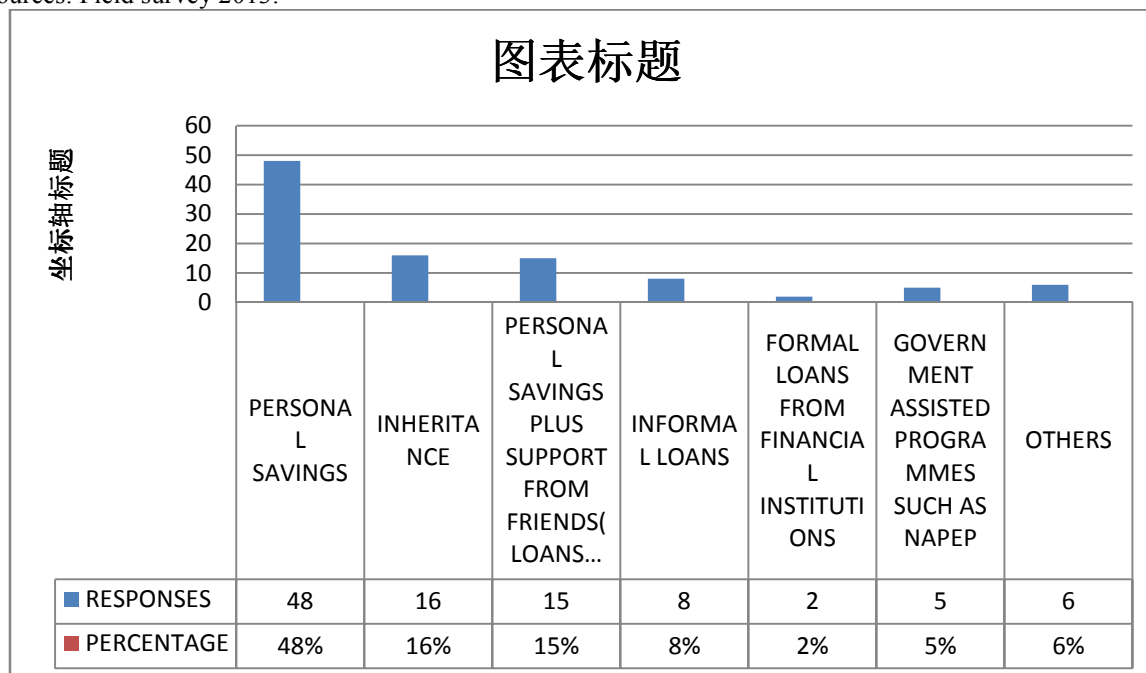


The above table and chart does suggests that retailing, mainly shops, and services businesses dominate the market activities in the area surveyed. Most of the service businesses are in the area of catering services, hair saloon, tailoring, and cobblers.

Table 5: Sourcing of capital by the traders

Sources of capital	Responses	Percentages
Personal savings	48	48%
Inheritance	16	16%
Personal savings plus Support from Family and Friends (Loans without interest)	15	15%
Informal Loans	8	8%
Formal Loans from Financial institutions	2	2%
Government Assisted programmes such as NAPEP	5	5%
Others	6	6%
Total	100	100%

Sources: Field survey 2013.



From the table above it can be seen that the biggest source of capital is personal savings which constitute 48% while loans from the organized formal financial institution constitute only 2% indicating low patronage of such institution, even loans from the informal sector constituting 8% is greater than the formal sector. This will be further highlighted in the next two tables.

Table 6: Knowledge of the existence of formal financial institutions

Institutions	Aware	Percentages	Not Aware	Percentages
Commercial Banks	100	100%	0	0%
Development Banks such as Bank of Industry	21	21%	79	79%
Government Institution and NGOs that offer GRANTS such as NAPEP, SMEDAN	35	35%	65	65%
Trade credit/Advance Order	16	16%	84	84%

Sources: Field survey 2013

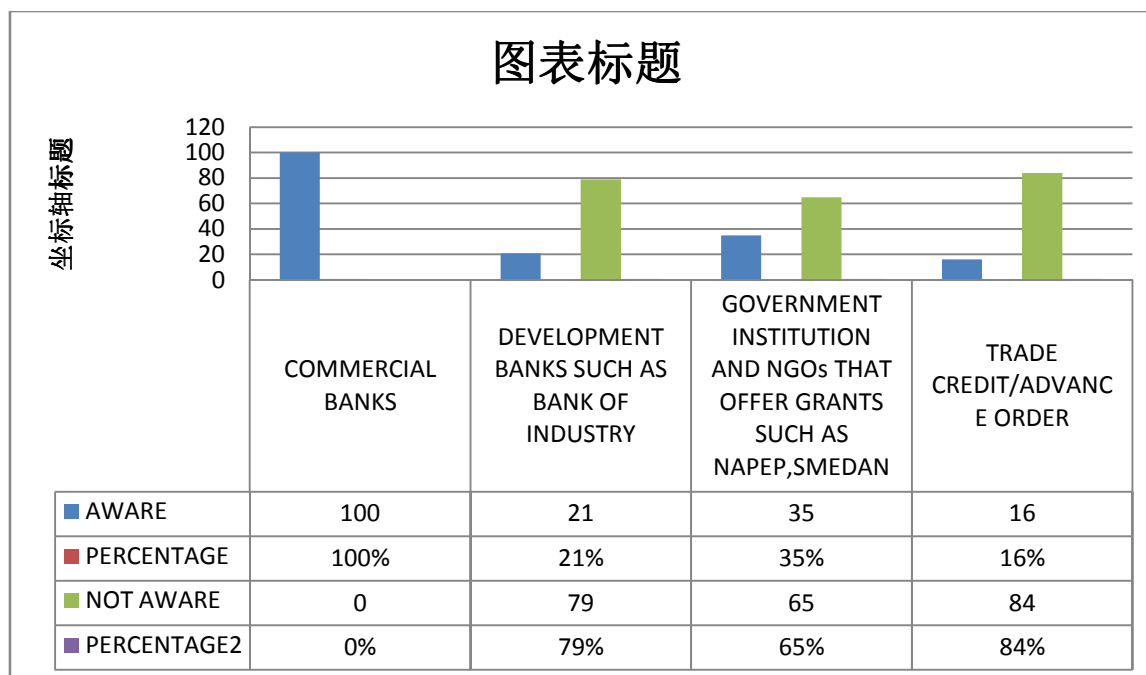


Table 6 shows that the traders are aware of the existence of commercial banks but 79% of them seem not to be aware of the existence of Bank of Industry even with its presence in Bauchi town or probably not in the knowhow of it objective. Majority of the Traders do not know of the existence of Governmental agencies such as NAPEP and SMEDAN, those that know are not aware of the mandates of such agencies.

Table 7: Reasons advanced for not utilizing the credit facilities of Commercial banks

Reasons	Frequency	Percentages
Stringent condition	27	27%
High Interest rate	33	33%
Poor repayment arrangement	20	20%
Absence of collateral	16	16%
Others	4	4%
Total	100	100%

Sources: Field survey 2013

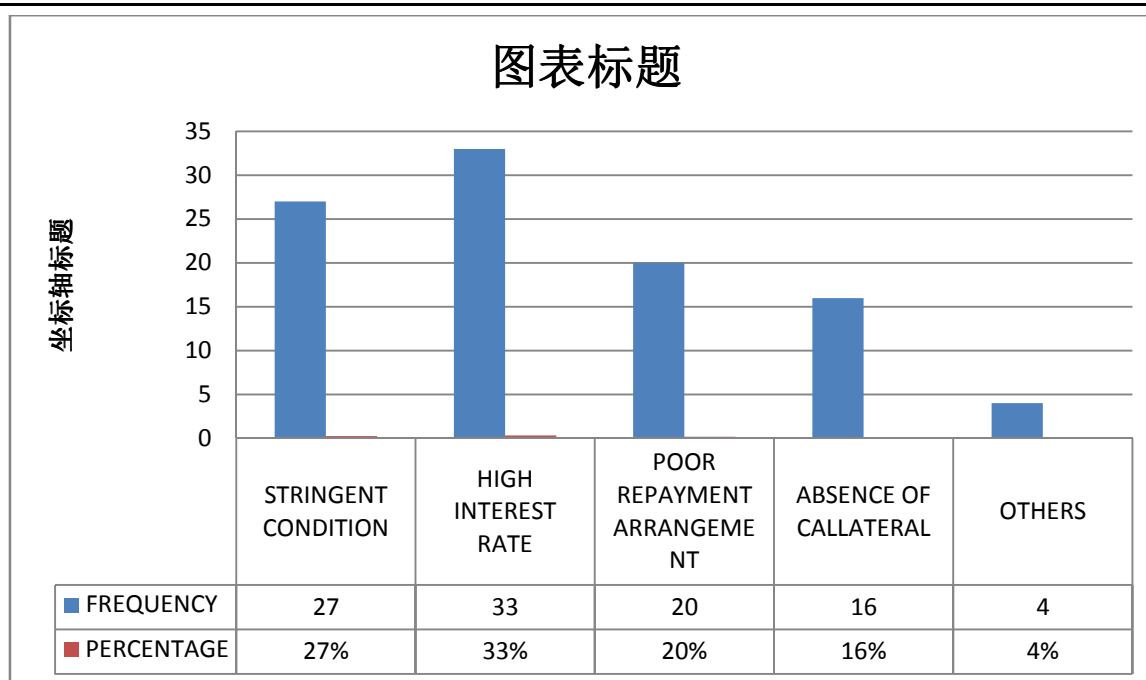


Table 7 further explained the reasons put forward for not patronizing commercial banks 33% of the traders complained of high interest rate, 27% complained of the stringent conditions place by this banks before traders can assess them. While 20% and 16% mentioned poor payment arrangement i.e. it's too short and lack/absence of collateral affects them whenever they approach the banks for loans.

5. SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 SUMMARY.

The analysis of data conducted in the previous section has revealed the following:

- That most of the traders surveyed in Wunti Market of Bauchi Metropolis are owned by persons whose educational backgrounds has not gone beyond secondary school. Only half of our respondents had primary and secondary education. This could have serious implication for the type and growth of their business especially in terms of assessing funds from the formal organisations.
- That all the sampled traders in Wunti Market of Bauchi metropolis do not keep adequate capital. None of the traders has capital of more than One Million Naira thereby classifying them under cottage or small scale entrepreneurs. The researcher's personal observation revealed that some of them show high level of contentment to remain small or do not have the capacity to enhance their business and while others lack the prerequisite to access capital from other sources.
- Government agencies such as NAPEP, SMEDAN do not create the necessary enlightenment for such traders to connect with them. Whenever the funds are available politics, favoritism and fraudulent practice comes to play, at the end the actual traders do not benefit from such programmes.

5.2 CONCLUSION

In the light of the above findings the study would conclude that unless adequate attention is given to the sourcing of capital to traders in Bauchi town and environs many traders are likely to suffer the problems of stunted growth or even eventual failure. Therefore affecting the growth of trade and commerce in Bauchi eventually hindering the economic development of the state that would have tremendous impact in employment generation, internally generated revenue, wealth creation and soon.

5.3 RECOMMENDATION

It is recommended that:

- Government — being the prime mover of economic activities, should come up with an arrangement for those funds set aside for the promotion of trade reaches the desired traders. Funds should also be monitored so that diversion is averted. Also government should have the political will to separate political patronage from normal government assistance.
- A series of training, workshops, seminars and awareness campaigns should be organized to educate/sensitized the traders on how to access funds from the formal sector.
- Central Bank in collaboration with commercial banks should develop a new strategy in encouraging traders to utilized the funds available to commercial banks by making the conditions necessary to access such funds are bearable, the interest rate to be made favourable and payment period should be increase

to provide enough time for repayment.

REFERENCES

- Atanda I. K. www.pageinsider.com/enterprisenigeria.org
- Carr, M. (1984) *Developing small-scale Industries in India: An Integrated approach*, Birla.
- Dileep, R. <http://www.businessdictionary.com/definition/capital.html#ixzz2g4vqOXxC>
- Hassan, M. (2009): *Business Management 1st edition*. Joyce Graphic Printers and Publishers
- Innes, A.E. (1999): *Business statistics by example*. Revised edition, Macmillan Press Ltd, London
- Longnecker, J.G, Moore C.E; Petty, J.W. (1997): *Small Business Management: An Entrepreneurial Emphasis*, 10th Ed. South Western College Publishing, Ohio.
- Meigs, W.B. and Meigs, R.E. (1987): *Financial Accounting*, 5th edition McGraw Hill Company, New York.
- Nwoko, C. (1988): *Internal Control in Business*. ABK books Enugu.
- Osaze, B. E. and Anoa, A. R. (1989): *Managerial Finance* (Benin City: University of Benin Press) p. 218
- Ogundare, S. (2000): *Obstacles to the Growth of Small Business in Kano Metropoiiis*. Unpubiishecl MBA Thesis, Bayero University, Kano.
- Olusifayo <http://www.businessdictionary.com/definition/capital.html#ixzz2g4vqOXxC>
- Oshegbami, T.A. (1983): *Small Business Management in Nigeria Modern Management in Africa*. Longman London.
- Osuala, E.C. (1982): *Introduction to Research Methodology*. African FEP Publishers Limited Ibadan.
- Pugh, D. and Hickson, D. (1976): *Organizational structure in its context*. Gower Publishing.
- Scott, M.G. (1986): *The dangers of assuming homogeneity in small firms*. Nineth National Small Firms Policy and Research Conference Gleneagles.
- Sirobolis, N. (1994): *Small Business Management: A guide to Entrepreneurship 5th Edition* Houghton Mifflin Company, Boston.
- Tim Chen. www.forbes.com/sites/.../2013/09/.../5-ways-to-fund-your-small-business...
- Uzor Onyes. www.zimbio.com/Nigeria.../How+Get+Capital+Start+Business+Nigeria Mar 6, 2012
- Zimmerer, T. W. and Scarborough N. M. (2005): *Essentials of Entrepreneurship and Small Business Management*. Fourth edition Pearson Education, Inc.