

Funding Youth Entrepreneurship in SMEs: A Panacea for Youth Unemployment in Niger-Delta , Nigeria

By

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EXECUTIVE SUMMARY

The objective of this study was to identify profitable and viable small and medium-sized enterprises (SMEs), which could form a basis for a youth economic empowerment programme in the crisis-torn Niger Delta Region. Data analysed formed a basis for identifying profitable enterprises, and preparing financial proposals. The proposals can be used to source funds, which would enable youth to either work with the identified SMEs or expand existing ones. Four-hundred SMEs in the region were studied under 11 major categories and 45 enterprise types.

The states in the region showed varying comparative advantages with respect to the SMEs. This was evident in their profitability and productivity indices, as well as their wage rates and capacity to generate employment. Such SMEs were thus identified for increased funding and replication, which would reduce unemployment and facilitate economic empowerment of the multitude of the less educated youths.

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INTRODUCTION

The conflicts in the Niger Delta Region had escalated with the emergence of community-based militias and in the eruption of violence and armed struggle. However recently, most of the youths have laid down their arms, and efforts are now geared towards reintegrating them into the society.

The focus of the research stems from the fact that the government has not gone far enough to reintegrate and empower the youths. Those sent abroad for skills acquisition and training constitute a negligible minority of the population of youths. SMEs would appear to provide greater prospects for the masses of less educated youths.

However, SMEs are severely handicapped in the struggle for financial resources. Banks and other financial institutions are reluctant to lend to them, especially due to their small capital base and lack of collateral. The Central Bank of Nigeria (CBN) and other development banks have not put in place an effective and widespread financing programme for SMEs (Ekpenyong and Nyong, 1992).

SMEs are relatively better at creation of employment opportunities than large firms (Sanda *et.al*, 2001), but this potential is usually short-lived due to poor access to credit.

Therefore, there are certain questions with respect to designing the financing package. For example, which SMEs should be included? They must be SMEs that are profitable, viable, and can provide remunerative incomes for the youths. Other questions include the following: What is the employment generating capacity and growth potential? What are the sources of capital, and current level of capital investment? And, what problems are influencing the growth of SMEs?

METHODOLOGY

The survey was conducted in four states of the Niger Delta region: Abia, Akwa Ibom, Edo and Rivers states. The selection was based on the distribution of states in the geopolitical zones and the known levels of economic activities.

The sampling frame included the list of registered SMEs, derived from the records of The States' Ministries of Trade and Commerce. There were a total of 11 categories of SMEs. The number of enterprises surveyed in each category per state was estimated proportionately to ensure that every enterprise type is included, which resulted in a total number of 100 SMEs per state and 400 for the study area.

Data was collected with the use of a structured and validated questionnaire to facilitate the classification of SMEs according to types, activities, and their modes of operation in order to assess productivity and profitability. To assess the employment generating capacity, data was collected on the number and categories of persons employed and the wage rates. The performance of the SMEs was assessed by the profitability and viability indices of total factor productivity (TFP), net incomes (NI), and rate of return on total investment (RRTI). On the bases of these indices, the most productive, profitable and viable enterprises were selected.

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RESULTS AND CONCLUSIONS

The following results and conclusions were derived from the findings of the study:

- The contributions of the enterprise categories to the total number of enterprises captured in the survey varied considerably from 18.4 percent for Agro industries to 1.9 percent for recycling and waste management.

- SMEs in the region were mainly owned by sole proprietors. This characteristic implies that an individual and not board of owners determined most decisions on labour and wage rates. This has been the bane of SMEs, as reported by Onuorah (2010). However, in terms of the age of the enterprises, on average, the SMEs operated for a minimum of eight years. This finding contrasts with what has been reported by Ogboru (2004), wherein she hypothesized that most SMEs do not last for more than three years.
- The SMEs are productive and profitable as indicated by the indices of productivity and profitability computed. The high productivity and profitability indices are in agreement with the findings of Christopolous and Tsionas (2004). The SMEs can therefore reduce unemployment, if properly funded, which in most cases was more than the national minimum wage of N20,000.
- The SMEs can also reduce unemployment in the region, given the wages paid and their employment generating capacities. Some SMEs, like the bakeries and confectioneries, employed as much as 26 people per enterprise. This far exceeds what Onuorah (2010) found out in Matori, Lagos state, Nigeria.
- SMEs' annual growth capital by activity type showed that the food and beverage category was the highest with a rate of 164.55 percent. The least growth in capital was seen in the electrical/electronic category type. The growth in capital base is a good indicator of the health of the SMEs for a potential investor.
- On the basis of the applied indices, there are several sectors that have proven to have capacity to generate remunerative income and employment. The following sectors have been identified as the most productive, profitable, and viable in the region: metal fabrication, garments/fashion, interlocking tiles, electric poles production, printing, bakeries, metal works and construction, paint production, furniture works, leather bags, wood arts, poultry production, fish production, fish production, foot wears, and aluminum and glass fabrication.
- Inadequate funding, followed by epileptic power supply, was the largest challenge that SMEs face, as indicated by the entrepreneurs. These were also supported by the findings of Ekpenyong and Nyong (1992), Onugu (2005), and Kadiri (2012) in various studies on financing challenges for SMEs in Nigeria.

RECOMMENDATIONS AND IMPLICATIONS

On the basis of the performance of the SMEs with the TFP, NI and RRTI indices, the following SMEs for each state were recommended:

ABIA STATE: Metal fabrication, garments and fashion, interlocking tiles production, electric poles production, printing, recycling and waste management, bakeries, confectioneries and biscuits, metal works, and paint production.

AKWA IBOM STATE: Garments and fashion, bakeries, confectioneries, biscuits, metal works and construction, paints, oil palm processing, furniture works, leather bags, electronic repairs and maintenance, and brick making.

EDO STATE: Interlocking tiles, printing, metal works, furniture works, wood arts, poultry production, aluminum and glass fabrication, table water, and saw milling.

RIVER STATE: Metal fabrication, garments and fashion, bakeries, confectioneries, and biscuits, oil palm processing, air conditioner and refrigeration repairs and maintenance, hair dressing and barbing saloons, fish production, foot wears, aluminum and glass fabrication, and cassava processing.

On the basis of the potential employment generating capacity, the following recommendations were made for the states:

ABIA: Bakeries, confectioneries, biscuits, paints production, computer repairs and maintenance, panel beating and spraying, metal fabrication,

soap and cosmetics, cassava processing, foot wears, furniture works, and printing.

AKWA IBOM: Poultry production, oil palm processing, metal fabrication, bakeries, confectioneries, biscuits, foot wears, furniture works, cassava processing, table water, printing and block molding.

EDO: Bakeries, confectioneries, biscuits, saw milling, printing, furniture works, restaurant and bar, garments and fashion, block molding, interlocking tiles, cassava processing, livestock feed processing and bricks making.

RIVERS: Bakeries, confectioneries, biscuits, oil palm processing, foot wears, aluminum and glass fabrication, recycling and waste management, restaurant and bars, metal works and construction, cassava processing, fish production, and printing.

The implications of the aforementioned recommendations are that the SMEs can now become part of a programme aimed at creating remunerative employment and incomes for restive youths.

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