

**EDUCATIONAL QUALIFICATIONS OF ENTREPRENEURS AND PERFORMANCE IN SMALL  
AND MEDIUM SCALE ENTERPRISES IN LAGOS STATE NIGERIA.**

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### **CERTIFICATION**

This is to certify that this research project title **EDUCATIONAL QUALIFICATIONS OF ENTREPRENEURS AND PERFORMANCE IN SMALL AND MEDIUM SCALE ENTERPRISES IN LAGOS STATE NIGERIA.** Was independently carried out by BAKARE OLAMIDE DAMILARE matric Number 18012102049, combination PRIMARY EDUCATION D/M, under the supervision of MR. OLAWALE YUSUF in the school of education ,Department, of primary education, Tai Solarin college of education Omu-Ijebu

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DATE

SUPERVISOR

## **DEDICATION**

This project is dedicated to my late parent MR. AND MRS. BAKARE.

## **ACKNOWLEDGMENTS**

All praise be to God who gave me the strength, health, talent and courage before, during and after the writing of this thesis. My sincere gratitude and unquantifiable appreciation goes to the supervisor for his mentorship and advice throughout this work in persons of Mr. Olawale Yusuf, who have tirelessly supervised it from beginning to the end in order to ensure that the work meet the required standard, despite all the academic and administrative responsibilities conferred on them. May you be rewarded with uncountable bounties.

I am also commending the effort of my Head of Department, Mrs. Abosede, Mr Aminu , mr. Dairo for their remarkable efforts that empowered me towards the completion of this work. This acknowledgement will not be completed without remembering my family and friends Folorunso Samuel, Teemah , Johnson Tobiloba , Saka Odunayo , Ejimoh , Iyanuoluwa, Ayomide, Adedayo, Oluwapelumi, Folorunsho Peter Tolu Slege Yetunde, Adedoyin, Abdullateef, Rasheed, Ibukunoluwa, Oluwaseun, Motunrayo, I will not forget the effort and concern given to me by the entire senior and junior brother and sister, who have contributed a lot and finally made me how I am today, through their prayers, moral training and financial contribution. May you be rewarded with uncountable blessing, I am finally acknowledge the support of my brothers, sisters, friends, mentors, colleagues and well-wishers who have in one way or the other contributed immensely for the success of this work, may your effort and contribution be rewarded with an uncountable bounties

## **ABSTRACT**

The study examined the effect of educational qualifications on entrepreneurs and performance of small and medium scale enterprises in Mainland Local Government Area of Lagos State, Nigeria. In this study, relevant and extensive literatures were reviewed under sub-headings. The descriptive research survey was used in the assessment of the opinions of the selected respondents with the adoption of the questionnaire and the sampling technique. A total of 100 (One Hundred) respondents were selected and used as samples for this study, the respondents were made up of (50 males and 50 females). A total of four null hypotheses were generated and used in this study using both the percentage frequency counts and the t-test statistical tools at 0.05 level of significance. At the end of the data analyses, the following results were generated: hypothesis one found that there is a significant effect of educational qualifications and performance of entrepreneurs in small and medium enterprises in Lagos State Nigeria, hypothesis two showed that there is a significant gender difference in the management of small and medium scale enterprises due to educational qualifications of the entrepreneurs in Lagos State while hypothesis three indicated that the effective management of small and medium scale enterprises significantly depend on the educational qualifications of the entrepreneurs in Lagos State, Nigeria and finally, hypothesis four revealed that there is a significant gender difference in the successful management of small and medium scale enterprises in Lagos State, Nigeria.

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## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 BACKGROUND OF THE STUDY**

In the present day economies of the world, small and medium scale enterprises have come to be recognized as veritable engines of growth, employment, poverty reduction and innovative development. Government of various nations and indeed, world economic development and financial institutions such as the Brethonwood Institution, International Monetary Fund, the World Bank, and the United Nations have all in recognition of the potentials of SMEs, embarked on deliberate developmental policies aimed at creating a productive base for world economies (Englama, 1997).

The educational qualification of an entrepreneur who engages in the small and medium scale enterprises is very paramount for the success of the enterprise. This is because, if the small and medium scale enterprises are owned and handled by the educated individuals, the resultant effect will be business boom and success of the small and medium businesses (Anyanwu, 2004). According to Adeosun (2006), many businesses in Nigeria, especially the small and medium scale enterprises do not thrive because their owners are not well educated and in some cases, are total illiterates who are not well disposed to possess the required educational ability and skills to handle successful business enterprises such as the small and medium scale enterprises.

As Onyema (2007), observes that, the academic qualification or educational level of an individual businessman is important for success in the business world. According to Onyema, in Nigeria, where unemployment is high, individual citizens, especially the school leavers/graduates of the Nigerian tertiary institutions ought to engage themselves in the small and medium scale enterprises so as to avoid hoping against hope in looking for the jobs that are non-available. As emphasized by Harper (1995), with the large increase in world population (especially Nigerian and many developing countries)

“governments can certainly not afford to employ many more. Also the large scale industry has dramatically failed to absorb more than a tiny fraction of the multitudes who need jobs. In many countries, small enterprises are possibly the hope of employment creation, and it is hardly surprising that policy-makers in developing nations and almost everywhere else have so eagerly strived to promote and encourage them”. The availability of efficient infrastructural services is a key requirement for the take-off of private investment (CBN, 2000).

Reflecting countries experiences in the performance of small and medium scale enterprises, SMEs employ more than 50 percent of the industrial workforce in Columbia, India, Indonesia, Kenya, Philippines, Tanzania and Zambia. They are the real job creators in the European Union (EU) accounting for 99.9 percent of 11.6 million enterprises (excluding enterprises in agriculture, fishing and other sectors, 72 per cent employment of the 80.7 million persons employed by all enterprises, and generate 69.7% percent of turn-over in EU (Deloittee, Touche and Tohmatsu, 1995). SMEs were equally responsible for more than 50 per cent of total employment in Canada (Government of Ontario, 1995).

Studies have shown that, SMEs have in many countries, provided the mechanism for stimulating indigenous entrepreneurship, enhancing greater employment opportunities per unit of capital invested and aiding the development of local technology (Sule, 1986; World Bank, 1995). They help to mobilize savings for investment and promote the use of local raw materials. Through their dispersal nation-wide, they contribute to more equitable income distribution among individuals and regions, as well as mitigate rural-urban migration.

In view of these advantages, greater attention has been given to the promotion of SMEs globally as tool for poverty alleviation and economic development. Even in the most buoyant economies, such as the United State of America, small scale enterprises have played an important role in her transition from the industrial age of the postindustrial

information technology era. Also, in other countries like Japan and South Korea, the use of sophisticated technology has reduced to the minimum efficient scale of production in industries known for product innovation, such as the electronics and computer industries (Olorunshola, 2000).

In the same vein, the Nigeria budget for 2003 was designed among other things to reduce poverty. According to Sanusi (2003), it is “to pursue macroeconomic policies and sector growth strategy that will achieve fiscal stability, improve non-oil sector competitiveness, lower levels of inflation, fix stable and competitive exchange rate in order to engender growth and reduce poverty through increased employment”. Specifically, attention has been directed at the development of small and medium scale enterprises with the aim of turning them into engines of growth for the various economies.

Various problems confront its growth and hence, the objective of its establishment and management as engine of growth. These include among others, lack of information; lack of management and technical skills; poor ethical values, lack of transparency; lack of proper policy formulation and implementation; and above all, lack of quality education on the side of the small and medium scale entrepreneurs in Nigeria.

Many entrepreneurs in Nigeria have failed in their businesses due to lack of proper education which gives one the ability to manage and coordinate vital issues that could lead to success in any undertaken by an individual businessman or woman. Majority of the business men and women have failed in their small business ventures due to lack of education which has made them to exhibit poor management and expansion of their business enterprises. Above all, the small and medium scale industries failed to achieve the desired economic growth due to poor managerial skills of the entrepreneurs and their lack of education.

In Nigeria, as in most countries of the world both developed and developing, small and medium scale enterprises are faced with a number of problems which seem

insurmountable. Often the nature has been that the only problem which SMEs face is that of inadequate acquisition of educational qualification and that all other problems are sub-summed under it (Agundu, 2003). In as much as it is acknowledged that the problem of inadequate acquisition of needed educational qualification by the entrepreneur is a major impediment to the development of small industries, most especially in the developing countries like Nigeria, other problems such as poor transportation, inadequate and inefficient infrastructural facilities and lack of sufficient funds, are also predominant. Bureaucratic and inefficiency in the administration of incentives discourage rather than promote SME growth. Multiplicity of regulatory agencies and taxes has always resulted in high cost of doing business and poor management practices and low entrepreneurial skill arising from inadequate educational and technical background of many SMEs promoter. Weak demand for products, arising from low and dwindling consumer purchasing power and lack of patronage for locally produced goods by those in authority. All these problems should be recognized as inhibiting the development of SMEs (Ausbeth, 2004).

The problem of inadequate and inefficient infrastructural facilities has been a major handicap to the meaningful development of SMEs in Nigeria. These problems include lack of regular power supply especially in the rural areas. Lack of access to good roads, and housing militate against efficient production and distribution of goods and services (Agabi, 2006). The problem of inadequate infrastructural facilities particularly in the rural areas has frustrated the promotion of SMEs in such manner as to providing a lasting solution to the current problem of spatial imbalance in the distribution of industries between the rural and urban areas, and to check the perennial rural-urban drift which increases social tension in urban cities in Nigeria.

Additionally, there is weak demand for products and service of SMEs arising from low and dwindling consumer purchasing power. They are faced with undue competition from already well established firms in the industry where they belong or choose to enter

(Funtula, 2005). All strong economies in the world today have a very dynamic small and medium scale industrial sector. This sector has been the backbone in the transformation of young and developing economies into very complex and advanced economies, which are characterized by very high productivity and high per capita income. A large number of today's big business and even multi-nationals started as family business in the small and medium scale industrial sector. Through growth and expansion, their businesses developed in managerial and professional expertise to become medium or large scale ventures, (Nwankwo, 1981).

The benefits of SMEs are well documented in the literature and would be summarized here to put into proper perspective the issues involved. They provide an effective means of stimulating indigenous entrepreneurship, create greater employment opportunities per unit of capital invested and aid the development of local technology. Through their wide dispersal, they provide an effective means of mitigating rural-urban migration and resources utilization. According to Adeleke (2000), by producing intermediate products for use in large scale enterprises, they contribute to the strengthening of industrial inter linkages. Small enterprises are known to adapt with greater ease under difficult and changing circumstances because their typically low capital intensity allow products 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 (Ndu, 1998).

SMEs also serve as veritable means of mobilization and utilization of domestic savings as well as increased efficiency through cost-reduction and greater flexibility. To ensure actualization of their benefits, programmes of assistance in the area of education, finance, extension, advisory services, training and provision of infrastructural facilities were designed by the government for the development of SMEs. Too many challenges face the small and medium enterprises in Lagos State. Among the problems are the issues of lack of education among the entrepreneurs who manage these small and

medium scale businesses in the state. It is very disheartening to note that majority of the entrepreneurs who run their businesses locally, do not have the requisite educational qualification that will enable them to manage their enterprises effectively. Little wonder the collapse of many small and medium scale business enterprises in Nigeria, especially in Lagos State where most of the businesses are carried out.

Lack of education among the small and medium entrepreneurs, has caused them to suffer the dearth of business information that are necessary for the growth and success of their business enterprises. Not only that, due to the receipt of half or non-education by the owners of the small and medium scale enterprises, their required managerial skills with which to pilot effectively the daily routine of the business venture is non-existent. Therefore, these entrepreneurs continue to manage their businesses on trial-and- error basis, which often times has resulted in the loss of capital, stunted growth of the businesses which by extension, has affected the Nigerian economy adversely and the collapse of the businesses, which equally, has resulted in the loss of manpower and the resultant unemployment and idleness which are the causes of restiveness, killings, kidnappings and other vices in the society these days.

The poor management of businesses by the entrepreneurs, who are basically uneducated, has brought unhealthiness in the Nigerian economic growth and development. This is because, the uneducated managers of the enterprises in Lagos State in particular, have lost focus due to their ignorance and the ability to coordinate the business ventures effectively and efficiently for the boosting of the economy in the state. Their failure to manage well, has led to loss of business opportunities to other upcoming Nigerians, especially the youths who are now skeptical and confused on the best business ventures to go into because they have seen the failure of the previous business attempts by others who were there before them.

## **1.2 STATEMENT OF THE PROBLEM**

One of the critical problems facing the economic growth in Africa Sub-Sahara and indeed, developing countries generally is the problem of harnessing the resources to achieve the desired goals through the acquisition of educational qualifications by the entrepreneurs. Other factors identified as major issues facing rapid development of the small and medium scale enterprises in Nigeria are poor managerial skills, inadequate infrastructure, internal challenges and some external forces. The central issue in the study is, does educational qualifications of entrepreneurs actually affect performance in small and medium scale enterprises?

### **1.3 PURPOSE OF THE STUDY**

The purpose of this study is to:

- (1) Establish whether educational qualifications of entrepreneurs affect the performance of small and medium scale enterprises.
- (2) Examine whether the performance of small and medium scale businesses is based on the managerial skills of the entrepreneurs.
- (3) Investigate whether the effective management of small and medium scale enterprises depends on the educational qualifications of the entrepreneurs.
- (4) Determine whether there is gender difference in the successful management of small and medium scale enterprises due to educational qualifications.

### **1.4 RESEARCH QUESTIONS**

The following research questions were raised in this study:

- (1) Will the educational qualifications of the entrepreneurs affect the performance of small and medium scale enterprises in Lagos State?
- (2) How can the managerial skills of entrepreneurs affect the success/performance of small and medium scale enterprises in Lagos State?
- (3) Does the effective management of small and medium scale enterprises depend on the educational qualifications of the entrepreneurs?

- (4) Will there be gender difference in the management of small and medium scale enterprises due to educational qualifications?

### **1.5 RESEARCH HYPOTHESES**

The following research hypotheses were formulated and tested in this study:

- (1). There will be no significant effect of educational qualifications and performance of entrepreneurs in small and medium enterprises in Lagos State.
- (2) There will be no gender difference in the management of small and medium scale enterprises due to educational qualifications of the entrepreneurs.
- (3) The effective management of small and medium scale enterprises will not significantly depend on the educational qualifications of the entrepreneurs.
- (4) There will be no significant gender difference in the successful management of small and medium scale enterprises in Lagos State.

### **1.6 SCOPE AND DELIMITATION OF THE STUDY**

This study covered the examination of the educational qualifications and performance of the small and medium scale enterprises in Lagos State, Nigeria. The small and medium enterprises involved in this study included the following:

Stonik Enterprises Ltd.

Ejike –Eme Auto Parts.

Emako Auto Enterprises.

Lordswill Nigeria Enterprises.

All the above small and medium scale enterprises are located in the Mainland Local Government Area of Lagos State, Nigeria.

### **1.7 SIGNIFICANCE OF THE STUDY**

The study may be beneficial in the following dimensions:



Adult education facilitators may benefit from the findings and recommendations of this study, because, it may afford them the opportunity to learn deeply, the effect of education on successful management of small and medium scale enterprises in Nigeria in general and Lagos State in particular.

The adult education students may be able to learn more on what connotes small and medium scale enterprises and how the level of education of an individual affects his handling or management of the enterprises.

The school authorities may be in-the-know concerning the kind of education they would give to an individual in order to equip him/her to be able to manage effectively the small and medium enterprises he/she owns.

With the findings and recommendations of the study, governments of the Federal, States and Local Governments may be able to know that establishment of small and medium scale enterprises is important to curb the issue of unemployment and over-dependence on government for employment.

The members of the society may be able to understand the importance of effective management of small and medium scale enterprises in Nigeria as an engine for effective development in the country, especially in the aspect of theeconomy.

## **1.8 DEFINITION OF TERMS**

**Small - Scale Industry:** An industry with a labour size of 11-100 workers or a total cost of not more than N50 million, including working capital but, excluding cost of land.

**Medium Scale Industry:** An industry with a labour size of between 101-300 worker's or a total cost of over N50million, but not more than N200million, including working capital, but, excluding cost of land.

**Educational Qualification:** This means the academic qualification of an individual, especially the entrepreneurs of the small and medium scale enterprises.

**Performance:** This refers to the level of activity put in by an individual either in his/her work or any other activities be it in education, organization etc.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.0 INTRODUCTION**

This chapter reviewed relevant and related-extensive literatures under the following sub-subheadings:

- 2.13 Concept of Education
- 2.14 Concept of Entrepreneurship
- 2.15 Conceptual Framework of Entrepreneur and Entrepreneurship
- 2.16 Entrepreneurship: Concepts, Theory and Perspectives
- 2.17 Concept of Performance
- 2.18 Relationships Among The Various Perspective of Performance
- 2.19 Historical Growth of Small and Medium Scale Enterprise- Nigeria/Global Scene.
- 2.20 Problems Militating Against the Development of Small and Medium Scale Enterprises in Nigeria.
- 2.21 Benefits of Small and Medium Scale Enterprises in Nigeria.
- 2.22 Factors Affecting the Growth of Small Firms in Nigeria.
- 2.23 Small and Medium Scale Enterprises (SMEs) as a Panacea for Poverty Alleviation in Nigeria.
- 2.24 Summary

## 2.1 CONCEPT OF EDUCATION

Different people see education in different ways, it involves all the human experiences which lead to the acquisition of knowledge. This has brought about individual, especially researchers and scholars, conceptualizing education in various dimensions based on their individual disciplines. Most times, different scholars have given the definitions of education depending on time and context. Below are some critical and meaningful definitions of education: The latin word “educare” etymologically, means “to lead out” “to direct; another version of it, is “educare” which connotes “to bring up” “to draw from” by implication, education in a broad sense, means the skillful process of bringing out the innate potentialities or development of human endowments or development of human endowments. As Anyakosu (2000) puts it, education covers the three domains of cognitive, affective and psychomotor. For him, one can be educated through knowledge, feeling and doing. These three basic aspects of acquisition of learning cannot be over-looked when an individual is being educated.

In another development, Akinpelu (1981;30) states that the process of education is that of “turning the eye of the soul from darkness to light”. This implies that, when an individual receives education, he/she is drawn up from the well of darkness and ignorance into the limelight of knowledge, understanding and wisdom. Akinpelu further gained that, the process of educating an individual is not putting knowledge in a person’s soul as one puts water into an empty pot, but rather, it aiding not to discover knowledge through his/her own reasoning processes. Ross (1966) in Isichei and Olu Fowobi (2005) view education to include “whatever we do for ourselves and whatever is done for us by others, for the express purpose of bringing us some what nearer to the perfection of our nature. What ever helps to shape the human being, to make the individual what he is not (be it human or material) is part of his education includes self-help and

experiences one gains from other which include what individuals learn from their teachers in the classrooms, from parents at home or from the significant others in the society. It also includes the knowledge one acquires through exploration etc.

To Frankena (1992) on Isichei and Olu Fowolabi (2005) education takes place when teachers attempt to foster in the human learner, the worthwhile knowledge, skills, competence, attitudes, beliefs, values etc. through moral and acceptable methods. Ademola (2000), metaphorically states that, education is the transmission of life by the living to the living. This connotes that, education means life. Anyone who does not have education, though he exists, he is a living dead. So it means that, for one to live in any society, one has to acquire education, at least the basic education of knowing how to read and write. It also means that those who transmit education, ought to be educated themselves, since it takes the living to transmit life. According to Fanikayode (2010:341), education connotes the permanent change in an individual's character, speech, cultural dispositions, language and the general ways of doing things in the society. This means that an educated man or woman is that individual that is well cultured and well disposed to norms and mores that are inherent in a normal and decent community. Culture depicts good character and behaviours apart from knowing how to read and write.

### **2.1.1 AIMS OF EDUCATION**

Education is of essence, when we talk about human development and modernity in human community anywhere. Therefore, education is important in several ways such as:

- Education aims of developing the entire human or personality of the child's. It helps the child to be able to perform certain skills he/she could not perform without education. It equally enhances limited ability in the child, thereby producing certain kinds of performance in the child.

- Through education, a child acquires knowledge whether ordinary or scientific. Therefore an educated person is one who has gained some useful knowledge. This acquired knowledge must have positive quality which is based on society reforms and values to earn the pride of education. The knowledge must be positive and beneficial to the knower and the society. But suffice it to say that, a knowledgeable person may not be educated if his knowledge is valueless to him and to the society where he lives.
- To be cultured is to be educated. It is a truism to affirm that culture is related to education, because education is the transmission of culture. Culture means the attribute a particular person possesses, which others lack. It includes speech, beliefs, knowledge, customs, technology, ideas, art etc. it is the content of education, because, it is what is transmitted during the process of educating an individual either formally or informally.
- Literacy is another benefit or aim of education. One acquires the ability of reading and writing through education. It helps one to acquire new skills for academic purpose and for daily living individual is said to have acquired education if he/she can read what others have written or interpret what others have spoken effectively.
- Education is an avenue of acquiring certification which is not limited to formal system of education alone. When one completes a period of education through a learning task, it can be marked by certification. Certification can also be earned through completion of tasks in trade, or skills through apprenticeship. It is true to say that one who has received certificate from the formal school has completed the task of training in a particular field of learning. Although, acquisition of certification through completion of a task does not necessarily means that one is educated.

An educated one has to exhibit some forms of good behaviours that conforms to the societal norms and values. The behaviour of one who has acquired education should not be a derivation from the societies accepted ways of behaving, rather, it should

complement the decent ways and manners of the society. So education makes a complete man.

## **2.2 CONCEPT OF ENTREPRENEURSHIP**

In recent years, the promotion of entrepreneurship as a possible source of job creation, empowerment and economic dynamism in a rapidly globalizing world has attracted increasing policy and scholarly attention. However, despite this attention, there has been no systematic attempt to look at it from the face of global challenges. The tendency has been either to include the youth into the general adult population or to ignore their efforts to forge a livelihood through enterprise activities. This has resulted in the lack of an adequate understanding of the potential benefits of entrepreneurship as a means of improving livelihoods. 'Entrepreneurship' is a confusing generic term that subsumes many issues. It has, therefore, been defined in very many ways by Rabboir (1995) and quoted in Schnurr (1997) who listed twenty definitions of 'entrepreneurship' from various authorities on the subject.

The needs for financing small and medium-sized enterprises are various, based on the amount of capital and the nature of such businesses. Although with adequate capital to finance any types of business, many factors still needs to be considered such as: nature of the business, location of the business concerned, labor intensiveness involved in the business, usefulness of the products and services, market forces which reckon with the forces of demand and supply, tastes of the customers, and other competitors in the same line of trade, the encouragement of entrepreneurship; the greater possibility that small and medium-sized enterprises will utilize labor intensive technologies and thus have an immediate impact on employment generation in such that they can usually be established rapidly and put into operation to produce quick returns. According to

Thompson (2000), small and medium-sized enterprises development can encourage the process of both inter- and intra-regional decentralization; and may well become a countervailing force against the economic power of larger enterprises. More generally, the development of SMEs is seen as accelerating the achievement of wider economic and socio-economic objectives, including poverty alleviation and increasing the standard of living (Ogunleye, 2003).

The role of financing any type of entrepreneur business in Nigeria would depend on either possession of adequate funds, or, having access to financial institution to source for funds. The concept of financing a business started with the establishment of such business entity like small and medium scale enterprises. Access to the latter options is rather difficult for those who would like to engage themselves in small and medium scale enterprise and those who would like to engage themselves in small and medium scale enterprises. As Orlando (1998) puts it, in many business environments, financing of SME sector is one of the principal driving forces for economic growth and job creation. And this holds particularly true for many countries in Africa where SMEs and the informal sector represent over 90% of businesses, contribute to over 50% of GDP, and account for about 63% of employment in low income countries like Nigeria.

Despite these opportunities, financing SMEs in Nigeria face many obstacles including corrupt, governance structures, unfavorable macro-economic environment, debilitating physical infrastructure and administrative challenges. 'Entrepreneurship' is a confusing generic term that subsumes many issues. He concludes those efforts to reach a consensus on the subject have not been successful and various analysts are changing their definitions as work, study and experience in the field evolve. Given the elusive definition of entrepreneurship, it is increasingly recognised that what is of great consequence is not what 'entrepreneurship' is or who 'entrepreneurs' are, but rather what they do or the ways in which different types of people, at different stages in the

lives of their enterprises will respond to assistance of various types.

Inadequate access to financing continues to be one of the most significant impediments to creation, survival, and growth of entrepreneurship business in Nigeria states. Further owing to their high risk profile, SMEs in Nigeria largely remain an unattractive investment for mainstream investors. Of particular concern to investors are the country, currency, and credit risks, characteristic of many African countries in which SMEs operate. However, recent years have seen an upsurge of interest in this sector from various types of investors, namely, development finance institutions and philanthropic investors that envision a double value in their investments in SMEs – they are spurring sustainable economic development, while at the same time, earning reasonable financial returns Ade (2003). He concludes those efforts to reach a consensus on the subject have not been successful and various analysts are changing their definitions as work, study and experience in the field evolve. Given the elusive definition of entrepreneurship, it is increasingly recognised that what is of great consequence is not what 'entrepreneurship' is or who 'entrepreneurs' are, but rather what they do or the ways in which different types of people, at different stages in the lives of their enterprises will respond to assistance of various types (Schnurr, 1997; Harper, 1996).

### **2.3 CONCEPTUAL FRAMEWORK OF ENTREPRENEUR AND ENTREPRENEURSHIP**

Iheonunekwu (2003) defined the entrepreneur as one who is the originator of profitable business ideas, while entrepreneurship involves the ability to gain command at and combine resources in a new way which will be profitable. Entrepreneurship therefore implies the ability to be prepared to risk personal energy and financial resources to achieve unpredictable results. According to Weihrich, Cannice and Koontz (2008), the concept of entrepreneurship implies dissatisfaction with the present state of things and an awareness of the need to do things differently. They added that an entrepreneur is a person who focuses on innovation and creativity and who transforms a dream or an idea



into a profitable venture by operating outside an organizational setting. Such a person, they believed, has the ability to see an opportunity, obtain the necessary capital, labour and other inputs, and then put together an operation successfully while at the same time, having a mindset of willingness to take personal risk of success or failure.

A typical entrepreneur is a risk taker, a man who braves uncertainty, strikes out on his own, and through native wit, devotion to duty and singleness of mind and purpose, somehow creates a business and industrial activity where none existed before (Oniorode & Ajokporise, 2006). From this definition, entrepreneurship thus occurs when an individual develops a new venture, a new approach to an old business or idea or a unique way of giving the market place a product (or service) by using resources under conditions of risk (Inyamako, 2000). Similarly, Aladekomo (2003), perceived the entrepreneur as an innovator, a motivator, a catalyst, a risk taker, a goal-getter and the one who makes things happen. He added that the entrepreneur is quick to identify a goal, quick to mobilize resources to fill the gap and reap his gain; in other words, he is a job creator and not a job seeker.

All these definitions imply that the entrepreneur must be full of some characteristics which must include: ambition, creativity, inquisitiveness, smartness and activity. However, having deliberated on whether an entrepreneur is born or made, Aladekomo (2003), arrived at the conclusion that individuals can gain a lot from entrepreneurial training and development with or without entrepreneurial traits especially through education and learning.

## **2.4 ENTREPRENEURSHIP: CONCEPTS, THEORY AND PERSPECTIVE.**

The creation of a country's wealth and dynamism depends upon the competitiveness of its firms and this, in turn, relies fundamentally on the capabilities of its entrepreneurs and managers. The essence of the modern firm lies in the specialization of functions. "The businessmen" that manage economic activity are, in the strictest sense, both

managers and entrepreneurs, the latter in a double sense: the individual businessman (independent) and the “corporate entrepreneur” who, without participating significantly in terms of capital, controls the firm.

Studying offers of business capabilities requires the differentiation between the functions of entrepreneur, manager and capitalist, although in many cases, the same person may perform all the tasks. The individual entrepreneur detects or creates business opportunities that he or she then exploits through small and medium-sized firms, normally participating in funding the capital for that firm, carries out the role of arbitrator or simply “sells the idea” of the business project. The “corporate entrepreneur” or the chief executive of large firms must also be considered. This figure is no longer limited to efficiently managing the firm’s assets and coordinating and controlling its activities; in the current climate, he or she must anticipate, articulate and manage change. In other words, they must reinvent the firm on a daily basis, creating new enterprise (spin-offs) and develop company networks. When discussing the figure of the corporate businessman, one must also consider the key shareholders that take an active part in the firm, along with managers that share in making up the firm’s basic competences.

**2.4.1 ENTREPRENEURSHIP:** The entrepreneurial function implies the discovery, assessment and exploitation of opportunities, in other words, new products, services or production processes; new strategies and organizational forms and new markets for products and inputs that did not previously exist (Shane and Venkataraman, 2000). The entrepreneurial opportunity is an unexpected and as yet unvalued economic opportunity. Entrepreneurial opportunities exist because different agents have differing ideas on the relative value of resources or when resources are turned from inputs into outputs. The theory of the entrepreneur focuses on the heterogeneity of beliefs about the value of resources (Alvarez and Busenitz, 2001: 756).

Entrepreneurship—the entrepreneurial function- can be conceptualized as the discovery of opportunities and the subsequent creation of the economic activity, often via the creation of a new organization (Reynolds, 2005). Due to the fact that there is no market for “opportunities”, the entrepreneur must exploit them, meaning that he or she must develop his or her capabilities to obtain resources, as well as organize and exploit opportunities. The downside to the market of “ideas” or “opportunities” lies in the difficulty involved in protecting ownership rights of ideas that are not associated with patents or copyrights of the different expectations held by entrepreneurs and investors on the economic value of ideas and business opportunities, and of the entrepreneur’s need to withhold information that may affect the value of the project.

Entrepreneurship is often discussed under the title of the entrepreneurial factor, the entrepreneurial function, entrepreneurial initiative, and entrepreneurial behaviour and is even referred to as the entrepreneurial “spirit”. The entrepreneurial factor is understood to be a new factor in production that is different to the classic ideas of earth, work and capital, which must be explained via remuneration through income for the entrepreneur along with the shortage of people with entrepreneurial capabilities. Its consideration as an entrepreneurial function refers to the discovery and exploitation of opportunities or to the creation of enterprise. Entrepreneurial behaviour is seen as behaviour that manages to combine innovation, risk-taking and proactiveness (Miller, 2003). In other words, it combines the classic theories of Schumpeter’s innovative entrepreneur (1999, 2009), the risk-taking entrepreneur that occupies a position of uncertainty as proposed by Knight (1999), and the entrepreneur with initiative and imagination who creates new opportunities. Reference to entrepreneurial initiative underlines the reasons for correctly anticipating market imperfections or the capacity to innovate in order to create a “new combination”. Entrepreneurial initiative covers the concepts of creation, risk-taking, renewal or innovation inside or outside an existing organization. Lastly, the entrepreneurial spirit emphasizes exploration, search and

innovation, as opposed to the exploitation of business opportunities pertaining to managers.

All this explains why entrepreneurship is described in different ways. The business process includes the identification and assessment of opportunities, the decision to exploit them oneself or sell them, efforts to obtain resources and the development of the strategy and organization of the new business project (Eckhardt and Shane, 2003). Entrepreneurship is “processes by which individuals either on their own or within organizations— pursue opportunities” (Stevenson and Jarillo, 1990: 23). It has recently been claimed that if the managers and businessmen of many of our firms were to adopt entrepreneurial behaviour when developing their strategies, firms would be facing a much brighter future than current perceptions suggest (Lee and Peterson, 2000).

The entrepreneur’s central activity is that of business creation, which can be studied at an individual or group level —analyzing psychological aspects and social variables of education, background or the family- either at an environmental level using variables that enable business development, or by analyzing aspects of the economic, social and cultural environments. The study of entrepreneurs as individuals analyzes the variables that explain their appearance, such as personal characteristics, the psychological profile (the need for achievement, the capacity to control, tolerance of ambiguity and a tendency to take risks) or non-psychological variables (education, experience, networks, the family, etc.).

Equally, socio-cultural and institutional focuses underline the role of exclusion and social change as motivators of the entrepreneurial function in minority or marginalized groups. Studies on environmental variables emphasize culture or shared values in society, institutions linked to the legal framework, variables of the economic environment (demand) and the financial one (venture capital and cost), along with the spatial environment (clusters and economies of agglomeration). Therefore, there are three

basic ideas that explain the appearance of entrepreneurial activity. The first focuses on the individual, in other words, entrepreneurial action is conceived as a human attribute, such as the willingness to face uncertainty (Kihstrom and Laffont, 2009), accepting risks, the need for achievement (McClelland, 1961), which differentiate entrepreneurs from the rest of society. The second fundamental idea emphasizes economic, environmental factors that motivate and enable entrepreneurial activity, such as the dimension of markets, the dynamic of technological changes (Tushman and Anderson, 2006), the structure of the market normative and demographic- (Acs and Audretsch, 2000) or merely the industrial dynamic. The third factor is linked to the functioning of institutions, culture and societal values. These approaches are not exclusive (Eckhardt and Shane, 2003), given that entrepreneurial activity is also a human activity and does not spontaneously occur solely due to the economic environment or technological, normative or demographic changes.

When referring to entrepreneurs, there is normally a differentiation between individual entrepreneurs or businessmen (independent) and corporate entrepreneurs or businessmen associated with the higher echelons of a firm's management. Different names have been used to describe the latter such as "corporate Entrepreneurship", "corporate venturing", "intrepreneurship", "internal corporate entrepreneurship" and "strategic renewal". According to Moles (2001) entrepreneurial management can be considered as being different to traditional ways of managing organizations. Many managers are looking to new ways of making their organizations more entrepreneurial in many aspects, from a general strategic orientation to reward schemes (Brown, Davidson and Wiklund, 2001). Barringer and Bluedorn (1999) emphasized a positive relationship between the intensity of corporate entrepreneurship and the intensity of the search for opportunities, strategic adaptation and value creation. As pointed out by Hitt et al. (2001: 488) "firms need to be simultaneously entrepreneurial and strategic".

Entrepreneurship is an essential element for economic progress as it manifests its fundamental importance in different ways: a) by identifying, assessing and exploiting business opportunities; b) by creating new firms and renewing existing ones by making them more dynamic; and c) by driving the economy forward through innovation, competence, job creation- and by generally improving the wellbeing of society. Entrepreneurship affects all organizations regardless of size, or age, whether they are considered a private or public body, and independently of their objectives. Its importance for the economy is reflected in its visible growth as a subject of interest for the economic press and in academic literature. For this reason, it is a matter of interest to academics, businessmen and governments the world over.

The study of entrepreneurship leads us to attempt to answer a series of questions such as: What happens when entrepreneurs act? Why do they act? and How do they act? (Stevenson and Jarillo, 1990). Why, when and how do opportunities for the creation of goods and services come into existence? Why, when and how do some people and not others discover and exploit these opportunities? And finally, why, when and how are different modes of action used to exploit entrepreneurial opportunities? (Shane and Venkataraman, 2000). There is a limited knowledge of the opinion of entrepreneurs, business opportunities, the people that pursue them, the skills used for organizing and exploiting opportunities and the most favourable environmental conditions for these activities. Moreover, studies are carried out at different levels; individual, firm, sector and geographical space. There is no basic theory for carrying out this type of study, resulting in approximations based on casuistry, anecdotes or fragmented reasoning (Eckhardt and Shane, 2003). The black box of entrepreneurial function is yet to be opened (Fiet, 2001).

The problems involved in a study of “entrepreneurship” are linked to the need to delimit the field of study and rely on a conceptual structure that enables the explanation and

prediction of empirical phenomena that are not explained by other fields of knowledge; it is necessary to generate a paradigm, to develop a set of testable hypotheses, to overcome the existing casuistry and description and look further into longitudinal and cross-sectional analysis. Fiet (2001) is of the opinion that a considerable body of literature has accumulated on the subject of entrepreneurship to the point where, just as has happened in other fields, a sizeable number of entrepreneurship-related studies have been published in journals in the areas of administration and management, while other journals that specifically specialize in topics related entrepreneurship have appeared. The role of the entrepreneur has been analyzed in special issues in journals such as: Strategic Management Journal, Journal of Management (Audretsch et al, 2005), and Academy of Management Journal and Journal of International Marketing (Coviello and Jones, 2004). Almost a hundred journals can be adjudged to have published work related to entrepreneurship (Entrepreneurship Division of the Academy of Management, in research carried out in the summer of 2006).

The differentiation of the field of entrepreneurship from other areas depends upon the object of the research, the methodologies and the problems researchers are attempting to resolve (Bruyat and Julien, 2000). Busenitz et al., (2003: 286) underline the importance of recognizing “entrepreneurship as a field of study within management”, a field of knowledge that upholds the development of entrepreneurship. It is on these fundamental ideas that we base our reflections. The study and teaching of entrepreneurship and the role played by professors dedicated to teaching and research on this topic are of growing importance, as reflected by the boom in courses and chairships in entrepreneurship in the United States in the last few years (Finkle, Kuratko and Goldsby, 2006). The University of Valencia has joined this trend through the creation of the first chairship of this kind in Spanish universities: the Bancaja Chair for Young Entrepreneurs, dedicated to the study, research and development of aspects related to entrepreneurship.

#### **2.4.2 THE BASIC CONCEPTS & CHARACTERISTICS OF ENTREPRENEURSHIP.**

Entrepreneurship is the act of setting out on your own and starting a business instead of working for someone else in his business. While entrepreneurs must deal with a larger number of obstacles and fears than hourly or salaried employees, the payoff may be far greater as well.

**2.4.3 INTEREST AND VISION:** The first factor for entrepreneurial success is interest. Since entrepreneurship pays off according to performance rather than time spent on a particular effort, an entrepreneur must work in an area that interests her. Otherwise, she will not be able to maintain a high level of work ethic, and she will most likely fail. This interest must also translate into a vision for the company's growth. Even if the day-to-day activities of a business are interesting to an entrepreneur, this is not enough for success unless she can turn this interest into a vision of growth and expansion. This vision must be strong enough that she can communicate it to investors and employees (Frays, 2000).

**2.4.4 Skill:** All of the interest and vision cannot make up for a total lack of applicable skill. As the head of a company, whether he has employees or not, an entrepreneur must be able to wear many hats and do so effectively. For instance, if he wants to start a business that creates mobile games, he should have specialized knowledge in mobile technology, the gaming industry, game design, mobile app marketing or programming (Hurdles, 2004).

**2.4.5 Investment:** An entrepreneur must invest in her company. This investment may be something less tangible, such as the time she spends or the skills or reputation she brings with her, but it also tends to involve a significant investment of assets with a clear value, whether they be cash, real estate or intellectual property. An entrepreneur who will not or cannot invest in her company cannot expect others to do so and cannot



expect it to succeed (Mondes, 2003).

**2.4.6 Organization and Delegation :** While many new businesses start as a one-man show, successful entrepreneurship is characterized by quick and stable growth. This means hiring other people to do specialized jobs. For this reason, entrepreneurship requires extensive organization and delegation of tasks. It is important for entrepreneurs to pay close attention to everything that goes on in their companies, but if they want their companies to succeed, they must learn to hire the right people for the right jobs and let them do their jobs with minimal interference from management (1999).

**2.4.7 Risk and Rewards:** Entrepreneurship requires risk. The measurement of this risk equates to the amount of time and money you invest into your business. However, this risk also tends to relate directly to the rewards involved. An entrepreneur who invests in a franchise pays for someone else's business plan and receives a respectable income, while an entrepreneur who undertakes groundbreaking innovations risks everything on an assumption that something revolutionary will work in the market. If such a revolutionary is wrong, she can lose everything. However, if she is right, she can suddenly become extremely wealthy (Allports, 2002).

## **2.5 CONCEPT OF PERFORMANCE**

Despite the great relevance of individual performance and the widespread use of job performance as an outcome measure in empirical research, relatively little effort has been spent on clarifying the performance concept. Still, in 1990, Campbell described the literature on the structure and content of performance "a virtual desert" (p.'704). However, during the past 10 to 15 years, one can witness an increasing interest in developing a definition of performance and specifying the performance concept.

Authors agree that when conceptualizing performance one has to differentiate between

an action (i.e., behavioral) aspect and an outcome aspect of performance (Campbell, 1990; Campbell, McCloy, Oppler, & Sager, 1993; Kanfer, 1990; Roe, 1999). The behavioral aspect refers to what an individual does in the work situation. It encompasses behaviors such as assembling parts of a car engine, selling personal computers, teaching basic reading skills to elementary school children, or performing heart surgery. Not every behavior is subsumed under the performance concept, but only behavior which is relevant for the organizational goals: "Performance is what the organization hires one to do, and do well" (Campbell et al., 1993, p. 40). Thus, performance is not defined by the action itself but by judgmental and evaluative processes (cf. Ilgen & Schneider, 1991; Motowidlo, Borman, & Schmit, 1997). Moreover, only actions which can be scaled, i.e., measured, are considered to constitute performance (Campbell et al., 1993).

The outcome aspect refers to the consequence or result of the individual's behavior. The above described behaviors may result in outcomes such as numbers of engines assembled, pupils' reading proficiency, sales figures, or number of successful heart operations. In many situations, the behavioral and outcome aspects are related empirically, but they do not overlap completely. Outcome aspects of performance depend also on factors other than the individual's behavior. For example, imagine a teacher who delivers a perfect reading lesson (behavioral aspect of performance), but one or two of his pupils nevertheless do not improve their reading skills because of their intellectual deficits (outcome aspect of performance). Or imagine a sales employee in the telecommunication business who shows only mediocre performance in the direct interaction with potential clients (behavioral aspect of performance), but nevertheless achieves high sales figure for mobile phones (outcome aspect of performance) because of a general high demand for mobile phone equipment.

In practice, it might be difficult to describe the action aspect of performance without any reference to the outcome aspect. Because not any action but only actions relevant

for organizational goals constitute performance, one needs criteria for evaluating the degree to which an individual's performance meets the organizational goals. It is difficult to imagine how to conceptualize such criteria without simultaneously considering the outcome aspect of performance at the same time. Thus, the emphasis on performance being an action does not really solve all the problems. Moreover, despite the general agreement that the behavioral and the outcome aspect of performance have to be differentiated, authors do not completely agree about which of these two aspects should be labelled 'performance'. In the remainder of this chapter we follow the suggestion of Campbell et al (1993) and refer to the behavioral aspect when we speak about performance.

### **2.5.1 Performance as a Multi-Dimensional Concept**

Performance is a multi-dimensional concept. On the most basic level, Borman and Motowidlo (1993) distinguish between task and contextual performance. Task performance refers to an individual's proficiency with which he or she performs activities which contribute to the organization's 'technical core'. This contribution can be both direct (e.g., in the case of production workers), or indirect (e.g., in the case of managers or staff personnel). Contextual performance refers to activities which do not contribute to the technical core but which support the organizational, social, and psychological environment in which organizational goals are pursued. Contextual performance includes not only behaviors such as helping coworkers or being a reliable member of the organization, but also making suggestions about how to improve work procedures.

Three basic assumptions are associated with the differentiation between task and contextual performance (Borman & Motowidlo, 1997; Motowidlo & Schmit, 1999): (1) Activities relevant for task performance vary between jobs whereas contextual performance activities are relatively similar across jobs; (2) task performance is related

to ability, whereas contextual performance is related to personality and motivation; (3) task performance is more prescribed and constitutes in-role behavior, whereas contextual performance is more discretionary and extra-role.

**2.5.2 Task Performance:** Task performance in itself is multi-dimensional. For example, among the eight performance components proposed by Campbell (1990), there are five factors which refer to task performance (cf. Campbell, Gasser, & Oswald, 1996; Motowidlo & Schmit, 1999): (1) job-specific task proficiency, (2) non-job-specific task proficiency, (3) written and oral communication proficiency, (4) supervision—in the case of a supervisory or leadership position and partly (5) management administration. Each of these factors comprises a number of sub-factors which may vary between different jobs. For example, the management/administration factor comprises sub-dimensions such as (1) planning and organizing, (2) guiding, directing, and motivating subordinates and providing feedback, (3) training, coaching, and developing subordinates, (4) communication effectively and keeping others informed (Borman & Brush, 1993). In recent years, researchers paid attention to specific aspects of task performance. For example, innovation and customer-oriented behavior become increasingly important as organizations put greater emphasis on customer service (Anderson & King, 1993; Bowen & Waldman, 1999).

**2.5.3 Contextual Performance:** Researchers have developed a number of contextual performance concepts. On a very general level, one can differentiate between two types of contextual performance: behaviors which aim primarily at the smooth functioning of the organization as it is at the present moment, and proactive behaviors which aim at changing and improving work procedures and organizational processes. The ‘stabilizing’ contextual performance behaviors include organizational citizenship behavior with its five components altruism, conscientiousness, civic virtue, courtesy, and sportsmanship (Organ, 2008), some aspects of organizational spontaneity (e.g., helping coworkers,

protecting the organization, George & Brief, 1992) and of prosocial organizational behavior (Brief & Motowidlo, 1986). The more pro-active behaviors include personal initiative (Frese, Fay, Hilburger, Leng, & Tag, 1997; Frese, Garst, & Fay, 2000; Frese, Kring, Soose, & Zempel, 1996), voice (Van Dyne & LePine, 1998), taking charge (Morrison & Phelps, 1999). Thus, contextual performance is not a single set of uniform behaviors, but is in itself a multidimensional concept (Van Dyne & LePine, 1998).

#### **2.5.4 Performance as a Dynamic Concept**

Individual performance is not stable over time. Variability in an individual's performance over time reflects (1) learning processes and other long-term changes and (2) temporary changes in performance.

Individual performance changes as a result of learning. Studies showed that performance initially increases with increasing time spent in a specific job and later reaches a plateau (Avolio, Waldman, & McDaniel, 1990; McDaniel, Schmidt, & Hunter, 1988; Quinones, Ford, & Teachout, 1995). Moreover, the processes underlying performance change over time. During early phases of skill acquisition, performance relies largely on 'controlled processing', the availability of declarative knowledge and the optimal allocation of limited attentional resources, whereas later in the skill acquisition process, performance largely relies on automatic processing, procedural knowledge, and psychomotor abilities (Ackerman, 2008; Kanfer & Ackerman, 2009).

To identify the processes underlying changes of job performance, Murphy (2009) differentiated between a transition and a maintenance stage. The transition stage occurs when individuals are new in a job and when the tasks are novel. The maintenance stage occurs when the knowledge and skills needed to perform the job are learned and when task accomplishment becomes automatic. For performing during the transition phase, cognitive ability is highly relevant. During the maintenance stage, cognitive ability

becomes less important and dispositional factors (motivation, interests, values) increase in relevance.

Performance changes over time are not invariable across individuals. There is increasing empirical evidence that individuals differ with respect to patterns of intra-individual change (Hofmann, Jacobs, & Gerrass, 1992; Ployhard & Hake, 1998; Zickar & Slaughter, 1999). These findings indicate that there is no uniform pattern of performance development over time. Additionally, there is short-term variability in performance which is due to changes in an individual's psycho-physiological state, including processing capacity across time (Kalmeman, 1973). These changes may be caused by long working hours, disturbances of the circadian rhythm, or exposure to stress and may result in fatigue or in a decrease in activity. However, these states do not necessarily result in a performance decrease. Individuals are, for example, able to compensate for fatigue, be it by switching to different strategies or by increasing effort (Hockey, 1997; Van der Linden, Sonnentag, & Frese, in press; Sperandio, 1997).

**2.5.5 Perspectives of Performance:** Researchers have adopted various perspectives for studying performance. On the most general level one can differentiate between three different perspectives: (1) an individual differences perspective which searches for individual characteristics (e.g., general mental ability, personality) as sources for variation in performance, (2) a situational perspective which focuses on situational aspects as facilitators and impediments for performance, and (3) a performance regulation perspective which describes the performance process. These perspectives are not mutually exclusive but approach the performance phenomenon from different angles which complement one another. In this section, we will present these three perspectives and the core questions to be addressed by each perspective in detail.

There is a large body of research which showed that motivation is essential for performance. Motivational constructs related to performance can be partly subsumed

under the individual differences perspectives (e.g., need for achievement), partly under the situational perspectives (e.g., extrinsic rewards), and partly under the performance regulation perspective (e.g., goal setting). We will refer to some of the most relevant motivational approaches within each perspective. However, a thorough review of the motivational literature is beyond the scope of this chapter. Interested readers may refer to Ambrose and Kulik (1999) and Kanfer (1992) for overviews.

## **2.6 Relationships Among the Various Perspectives of Performance**

The three perspectives represent different approaches to the performance phenomenon and our description stresses the differences between these perspectives. However, researchers often combine two or more approaches when explaining performance. For example, there are combinations between the individual differences and the situational perspective (e.g., Barrick & Mount, 1993; Colarelli, Dean, & Konstans, 2007). In essence, the job characteristic model assumes that a combination of situational factors (i.e., job characteristics) and individual differences factors (i.e., growth need strength) is crucial for individual performance (Hackman & Oldham, 2006). Similarly, Waldman (1994) suggested a model of performance in which he integrated the individual differences perspective with the situational perspective. He assumes that both person factors (i.e., individual difference variables) and system factors (i.e., situational variables) have an effect on job performance. In addition, he assumes that system factors moderate the effects of the person factors.

Mitchell (1997) proposed a model on job performance in which he explicitly combined the individual differences and situational perspective. He postulated that both 'individual inputs' (i.e., individual difference variables) and 'job context' (i.e., situational variables) have a direct effect on motivated behavior by providing necessary skills in the case of individual inputs, and by enabling vs. limiting behavior in the case of the job context. Motivated behavior in turn affects performance. Mitchell assumes that

individual differences and job context additionally affect motivated behavior via motivational processes such as arousal, attention, direction, intensity, and persistence.

Despite these efforts, a comprehensive model which integrates all the various performance perspectives is still missing. Particularly, it is largely unclear how individual and situational variables come into play within the performance process. We suggest that it would be particularly helpful to develop a model which combines the individual differences and situational perspective with the performance regulation perspective. Such a model should specify how cognitive ability and motivational factors—probably in interaction with situational variables—translate into the performance process, i.e., how they effect the setting of goals, problem comprehension, planning and feedback processing, as well as the ‘choice’ of the appropriate hierarchical level of action regulation.

**2.6.1 Performance in a Changing World of Work:** At present, organizations and work as a whole are undergoing dramatic changes (Cooper & Jackson, 1997; Howard, 1995) which have implications for conceptualizing and understanding performance (figen & Pulakos, 1999). In this section we focus on five major trends: the importance of continuous learning, the relevance of proactively, increase in teamwork, globalization, and technology. With the description of these trends we illustrate possible and necessary avenues for future research on individual performance.

**2.6.2 Continuous Learning:** Because of technological innovations and changes in organizational structures and processes, individual work requirements are quickly changing. As a consequence, continuous learning and competence development become increasingly important. Individuals need to be willing and able to engage in continuous learning processes in order to accomplish their present and future tasks successfully. This development has implications for our theorizing on performance. Campbell (1999), Hesketh and Neal (1999) and London and Mone (1999) proposed to



incorporate learning into the performance concept. Similarly, Pulakos, Arad, Donavan, and Plamondon (2000) recently suggested 'adaptive performance' as a new performance concept in which 'learning' constitutes a major performance dimension.

This development is a profound departure from past conceptualizations in which learning was seen as a prerequisite for performance, i.e., learning mattered mostly with respect to future performance in which the newly acquired skills or knowledge were needed. Now, learning itself is seen as part of the performance concept, which should be measured and rewarded as a performance component (London & Smither, 1999). One might question whether it makes sense to include learning into the core of the performance concept. For example, one might argue that what ultimately counts for an organization is the individuals' performance and not their learning—although learning might help to perform well. This line of reasoning stresses that learning is a highly relevant predictor of performance but is not performance itself.

Nevertheless, even if we do not want to go so far as to conceptualize learning as part of performance, permanently changing work requirements and associated demands for learning have an effect on our theorizing about performance. Research on skill acquisition has shown that the predictors of performance differ across the various phases of skill acquisition (Ackerman, 1988; Murphy, 1989). When learning becomes a continuous necessity, the duration and occurrence of the traditional skill acquisition versus maintenance stage changes. Then, skill acquisition is no longer a single event which is completed before the maintenance stage starts. Rather, individuals will go back and forth between the skill acquisition and the maintenance phase. This implies that ability (i.e., general mental ability) becomes increasingly important because it is needed during the skill acquisition phase (Murphy, 1989).

## **2.7 Historical Growth of Small and Medium Scale Enterprise - Nigeria/Global Scene.**

Stevenson, (2008) entrepreneurship is "the process whereby individuals become aware of business ownership as an option or viable alternative, develop ideas for business, learn the process of becoming an entrepreneur and undertake the initiation and development of a business Drawing upon the above definition of entrepreneurship, and for the purpose of this paper, 'youth entrepreneurship' (YREs) is defined as the "practical application of enterprising qualities, such as initiative, "innovation, creativity, and risk-taking into the work environment either in self employment or employment in small start-up firms, using the appropriate skills necessary for success in that environment and culture" (Schnurr and Newing, 1997).

The application of these qualities, a process known as 'entrepreneurism' (Schnurr, 1998), leads to ventures in the social, political or business spheres. The emphasis in this paper is on self employment. We define 'self-employment' as anyone who works for himself or herself but for anyone else, except under arm's-length contracts (OECD, 2001). The OECD definition includes those who work alone - at home, from a workshop-truck or in separate businesses. The impact of the global financial crisis is so deep that job opportunities is now a challenge so the party is over and we have to live up to the new realities. We are a Country of mono-economy in that the main stay of the Nigerian Economy is crude oil and since the financial crisis the price of oil has been dropping and this is affecting the revenue potentials of the nation and of course it's expendable

There is retrenchment everywhere in the civil service, banking, manufacturing and nowhere to go abroad because they are equally retrenching massively as their citizens are protesting' against the employment of foreigners even for cheapness of labour. Developed world like Europe and America have advanced credit system upon which their economics revolve, thus a crash in the financial system is a blow to their standard of living. The challenging in financing entrepreneur businesses became apparent in 1986 when Nigeria embarked on a structural Adjustment programme (SAP). SAP resulted in

the willingness to support the large enterprises, the small firms were largely unsupported. There was a call for Nigeria to emulate the general worldwide practice whereby Government as a matter of deliberate policy, institutes schemes for providing concessionary finance to small industries in recognition of their highly disadvantage position in open market competition for finances and other resources with big companies.

The Government therefore established the National Economic Reconstruction Fund (NERFUND) in 1990. NERFUND's key role was to enable small and medium scale enterprises have access to funds from the world. Bank, African Development Bank (ADB) and other international lending agencies. It was also to facilitate access to low cost long-term finance to small and medium scale enterprises. In addition to NERFUND, there were other funding windows available to small industries such as the National Bank for Commerce and industry (NBCI) and the family economic Advancement Programme FEAP. Both were not successful primarily because being exclusively government initiatives, beneficiaries were unwilling to repay loans in the belief that it was their share of the "National Cake" There was also the problem of lending to poorly packaged projects and complete lack of entrepreneurial skills by the promoters.

The last of the past efforts at small firms funding was the sectoral lending by the banks in accordance with the CBN credit guidelines. The sectoral allocation of credit, was reasonably successful in channeling credit to small and medium scale enterprise. The critical drawback was the reluctance by banks to assume such credit risk without an appropriate Credit Guarantee Scheme. Some banks would rather pay the penalty for default or remit their returns to the CBN than comply with the guidelines. Udechukwu, (2003), the development of small Scale industries (SSIs) is an essential element in the growth strategy of most economics and holds particular significance for the cost of financing entrepreneur business in Nigeria. He maintained that SSIs not only holds

particular significantly to improved living standards, they also being about substantial local capital formation and achieve high levels of productivity and capability. He noted that a major gap in Nigeria's industrial development process in the past years has been the absence of a strong and virile small scale enterprises sub-sector (SSEs). He agreed that the little progress recorded from the courageous efforts of the first generation of indigenous industrialists were almost completely wiped out by the massive dislocations and traumatic devaluation which took place under the Structural Adjustment Programme (SAP).

Anyanwu (2003), acknowledged SSIs as the bedrock of the industrial development of nay country. He said that apart from the numerous goods produced by SSIs, they provide veritable means of large-scale employment, as they are usually labour intensive. According to him, they also provide training grounds, for entrepreneurs even as they generally rely more on the use local materials. These contributions thus explain why Governments and International Agencies mobilized efforts towards the realization of sustainable industrial growth and the creation of mass employment through the rapid growth and development of the small- scale enterprises. He however, that the SSIs have had limited assess to institutionalize credit facilities, owing to various factors, including:

- Consideration that the SSIs are very risky in view of their vulnerability in the market as well as their high mortality rate;
- Bank and other financial institutions are operationally biased in favour of lending to large corporate borrowers, where there is assurance of security, high profitability and faster rates of returns;
- Owing to their nature SSI seeking loans are usually unable or unwilling to provide accounting records and other documentation required by banks, while most are unable to provide acceptable, collateral for their loans.

He maintained that it is recognition of these constraints and in order to ensure the

realization of the potential benefits of SSIs in the economy, the Central Bank of Nigeria has remained committed to the growth and development of the small and medium scale enterprises in Nigeria. He argued that this stance has been successively reflected in the Bank's policies over the years. Olorunshola (2003), opined that the concept of SSIs is relative and dynamic. According to him, the definitions change over a period of time and depend, to a large extent, on a country's level of development. He noted that the SSIs are characterized by limited access to financial capital, simple management structure resulting from the fusion of ownership and management by one person or very few individuals. SSIs tend to strongly revolve around the owner-manager rather than as a separate corporate entity. He argued that there is often greater subjectivity in decision making, and prevalence of largely informal employer- employee relationships. As a result of their greater use of local resources, they are widely dispersed through the country. They are also closely attached to the products that launched them, many are labour-intensive although modern SSIs are increasingly employing reasonably high technology, he concluded.

Salami, (2003), the experience of many countries indicates that small scale industries (SSIs) can meaningfully contribute to the attainment of many economic development objectives. These include output expansion, employment generation, even location of industries among regions in a country, income redistribution, promotion of indigenous entrepreneurship and technology, as well as production of intermediate goods to strengthen inter and intra-industrial linkages have shown, in the promotion of small and medium scale enterprises (SMEs) since the 1970. Governments have, therefore designed programmes of assistance to enhance the achievement of this objective services, training and provision of infrastructural facilities. Financing programmes have attracted more attention to other programmes because every enterprise will require funds for its capitalization, working capital and rehabilitation needs, as well as for the creation of new investment. He noted that financial support programmes for promoting

SSIs in Nigeria have been many but in spite of these support programmes, the potentials of small and medium enterprise sector have not been fully exploited as the SMEs, contribute about 70 per cent of total industrial employment account for only 10-15 per cent of total manufacturing output.

## **2.8 Problems Militating Against the Development of Small and Medium Scale Enterprises in Nigeria**

In Nigeria, as in most countries of the world both developed and developing, small and medium scale enterprises are faced with a number of problems which seem insurmountable. Often the nature has been that the only problem which SMEs face is that of inadequate finance and that all other problems are sub-summed under it (Agundu, 2003).

In as much as it is acknowledged that the problem of inadequate finance is a major impediment to the development of small industries, most especially in the developing countries, other problems such as poor transportation, inadequate and inefficient infrastructural facilities are also predominant. Bureaucratic and inefficiency in the administration of incentives discourage rather than promote SME growth. Multiplicity of regulatory agencies and taxes has always resulted in high cost of doing business and poor management practices and low entrepreneurial skill arising from inadequate educational and technical background of many SMEs promoter. Weak demand for products, arising from low and dwindling consumer purchasing power and lack of patronage for locally produced goods by those in authority. All these problem should be recognized as inhibiting the development of SMEs (Ausbeth, 2004).

The problem of inadequate and inefficient infrastructural facilities has been a major handicap to the meaningful development of SMEs in Nigeria. These problems include lack of regular power supply especially in the rural areas. Lack of access to good roads, and housing militate against efficient production and distribution of goods and services.

The problem of inadequate infrastructural facilities particularly in the rural areas has frustrated the promotion of SMEs in such manner as to providing a lasting solution to the current problem of spatial imbalance in the distribution of industries between the rural and urban areas, and to check the perennial rural-urban drift which increases social tension in urban cities in Nigeria. Additionally, there is weak demand for products and service of SMEs arising from low and dwindling consumer purchasing power. They are faced with undue competition from already well established firms in the industry where they belong or choose to enter (Funtula, 2005).

## **2.9 The Benefits of Small and Medium Scale Enterprises in Nigeria.**

All strong economies in the world today have a very dynamic small and medium scale industrial sector. This sector has been the backbone in the transformation of young and developing economies into very complex and advanced economies, which are characterized by very high productivity and high per capita income. A large number of today's big business and even multi-nationals started as family business in the small and medium scale industrial sector. Through growth and expansion, their businesses developed in managerial and professional expertise to become medium or large scale ventures, (Nwankwo, 2001).

The benefits of SMEs are well documented in the literature and would be summarized here to put into proper perspective the issues involved. They provide an effective means of stimulating indigenous entrepreneurship, create greater employment opportunities per unit of capital invested and aid the development of local technology. Through their wide dispersal, they provide an effective means of mitigating rural-urban migration and resources utilization.

By producing intermediate products for use in large scale enterprises, they contribute to the strengthening of industrial inter linkages. Small enterprises are known to adapt

with greater ease under difficult and changing circumstances because their typically low capital intensity allow products 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 (Ndu, 1998).

SMEs also serve as veritable means of mobilization and utilization of domestic savings as well as increased efficiency through cost-reduction and greater flexibility. To ensure actualization of their benefits, programmes of assistance in the area of finance, extension and advisory services, training and provision of infrastructural facilities were designed by the government for the development of SMEs.

## **2.10 Factors affecting the Growth of Firms in Nigeria**

According to Asika (1991), there are three restraining factors affecting the growth of firms. These are:

- Internal restraints
- External restraints
- Financial restraints

### **1. Internal Restraints**

Once a firm has achieved its maximum rate of profitable growth by means of internal expansion and has come up against the managerial restraint, it may be that the growth rate can be increased and that the restraint can be eased by resulting to external expansion i.e. expansion via merger and acquisition. More generally, the firm will choose the direction and method of expansion that enable it to grow most profitably (Asika, 1991).

The expansion may be within existing market or via diversification and in either case may take the form of installing new capacity or of acquiring existing capacity by means



of mergers. Similarly, Penrose (1993) examined the position of large and small firms in a growing economy. It is a point of fact that large firms in any economy or industry do tend to have many competitive advantages over small or new firms no matter how able the management of the latter firm may be. Penrose (1993) highlighted some of the factors responsible for this to include market connection, ability to raise capital cheaply, availability of large internal funds and ability to take advantage of many technological and organization economies.

Irrespective of the disadvantages faced by small firms, Penrose advanced some reasons for the continued existence of small firms. For instance, some small firms are in existence because the kind of business they are into are suitable for small firms only; entry to some industries may be very cheap; some firm get a start because the bigger ones have not gotten the urge to enter but over time they will move in to crowd out the small firms (Covett, 1980).

Penrose (1993), posited that as economy grows, the rate of growth of larger firms increases and they cannot take up all opportunities, the left over will be captured by the smaller firms. This is what Penrose called “interstices” as a basis for specialization between that large and small firms. She suggested the application of the principle of comparative advantage. This implies that as long as small firms are equally productive as the big firms, the large firms should specialize in the activities in which they have high comparative advantage and the small firms specialize in the activities they have least disadvantage.

## **2. External Restraints**

Unlike Penrose (1993) who emphasized internal restraint factors, Downie (1998) emphasized external restraints factors. Downie contribution could be seen from the way in which alternative sets of market structures and conventions governing business behavior affect the dispersion of efficiency among firm and the rate of technical progress

within an industry characterized by a similarity of technical process. Downie postulated a dispersion of efficiency by which there exist firms of differing efficiency levels below and above the industry average. The dispersion of efficiency would be seen in the cost per unit of output and output level of the firms, with more efficient ones producing cheaply and larger output vis-a-vis the inefficient firm.

Accesses to technologically superior processes or products are some of the differences in efficiency between individual firms. Such advantage access arises from past innovation. An initial lead is strengthened by accumulating skill and experience in the activity in question. This is inconsistent with the traditional theory's assumption of a perfectly known production function based on a given technology, which is freely accessible to all firms. Indeed a large part of the explanation of efficiency difference, Downie (1998) has suggest to be found in the existence of widespread ignorance about what other firms are doing and the result that they obtain.

As part of his analysis he introduced the concept of "transfer mechanism" i.e. a process whereby the more efficient firms in the industry steadily encroach more on less rapidly on the market share of less efficient firms, given the objective of maximum growth. The more rapid rate of growth of the efficient firms a corollary of their encroachment on the market share of the less efficient firms must be due to their advantageous access to the means of growth (Deloittee, 1995).

The obvious outcome of the unchecked operation of the transfer mechanism is overgrowing concentration of industry. It must be emphasized that operation of the transfer mechanism itself brings into play a counter force called the "innovation mechanism". This is the process whereby the less efficient firms are increasingly compelled to recognize their relative inefficiency by their diminishing marketing share. This will actively seek to reverse the inefficiency difference (Dambo, et al, 2004).

Downie (2004) has suggested that for this reason the next technological breakthrough

in the industry is more likely to be made by the less efficient firm which will have the incentive, than by more efficient firms which may tend to become complacent and whose pace of expansion may inhibit flexibility and experimentation. If this happens, i.e. if one of the less efficient firms becomes efficient, the transfer mechanism will start again from opposite direction (the new efficient firm).

Thus conclusion seems to be at variance with the submission of purpose, particularly with respect to her concept of “interstice”. In this vein, large and more efficient firms will keep on expanding indefinitely because of their access to more advantageous position only to leave left-over for the smaller ones. She did not share the opinion that large and more efficient firms will rest on their oars thereby smaller firms through innovation will edge them out. In spite of this, the contribution of Downie could be seen on two major areas (Drucker, 1998).

First, which has provided the foundation for subsequent work i.e. his identification of the two-way relationship between growth and profitability i.e. how the growth of capacity is directly related to the rate of profit and the rate of profit, possibly after an initial direct relationship between growth and profitability has remained the cornerstone of all theories of the growth of the firms. Secondly, which has been largely forgotten his insistence on rooting analysis of the growth of the firm under the context of the competitive process. Oligopolistic interdependence, which is a continuing process of active rivalry, underlies both the transfer and the innovation mechanism.

### **3. The Financial Constraints**

This was explained by Maris (1994), in his model, the goal of the firm is the maximization of the balance rate of growth of the firm, i.e. the maximization of the growth of demand for the products of the firm and of the growth of its capital supply.

This objective function however is subjected to two constraints viz:

- Constraints set by the available managerial team and its skills
- A financial constraint set by desire of managers to achieve maximum job security.

Maris adopts Penrose thesis of the existence of a definite limit on the rate of efficient managerial expansion. At any time period, the capacity of the management is given; there is a ceiling to the growth of the firm set by the capacity of its managerial team. Similarly, the research and department is the source of new idea and new product, which affects the growth of demand for the products of the firm. The work in research and development department is “team work” and as such it cannot be expanded quickly simply by hiring more personnel for this department; new scientists and designers require time before they can efficiently contribute to the teamwork of the research and development department. Hence, the managerial constraint and research and development capacity of the firm set limit to the rate of growth of capacity supply.

Similarly, managers want job security which is obvious in their preference for service contract, generous pension scheme, and their dislike for policies which endanger their position by increasing the risk of their dismissal by the owner (i.e. the shareholder or the directors) Marris suggests that job security is attained by adopting a prudent financial policy. This risk of dismissal of manager had arisen if their policies lead the firm towards failure or render the firm attractive to take over raiders. In the first case, the shareholders may decide to replace the old management in the hope that by appointing new management the firm will be run successfully (Bankor, 2004).

Finally, the growth theorists have contributed immensely to the theory of growth of the firm. However, the efficacy of most of their postulations might be doubtful in the context of developing countries like Nigeria. Penrose for example hinges her theory on the fact that most companies are limited liability ones which can ensure continuity in business. The observation in most developing countries like Nigeria is that sole proprietorship is the most common type of business in the economy (Englama, 1997). Other factors that

affect small and medium in Nigeria include:

#### **A. Inadequate Infrastructural Base**

Inadequate provision of essential services such as telecommunication, access roads, electricity and water supply constitutes one of the greatest constraints to SMEs development. Most SMEs resort to the private provision of these facilities at high cost, thereby reducing available funds for that operations. A World Bank study (2003) estimated that such cost accounted for 15 to 20 percent of the cost of establishing an SME in Nigeria. Contemporary evidence has shown that the relative burden of the compensatory provision of infrastructural facilities is much heavier on SMEs than on large enterprises.

#### **B. Poor Management Practice and Low Entrepreneurial Skill**

Many SMEs do not keep proper accounts of transactions. This hinders effective control and planning. Moreover, lack of relevant educational background and thorough business exposure constraint their ability to seize business opportunities that could lead to growth and expansion.

#### **C. Overbearing Regulatory and Operational Environment**

The plethora of regulatory agencies, multiple taxes, cumbersome importation procedure and high port charges have continued to exert serious burden on the operation of the SMEs.

### **2.11 Small and Medium Scale Enterprises (SMEs) as a Panacea for Poverty Alleviation in Nigeria.**

The population of the world today is estimated to be well 7.0billion according to “The World Faceboook Banner” (July 2002). Of this number, a very high percentage (more than 70% to be precise) is reported from various sources (World Bank 1990, 1993, 1996; Anyanwu 1997, Englama and Bamidele 1997; Obadan, 1997) to be living in abject

poverty, equally residing in Sub Saharan Africa and living on less than US \$1 per day. Empirical research revealed that the problem of poverty is concentrated in Africa, South Asia, Latin America and Eastern Europe (the former socialist block). This situation has compelled international organizations and various governments to evolve economic strategies that would serve as driving force for their economies in order to propel them into productivity. Nigeria is not left out of this new world order of poverty eradication. Nigerian situation, evidence abound that most notable features of the development experience during the past many decades is that poverty in Nigeria, and other less developed economies in the world remains widespread, in spite of the efforts and resources devoted to fighting it by public policy authorities with the help of the government in richer countries and the international development institutions. It is interesting to note that, poverty is not simply the lack of food supplies, education and health, natural resources and drinking water, land, employment and credit facilities, information and political involvement, services and infrastructure. All of these are needed to enable people to have control over their development, enjoy equality of opportunity and live in a safer environment (Funtula, 2005).

According to Onimode (2000), the problem of poverty and rising global inequalities constitute the moral core of the crisis of the present world system (together, of course, with the problem of wars and refugees). There is equally “maldevelopment” or “perverse development” which meant growth without development and the inequity of the world system. In the light of this, Onimode (2000) opined that there is need for new ideas, perspectives and even visions are required to ensure that these issues can be resolved effectively in the new century.

This cannot only be done by the theory of economy of scale that is predicated on the advantages of large scale operations, but simultaneously see the small-scale medium enterprises (SMEs) as belonging to the past, out-model and a sign of technological backwardness (Owualah, 2001). However, this view need to be changed towards

appreciating the importance of small-scale enterprises in promoting industrialization and economic growth at global scenario.

One of the critical problems facing economic growth in African Sub-Saharan and indeed the developing countries generally is the harnessing of resources to achieve desired goals. In the case of the SMEs in Nigeria in particular, various problems confront its growth and hence, the objective of its establishment and management as engine of growth. These include among others, market, raw materials, manpower, lack of information, lack of management and technical skills, poor ethical values and lack of transparency; proper policy formulation and implementation, and funding/financing.

### **2.12: Summary of Review**

It is worthy of note that education plays an important role in every sphere of human life such as business career and other endeavours of man. It is believed that those who acquired education either during or before getting involved in various business ventures, carry out their businesses more effectively than those who do not have any educational qualification. This is because, education makes individuals to be enlightened and remain focus to whatever one is set to undergo be it business enterprise or otherwise. For the entrepreneurs to perform effective and manage their businesses well, they need to acquire a certain level of education which will enable them to know to apply critical thinking in the driving of their enterprises. Education affords individuals the wherewithal to manage their business finances and to nurture a business venture etc. Lack of education is a disease, it has affected many businesses adversely in Lagos State, Nigeria, hence the examination of the effect of educational qualifications on performance of entrepreneurs in small and medium scale enterprises in Lagos State and environs.

## **CHAPTER THREE**

### **RESEARCH DESIGN AND METHODOLOGY**

#### **3.0 INTRODUCTION**

This section dealt with the research design, population of the study, sample size and sampling technique, research instrument, validity of instrument, reliability of instrument, procedure for collection and procedure for data analysis.

#### **3.1 RESEARCH DESIGN**

Descriptive research survey design was used in this study. A descriptive research design can be described as the overall plan showing how all the major parts of the research such as sample, measures and analysis work together to address the central research questions. According to Ogunleye (2002), a survey design is used when the scope of the study is relatively large and questionnaires are used to collect necessary information from the selected respondents. The choice of research design determines the type of statistical analysis to employ. Research designs give direction to the whole study.

#### **3.2 POPULATION OF THE STUDY**

The target population of this study comprised all the managers and supervisors selected from the four small and medium enterprises located in Mainland Local Government Area of Lagos State, Nigeria.

The four enterprises are:

- Stonik Enterprises Ltd;
- Ejike-Eme Auto Parts;



- Emako Auto Enterprises; and
- Lordswill Nigeria Enterprises

### **3.3 SAMPLE AND SAMPLING TECHNIQUE**

The sample size of this study comprised 100 (one hundred) respondents who were randomly selected from the larger population of the study. The reason for the selection of few respondents is to have a manageable size of samples. The respondents were selected through random sampling method which gave the researcher the opportunity to select the representatives within the population. The populations of staff of the four selected SMEs were involved in this study. The five selected SMEs comprised: Stonik Enterprises Ltd; Ejike-Eme Auto Parts; Emako Auto Enterprises, and Lordswill Nigeria Enterprises all located in Lagos State and in the Local Government under review.

### **3.4 INSTRUMENTATION**

The main survey research instrument that was used in this study is the questionnaire. The questionnaire was administered in order to assess the opinions of the respondents. The questionnaire contained two parts: Part A contained bio-data of the respondents such as sex, age, marital status, years of experience, etc; while section B contained 20 items/questions bothering on educational qualification and performance of SMEs in Nigeria.

### **3.5 VALIDITY OF THE INSTRUMENTS**

The research instruments used in this study was validated by experts in measurement and evaluation and approved by the supervisor. The face and content validity was carried out in this study.

### **3.6 RELIABILITY OF THE INSTRUMENT**

The instrument was subjected to pilot study by using 10 males and 10 females and

administering the instrument on them within two weeks interval. At the end of the two weeks period, both the male and female scores were collated and correlated with the use of Pearson Product Moment Correlation Coefficient to check whether there is a relationship between the two scores. The coefficient value of the scores was 0.68. With this result, it shows that the instrument is valid, reliable and usable for this study.

### **3.7 ADMINISTRATION OF INSTRUMENTS**

The instrument for this study was administered to the respondents at their various locations in Mainland Local Government Area of Lagos State, Nigeria. Mainland Local Government Area was selected because of it is a densely populated area in Lagos State where there is a cluster of individual from all works of life with different ethnic backgrounds and religious beliefs.

### **3.8 PROCEDURE FOR DATA ANALYSIS METHOD**

The chi-square ( $X^2$ ) and the Pearson Correlation tools will be used to analyze the hypotheses formulated for this study, while the simple percentage frequency counts was used to analyze the bio-data of the respondents and the research questions respectively.

## CHAPTER FOUR

### DATA ANALYSIS AND INTERPRETATION OF RESULTS

#### 4.0 INTRODUCTION

In this chapter, data analyses were carried out. For instance, the bio-data and the research questions were analyzed using the simple percentage frequency counts, while the null hypotheses were tested using the t-test statistical tool at 0.05 level of significance.

#### Section A:

#### 4.1 DESCRIPTIVE ANALYSIS OF BIO-DATA.

**Table 1: Distribution of Sex of Respondents.**

n	Sex of respondent	Frequency	Percentage
1	Female	1	100%
1	Male	1	100%
	Total	2	200%

The above table results showed that 50% of the samples were males and 50% of them were females. This means that equal number of respondents were selected in this study.

**Table 2: Distribution of Age of Respondents**

n	Age Range	Frequency	Percentage
1	18-40 years	1	100%
1	41-50 years	1	100%

	years and above		
	total	100	100%

The above table reveals that 43% of the representatives were within the age range of 30-40 years; 37% of them belonged to age bracket of 41-50 years, while 20% of the participants were within the age range of 51 years and above. This means that more respondents were selected from among those who were 51 years and above.

**Table 3: Description of Academic Qualifications**

N	Qualification	Frequency	Percentage
1	School Certificate	25	25%
2	OND/HND	29	29%
3	B.A/B.Sc/B.Ed	22	22%
4	M.A/M.Sc/M.Ed	10	10%
5	M.Phil/Ph.D	3	3%
	total	100	100%

The above table results indicated that 25% of the participants hold the school certificates, 29% of participants hold the OND/HND certificates; 22% of them hold the B.A/B.Sc/B.Ed degrees. Also, 10% of the respondents were holders of the M.A/M.Sc/M.Ed degrees; while 03% of the participants were holders of the M.Phil/Ph.D degrees. The above description of the bio-data showed that the highest percentages of the participants were drawn from among participants who hold the OND/HND certificates.

**Table 4: Description of Marital Status of Respondents**

N	Marital Status	Frequency	Percentage
1	Married	10	59%
2	Single	7	41%
	Total	17	100%

The above table revealed that 59% of the respondents were married and 41% of them were single. The above responses further showed that the highest numbers of respondents were drawn from among the married respondents.

#### 4.2 DESCRIPTIVE ANALYSIS OF RESEARCH QUESTIONS.

**Research question 1:** Will the educational qualifications of the entrepreneurs affect the performance of small and medium scale enterprises in Lagos State?

**Table 5: Educational Qualification and SMSE.**

n	Items	Agree	Disagree	Total
1	Education affects entrepreneurs in Lagos State.	10	7	17 100%
2	Without education, entrepreneurs won't survive	10	7	17 100%
3	For any entrepreneur to exist, he needs a level of education.	10	7	17 100%

Entrepreneurs who are educated carry out their businesses effectively.			53	0%
With the acquisition of education, most entrepreneurs will not fail in their business enterprises in Nigeria.			56	0%

Table 5 results showed that 53% of the samples believed that education affects entrepreneurs in Lagos State, while 47% of the respondents disagreed with the item. Also 56% of the respondents agreed that without education, entrepreneurs won't survive while 44% of them rejected the item as presented. In another development, 51% of the samples affirmed that for any entrepreneur to exist, he needs a level of education while 49% of them disagreed. Also, it was the views of 60% of the participants showed that Entrepreneurs who are educated carry out their businesses effectively, while 40% of them did not agree with the item. Finally, the opinions of 55% of the samples indicated that with the acquisition of education, most entrepreneurs will not fail in their business enterprises in Nigeria., while 45% of them disagreed with the item. This showed that education plays an important role in the success and flourishing of entrepreneurs' businesses in Lagos State, Nigeria.

**Research question 2:** How can the managerial skills of entrepreneurs affect the success/performance of small and medium scale enterprises in Lagos State?

**Table 6: Academic Qualification and Success/Performance of SMSE.**

S/n	Items	Agree %	Disagree %	Total/ %

(6)	With good academic qualification, one can thrive in business venture in Nigeria.	51 51	49 49	100 100%
(7)	Whether academic qualification or not, people with business acumen can do well in their enterprises in Nigeria.	53 53	47 47	100 100%
(8)	Academic qualification helps one to know what to do in business.	57 57	43 43	100 100%
(9)	Business people who succeed today are those who have acquired knowledge through education.	50 50	50 50	100 100%
(10)	Wisdom to thrive in business comes from the acquisition of good education.	49 49	51 51	100 100%

Table 6 indicated that 51% of the respondents affirmed that with good academic qualification, one can thrive in business venture in Nigeria while 49% of them disagreed. Also, 53% of the participants agreed that whether academic qualification or not, people with business acumen can do well in their enterprises in Nigeria while 47% of them disagreed with the item as presented. Equally, the views of 57% of the samples showed that academic qualification helps one to know what to do in business. While 43% of them disagreed with the item. Similarly, 50% of the respondents agreed that business people who succeed today are those who have acquired knowledge through education whereas 50% of them disagreed. Finally, the opinions of 49% of the participants showed that youths who are taught with practical methods acquire more skills than those taught

with the theories, while 51% of them disagreed with the item.

The responses revealed that there is a significant impact of educational qualification on the successful handling of enterprises in Lagos State, Nigeria.

**Research question 3:** Does the effective management of small and medium scale enterprises depend on the educational qualifications of the entrepreneurs?



**Table 7: Effective Management of SMSE and Educational Qualification.**

S/n	Items	Agree %	Disagree %	Total %
1)	Effective management of SMSE only depends on the entrepreneur's level of education.			0 0%
2)	Without good education, an individual cannot effectively manage his/her business enterprise in Nigeria.			0 0%
3)	Those whose educational qualifications are high, manage their businesses more than those who possess low level of education.			0 0%
4)	Whether education or no education, business enterprises can be effectively managed in Nigeria.			0 0%
5)	Non-possession of good education is a bane of business progress in Nigeria.			0 0%

Table 7 results showed that 48% of the respondents were of the opinion that effective management of SMSE only depends on the entrepreneur's level of education while 52% of them did not subscribe to the statement above. Similarly, 58% of the representatives believed that without good education, an individual can effectively manage his/her business enterprise in Nigeria while 42% of them disagreed. Equally, it was the views of 54% of the samples that those whose educational qualifications are high, manage their businesses more than those who possess low level of education and

44% of them did not agree with the item as presented. In another development, it was the opinion of 53% of the participants agreed that whether education or no education, business enterprises can be effectively managed in Nigeria. While 47% of them disagreed. Finally, the opinions of 52% of the sample indicated that non-possession of good education is the bane of business progress in Nigeria, whereas 48% of them did not agree to the item as presented.

The above responses showed that there is a strong significant relationship between education and success in business among entrepreneurs in Nigeria.

**Research question 4:** Will there be gender difference in the management of small and medium scale enterprises due to educational qualifications?

**Table 8: Gender and Management of SMES Due to Educational Qualification.**

S/N	Items	Agreed %	Disagree %	Total %
6)	Male entrepreneurs manage their businesses better than their female counterparts.	60 60		100 100%
7)	Female entrepreneurs who are not educated always perform poorly in their business endeavors in Nigeria.	58 58		100 100%
8)	Without relevant education, no one can perform well in business in Nigeria.	56 56		100 100%
9)	Male and female entrepreneurs who have good educational backgrounds are successful in their business enterprises.	53 53		100 100%

	Nigeria.			
0)	Effective management of business depends on natural endowment, rather than on education.	46%		100
		46		100%

Table 8 results showed that 60% of the respondents were of the opinion that male entrepreneurs manage their businesses better than their female counterparts. While 40% of them disagreed. Also 58% of the participants agreed that female entrepreneurs who are not educated always perform poorly in their business endeavours in Nigeria. While 42% of them disagreed. Equally, 56% of the sample agreed that without relevant education, no one can perform well in business in Nigeria. While 44% of them disagreed. Similarly, 53% of the participants agreed that male and female entrepreneurs who have good educational backgrounds are successful in their business enterprises in Nigeria. Whereas 47% of them disagreed with the item. Finally, the opinions of 46% of the participants indicated that effective management of businesses depends on natural endowment, rather than on education, while 54% of them did not agree with the item as presented. This means that majority of the participants who responded to the items believed that the acquisition of relevant education is to the success of businesses in Lagos State, Nigeria.

#### 4.3 TESTING OF HYPOTHESES

H<sub>01</sub>: There will be no significant effect of educational qualifications and performance of entrepreneurs in small and medium enterprises in Lagos State.

**Table 9:** There will be no significant effect of educational qualifications on performance of entrepreneurs in small and medium enterprises in Lagos State, Nigeria.

Variables	N	X	SD	DF	t-cal	t-crit
Educational Qualifications	40	8.65	4.62			

Performance of entrepreneur Lagos State.	60	9.98	5.88	98	3.07	1.98
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**\*P < 0.05; t-cal = 3.07; t-crit = 1.98**

Table 9 result showed that the value of t-calculated (3.07) is greater than the value of t-critical (1.98) given 98 degrees of freedom. This led to the rejection of the null hypothesis and the acceptance of the alternative hypothesis that there is a significant effect of educational qualifications on performance of entrepreneurs in small and medium scale enterprises in Lagos State, Nigeria.

**H<sub>02</sub>:** There will be no significant gender difference in the management of small and medium scale enterprises due to educational qualifications of the entrepreneurs in Lagos State.

**Table 10: Gender difference in the Management of SMSE Due to Educational Qualification in Lagos State.**

Gender	N	X	SD	DF	t-cal	t-crit
Male	50	21.66	9.67	98	2.21	1.98
Female.	50	19.47	10.38			

**\* P<0.05; df=98; t-cal = 2.21; t-crit = 1.98.**

Table 10 results indicated that the value of t-calculated (2.21) is significantly greater than the value of t-critical (1.98), given 98 degrees of freedom at 0.05 level of significance. This led to the rejection of the null hypothesis and the acceptance of the alternative hypothesis that there is a significant gender difference in the management of small and medium scale enterprises due to educational qualifications of the entrepreneurs in Lagos State, Nigeria.

**H<sub>03</sub>**; The effective management of small and medium scale enterprises will not significantly depend on the educational qualifications of the entrepreneurs in Lagos State, Nigeria.

**Table 11: SMSE and Educational Qualifications of Entrepreneurs in Lagos State, Nigeria.**

Variables	N	X	SD	DF	t-cal	t-crit
SMSE	45	19.27	6.23	98	3.01	1.98
Educational Qualifications Entrepreneurs in Lagos State.	55	22.13	7.45			

\*  $P < 0.05$ ;  $df = 98$ ;  $t\text{-cal} = 3.01$ ;  $t\text{-crit} = 1.98$ .

Table 11 results showed that the value of t-calculated 3.01 is higher than the value of t-critical 1.98; given 98 degrees of freedom at 0.05 level of significance. This led to the rejection of the null hypothesis and the retention of the alternative hypothesis that the effective management of small and medium scale enterprises significantly depend on the educational qualifications of the entrepreneurs in Lagos State, Nigeria.

**H<sub>04</sub>:** There will be no significant gender difference in the successful management of small and medium scale enterprises in Lagos State, Nigeria.

**Table 12: Difference in the Successful Management of Small and Medium Scale Enterprises in Lagos State, Nigeria.**

Gender	N	X	SD	DF	t-cal	t-crit
Male	50	23.55	5.46	98	2.09	1.98
Female	50	23.84	5.49			

**\*  $P < 0.05$ ; df= 98; t-cal = 2.09; t-crit = 1.98.**

Table 12 results revealed that the value of t-calculated (2.09) is significantly greater than the value of t-critical (1.98), given 98 degrees of freedom at 0.05 level of significance. This resulted in the rejection of null hypothesis and the acceptance of the alternative and the acceptance of the alternative hypothesis that there is a significant gender difference in the effective management of SMSE in Lagos State, Nigeria.

#### **4.4 SUMMARY OF FINDINGS.**

Based on the data analysis carried out in this study, the following results were obtained.

1. There is a significant effect of educational qualifications and performance of entrepreneurs in small and medium enterprises in Lagos State, Nigeria.
2. There is a significant gender difference in the management of small and medium scale

enterprises due to educational qualifications of the entrepreneurs in Lagos State.

3. The effective management of small and medium scale enterprises significantly depend on the educational qualifications of the entrepreneurs in Lagos State, Nigeria.
4. There is a significant gender difference in the successful management of small and medium scale enterprises in Lagos State, Nigeria.



## **CHAPTER FIVE**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 INTRODUCTION**

This chapter discusses the summary of the study, the conclusions and some recommendations were made based on the findings.

#### **5.2 SUMMARY OF THE STUDY**

The study examined the effect of educational qualifications on performance of small medium scale enterprises in Mainland Local Government Area of Lagos State, Nigeria. In this study, relevant and extensive literatures were reviewed under sub-headings.

The descriptive research survey was used in the assessment of the opinions of the selected respondents with the adoption of the questionnaire and the sampling technique.

A total of 100 (One Hundred) respondents were selected and used as samples for this study, the respondents were made up of (50 males and 50 females).

A total of four null hypotheses were generated and used in this study using both the percentage frequency counts and the t-test statistical tools at 0.05 level of significance.

At the end of the data analyses, the following results were generated:

1. Hypothesis one found that there is a significant effect of educational qualifications and performance of entrepreneurs in small and medium enterprises in Lagos State, Nigeria.
2. Hypothesis two showed that there is a significant gender difference in the management of small and medium scale enterprises due to educational qualifications of the entrepreneurs in Lagos State.
3. Hypothesis three indicated that the effective management of small and medium scale

enterprises significantly depend on the educational qualifications of the entrepreneurs in Lagos State, Nigeria.

4. Finally hypothesis four revealed that there is a significant gender difference in the successful management of small and medium scale enterprises in Lagos State, Nigeria.

### **5.3 CONCLUSIONS**

At the end of the data analysis, it was concluded that that there is a significant effect of educational qualifications and performance of entrepreneurs in small and medium enterprises in Lagos State, Nigeria and that there is a significant gender difference in the management of small and medium scale enterprises due to educational qualifications of the entrepreneurs in Lagos State. Other findings indicated that the effective management of small and medium scale enterprises significantly depend on the educational qualifications of the entrepreneurs in Lagos State, Nigeria and finally, it was revealed that there is a significant gender difference in the successful management of small and medium scale enterprises in Lagos State, Nigeria.

The above results revealed that all the null hypotheses were rejected at 0.05 level of significance. This indicated that there is a significant impact of educational qualification on performance of entrepreneurs in Lagos State, Nigeria.

### **5.4 RECOMMENDATIONS**

In this study, the following recommendations were made by the researcher based on the findings:

1. Entrepreneurs in Lagos State should ensure that they enlist themselves into one academic programme or the other in order to make a head way in their businesses.
2. It is recommended that entrepreneurs who operate their businesses, whether men or women should endeavour to obtain their certificates or degrees in one educational area

or the other. This is because, education plays a vital role in the activities of business people anywhere in the world. People who do businesses on their own, should ensure that they enroll into an educational institution(s) for them to know how to read and write effectively. The institution may be part-time or full-time as the case may be.

3. From the research finding, it is obvious that managerial effectiveness is dependent on the educational level of the manager. Therefore, managers of the private companies should try to be educated so that they would be able to carry out their business activities with a high amount of dexterity which leads to effective management of any business entity.
4. There is no doubt, gender difference exists in the management of businesses in Lagos State, Nigeria due to the educational attainment of the business owners. In view of this, it is recommended that individuals who aspire to own their private businesses should be ready to acquire at least a level of education that can assist them to be able to manage well and thrive in the business.

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## APPENDIX

### Performance of Small and Medium Scale Enterprise Questionnaire

Dear Respondent,

This questionnaire is designed for acquisition of information on educational qualifications and performance of small and medium scale enterprise in Lagos State, Nigeria. Kindly tick (✓) to indicate the extent at which you agree or disagree with options presented below. Your responses would be handled with utmost confidentiality.

Thank you.

#### Section A

1. **Sex:** (a) Male [ ] (b) Female [ ]
2. **Age Range:** (a) 30-40 years [ ] (b) 41 – 50 years [ ] (c) 51 years and above [ ]
3. **Qualification:** (a) School Certificate (b) OND/HND [ ] (c) B.A/B.Sc/B.Ed. [ ] (d) M.A./M.Sc./M.Ed [ ] (e) M.Phil/Ph.D [ ]
4. **Marital Status:**(a) Married [ ] (b) Single [ ]

**Section B:** Tick ( ) to indicate whether you agree or disagree with the option presented in the column below.

#### KEYS:

Strongly Agree - (SA)

Agree - (A)

Disagree - (D)

Strongly Disagree - (SD)

S/N	Educational Qualification and SMSE.				
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(1)	Education affects entrepreneurs in Lagos State.				
(2)	Without education, entrepreneurs won't survive.				
(3)	For any entrepreneur to exist, he needs a level of education.				
(4)	Entrepreneurs who are educated carry out their businesses effectively.				
(5)	With the acquisition of education, most entrepreneurs will not fail in their business enterprises in Nigeria.				
	<b>Academic Qualifications and Success/Performance of SMSE</b>				
(6)	With good academic qualification, one can thrive in business venture in Nigeria.				
(7)	Whether academic qualification or not, people with business acumen can do well in their enterprises in Nigeria.				
(8)	Academic qualification helps one to know what to do in business.				
(9)	Business people who succeed today are those who have acquired knowledge through education.				
(10)	Wisdom to thrive in business comes from acquisition of good education.				

	<b>Effective Management of SMSE and Education</b>				
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	<b>Qualifications.</b>				
1)	Effective management of SMSE only depends on entrepreneur's level of education.				
2)	Without good education, an individual can effectively manage his/her business enterprise in Nigeria.				
3)	Those whose educational qualifications are high manage their businesses more than those who possess low level of education.				
4)	Whether education or no education, business enterprises can be effectively managed in Nigeria.				
5)	Non-possession of good education is the barrier to business progress in Nigeria.				
	<b>Gender and Management of SMES Due to Educational Qualifications.</b>				
6)	Male entrepreneurs manage their businesses better than their female counterparts.				
7)	Female entrepreneurs who are not educated always perform poorly in their business endeavours in Nigeria.				
8)	Without relevant education, no one can perform well in business in Nigeria.				
9)	Male and female entrepreneurs who have good educational backgrounds are successful in their business enterprises in Nigeria.				
10)	Effective management of businesses depends on natural endowment, rather than on education.				