

# The Influence of Environmental Challenges on Small Scale Businesses in Bauchi Central Market

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## ABSTRACT

**Purpose** - This study is to identify the influence of environmental challenges in small scale businesses performance in Bauchi. Environmental challenges are those factors that contribute either failure or success of small scale businesses. The study employed descriptive statistics and regression analysis to identify the influence of environmental challenges in SME's.

**Design/methodology/approach** - The population of the study is the entire small scale businesses owners operating in Bauchi central market. The sample size of this study was determined based on Taro Yamane's formula of sample determination was employed to reduce the total population to a research sample. The survey questionnaire was administered and distributed to the respondent on the issue regarding the influence of environmental challenges on small scale businesses reducing the sample to (52).

**Findings** - The find of the study discovered that lack of easy access to credit facilities, multiple taxations, poor market competitive advantage, and low volume of sales affects performance of small scale business in Bauchi Central Market. The result of this study would help both governmental and non-governmental organization (NGOs) and international agencies to assist the small scale business to address these challenges.

**Practical/Social implication** - The study would assist the management and the policy maker's for the urgent need for specific management practice to enhance the effectiveness and sustainability of small scale businesses in Bauchi central market. The study can also assist local entrepreneurs in formulating strategies that guide them against poor business performance.

**Originality/values** -The examined setting is unique and contributes to several findings on environmental challenges of SSB and financial performance in Nigeria particularly in Bauchi.

**Keywords:** Small scale business, business performance, environmental challenges,

## 1. INTRODUCTION

The activities and contributions of small scales business in the development of the economy in Nigeria are quite the same with Nigerian counterparts around the world, specifically in developed countries. Similarly, about 50 percent of the employment from public and private workforce came from small scale business virtually half of the population of a Nations. Empirically enterprise baseline survey

found out that over 17 million Small and Medium Scale Enterprises in Nigeria generate employment opportunities to over 32 million Nigerians which significantly contribute about 4.54 6% of the Nigerian GDP. [1] According [2,3] established that 82.02 percent of employment labour force in Nigeria is through small and medium enterprises. The activities of scale businesses worldwide have taken a greater proportion and played a vital role in the

development of the economy. The achievement of small scale business enterprises sub-sector is connected to the Nation-building and it also played a significant role in nurturing economic growth and development for efficient, sustainable and stability on the economy. Small scales enterprises provide goods and services, good standard of living, create job opportunities as well as contribute immensely in the growth of Gross Domestic Product (GDP) of any Nation. [4] However, SSBs foster skyward social status, nurture economic suppleness and also denote to competitive advantage for economic efficacy. [5]

Empirical evidence has shown that many businesses failed for many reasons such as how to manage growth and expansion and how to deal with a competitive environment. However, many businesses often provide innovation and creativity to address the market need, thus, various aspect of the venture is very critical to manage while forming up. Similarly, many start-up businesses have become successful based on the certain features of the organization that are not viable to measures, therefore, more traditional approaches need to be applied for growth. A big business organization has a superfluity of business strategy, corporate cultures, practice, and market recognition. While small scale business suffered a lot of internal environmental challenges such as the corporate culture is still minor and their brands are still nurturing and their quality of the product offered may change radically with upsurges in the measure or capacity. [6]

For any business to remain in a market it depends on the ability of the business to manage and safeguard it is operation with regards to the various challenges such as decision-making process applying the company regulations and affairs that concern the shareholders. [7] Similarly, small scales businesses in Nigeria have played a major important role. [1] Looking at the contribution from the small scale business around the world, but in

Nigeria the case is different because SSBs have not been able to contribute as expected due to the limited credit facility, corruption and mismanagement in Nigeria. There are huge environmental challenges that hinder the growth of the industrialization process which delayed the growth of small scale business in Nigeria particularly in Bauchi state. Availability of loan from Banks to small scales business can boost the investment capacity and productivity of the SSB. Consequently, lack of start-up capital, insufficient financial resources from banks and other financial institutions have significantly affected the business activities which triggered low entrepreneurial knowledge and skills among the people, these limited resources have slow down the activity of SSB to drive growth and expansion. For these reasons, this study aims to examine the environmental challenges among SSB in Bauchi.

## **2.1 Framework of the related literature**

The reviews of the existing literature measuring the influence of environmental challenges on small scale business activities suggest some probable simplification. Evidences have shown that, there is significant influence of environmental challenges on SSB performance is robust. The importance of business is for the comfort and happiness of every society. In every economic environment small scale business exists. Various people have different knowledge and idea of business but the problem is understand its concept. Definition of small scale business varies from one country to another, different definitions of small scale business increases as a result of its drive being defined, which give birth to the increase of various meanings. [8] Various means were deployed to define small scales business which comprises investment, monetary capability and number of employees. [9,10] define small scale business as a business which have the total of fixed and current assets not more than two hundred and fifty Naira Only

(₦250,000) with permanent employees not less than thirty. <sup>[30]</sup>

Based on the study of <sup>[11]</sup> observed that the different socio-economic structures of each country are the reasons for non-uniformity in definition of SSBs. Small scale business, small scale industry and small scale enterprises are used interchangeably. The criteria that have been used to define small scale businesses include employment, capital investment, sales turnover, accessibility, and output in some cases, a blend of some or all of these criteria. In Nigeria and worldwide, it seems that there is no specific definition of small business. Different scholars, and schools thought have different ideas on the differences in capital outlay, number of employees, sales turnover, fixed capital investment, available plant and machinery, market share and the level of development, these features equally vary from one country to the others. <sup>[2,12]</sup> Opined that, the character of the society of a Nation is what prompts various reasons for different definitions of small scale business.

## **2.2 Concept of Business Performance:**

Business performance has been studied intensively by different researchers but there is no particular connotation. <sup>[13]</sup> Empirical evidence has proved that various researchers pay more attention to small scales business and its performance determinants and different variables have been discovered. Business performance it's how effectively the firm serves the interest of the investor and the customers. It shows how well the business resources are managed by the managers for effectively and efficiently. <sup>[14]</sup> Company performance is the ability of the company to measure its action towards achieving targeted goals. <sup>[13]</sup> For a business to be prosperous, the company may have achieved the target and have meet-up to the needs of their shareholders and fully stratify their customers and able to remain in the business through a competitive environment. A business company can achieve its goal and

performance threshold through effectively and efficiently manage the customers satisfaction and deal with their competitors. According to <sup>[15]</sup> customers satisfaction and services delivery to the shareholders, users of accounting and the customers can effectively achieve by performing above your competitors among others. Value delivery and business success it is the degree at which the company satisfies its shareholders, customer and productivity it is expected that the company can manage its financial resources to satisfy their shareholders and customers. <sup>[16]</sup> Business performance dimension attributed to the quantifying the business performance through certain yardstick, either predetermined goal or competitors performance. Performance is the ability to set a target and achieved the stated goal successfully by applying knowledge as illustrious form adoption. <sup>[17]</sup>

## **2.3 Business and its Environment**

Businesses exist within an environment there is a significant relationship between business and environment, various degree of elements bring the distinct among the environments which it is surrounded with it. However, each business environment constitute various elements, the environment is seen as the geographical area where a business is domiciled. <sup>[18]</sup> However, various environmental factors affect business performance positively or negatively. Thus, businesses are operating in an environment with pool of resources and concurrently team up with various market players within the competitive environment for rare resources with others. The major challenges of SSBs is the product and the customer, how the firm sells the products that have undergone series of factors of production other aspects is the supply chain in the market and the business purchases factors of production. Similarly, the company obtains basic financing for the business in the financial market.

Empirically it is proved that, the quality of organizational environment is measure by various elements, [19] differentiate between intricacy and generosity dimensions. He opined that generosity is the ability of the environment to be more conducive for sustainable development. Munificent environment is highly attractive and conducive than the uncommon environment. The energetic activity and progress link with commotion that is steadiness and uncertainty. It is discovered that small business is affected by the environment with amusing vitality in inclines for fast-growing than the counterpart. [20] The intricate environment defined different parts of market features which business is needed. Similarly, the business has seen a mixed environment as intricate for business performance.

#### **2.4 Environmental challenges and Business Performance**

An environmental challenge that affects the performance of a business can either be exterior or interior these environmental challenges can affect the business performance directly or indirectly. [21] state that, the elements that affects firm performance are ascribed by geographic location, business strategy, years of the business, number of permanent employees, level of technology and sources of fund available in the business. Thus, engagement is very vital in business performance to examine the business operation. Based on the finding from [22] they give an inclusive synopsis of the challenges that affect business performance which comprises: business plan, aims and intention, goals and business motivation, individuals features, the impact of the parent, entrepreneurial orientation and business networking and others can be external or internal environmental factors. [22] In a similar study conducted by [23] they found out the major factors affecting small business in Ethiopian includes a scarcity of raw materials, deficit on infrastructural development, insufficient access to funding, insufficient support from

government and non-governmental organizations, limited skills and business knowledge, lack of access to market and poor business regulations. However, [24] identify business obstacle of small business in Nigeria which are attributed to poor cost control, high cost of raw materials, lack of competent staff, poor policy formulation, motivations and operations, poor location and finally low demand from the purchasing power among the people these challenges resulted in the poor performance of the small scale business.

#### **2.5 The effect of lack of credit facilities on small scale business performance**

Empirical and theoretical literature has proven that there is a positive association between business performance and deficiency on credit facilities among small scales business on their decision making. [25,26] According to [27] he started that inadequate of finances, start-up capital and hostile monetary policies are the major challenges of small scale business. However, [28,29] inadequate funding and other resources are the main barrier among small scale businesses in African countries. A study conducted by [30] indicated that insufficient funds are the major cause of failure of small scales business. Study of [31] revealed that there is a positive association between inadequate funds and firm performance and its growth. Similarly, other studies are of the same view. [32,33,26] Due to the above discussion the current study hypotheses as:

H<sub>1</sub>: There is a significant effect between lack of credit facilities and business performance.

#### **2.6 The multiple taxation and small scale business performance and it is effects**

Various experts on economic have hypothetical investigate the influence of the taxation on both the seller (broker) and the buyer (consumer) in terms of the cost and low in demand. [34] Cournot has proven that the creators of tax prevalence examination indicated that the significant shift in the

position of the tax to the customer which creates a high cost of goods in the different degree of prices with the elasticity demand which indicate the null value of that variable. [35] This means that an increase in tax proportional cost would be transmitted to the buyer which it is not the intent. [34] Various empirical studies have revealed that tax affects performance of small scale businesses. According to [36] established that double taxation is a factor that affects the performance of a business and also it has negative effects on the business profits growth and expansion. It is opined by [37] cited in [38] if a government can give a tax relief can promote small scale business performance in term of growth. A study carried out by [39] discovered that the legal context of tax enacted to the businesses firms insignificantly influence traders. This outcome is inconsonant with the study of [40] who prove that taxes imposed on business differs from one state to another. Based on the outcomes of [41] shows that tax imposed on traders affects the performance of a business and also create tough obstacles on the new business. However, the outcomes further explain that business owners find it difficult to buy additional inputs for the expansion of the business due to the persistent loss of incomes this as a result of high tax imposed by the government. In a similar finding that taxes imposed by a Kenyan government affects the performance of FFV business. [37] Based on the aforementioned discussion this study postulates that:

H<sub>2</sub>: multiple taxations have positive effects on small scale business performance.

### **2.7 The low volume of sale and small scale business performance**

According to [42] participating in small business has tremendously increased among various individuals with a lot of competitions not only from their counterparts but rather larger industries to remain in the edge of the market it depends on the level of your sales. Similarly, one of the difficult aspects of small business to

excel is the ability to provide good services and quality products which satisfy the customer. Consequently, it is inferred that high business transaction costs may prompt the low level of sales volume of the goods in a business. [43] Business performance solely depends on the number of patronage from the customers, [44] small scale business that cannot advertise their product due to lack of fund. Perhaps, because the volume of sales relies on how you advertise your product with lower costs of the product involved. The research of [42] established that 88.2 percent of the respondent in Limuru Town Market of Kiambu their business performance was measured through their volume of sales as against the 11.8 percent they measure their performance using several customers, there for the result indicated that high volume of sales is statistically significant. In similar studies of [45,46] they found out that the volume of sales of farm gate significantly affect the market participation by the farmers. From the above argument this study hypothesis that:

H<sub>3</sub>: Low volume of sale has positive influence on small scale business performance

### **2.8 The poor market competition advantage influence small scale business performance**

The firm that has good business strategies in carrying out their business activities they may have a better performance on the growth of their business. A better or well-doing firm mostly is doing well than the others in term of commercial activities on monetary or nonmonetary aspect. Competitive advantage prompts the high performance of a firm above the average companies in terms of attaining monetary performance. [47] An empirical study was conducted and stated that there is a significant association between competitive strategies on SME's performance. [48,49] However, the study also shows that there is a significant effect between competitive advantage and marketing performance. In a similar study

conducted by [50] the outcomes of the indicated that competitive strategy has significant influence and increase business performance. Similarly, [50] shows that there is a positive association between competitive strategies on firm performance. The firm distinction strategy has not only

direct influence but rather it has a direct association through financial measurement. Based on the above discussions this study postulated that:

H<sub>4</sub>: Poor market competition advantage has a positive influence on small scale business performance.

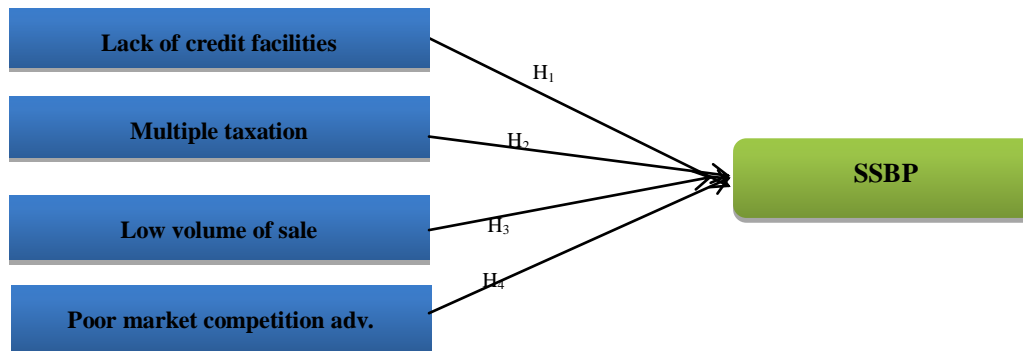


Fig. 2.1 Research framework

### 3.1 MATERIAL AND METHODS

The study scope was only limited to the small scale business operating in Bauchi central market, Bauchi city. The research assumed that the entire respondent in this study and their responses obtained from the sample would represent the opinion of all small scale business operators in the Bauchi city while at the period of the conduct of this study is between January 2018 to July 2019. The study employed a cross-sectional survey research design using 52 randomly selected small scale business operators in Bauchi city for questionnaire design and administration. The population of the study comprises all the 60 small scale business operators and registered in Bauchi central market while the study sample size of 52 were determined by employing the formula of Taro Yamane's sampling determinant. [51] Sample Size Determination Formula was employed in order to assist in reducing a large population to a study sample. The data collected were presented using tables of percentages and regression analysis the tool employed for data analysis is SPSS to confirm the postulated hypotheses. A total of 60 questionnaires were administered and distributed, 92.0% were returned while 8% were not returned and 92.0% were used for the analysis.

### 4.1 RESULTS AND DISCUSSION

The model produced overall R value of 0.840 and R square value of 0.705 with F-statistics of 9.320 which are significant as indicated by p value of 0.000 far below the recommended maximum of 0.05. [52] This shows that the model predicts about 70.5 percent of the variation in small scale business performance. In other words, about 70.5 percent in the changes in small scale business performance whether high or low can be explained by changes in the business environmental challenges. The model is fitted well and good as it produced a strong R square and F statistics values. Based on table 4.1 above shows that Lack of easy access to credit facilities has the lowest is frequency of 7 which represent 14% and the highest is 19 which represent 38%. This indicates that majority of the respondent has no access to credit facilities either from government, banks or other financial bodies. Similarly, Base on the multiple taxations the lowest frequency is 2 which represent 3% and the highest 23 which is representing 46% it indicates how multiple taxations affect their business. Similarly, low sales value on the SSBs the lowest frequency is 3 which represent 6% and the highest frequency is 21 which represent 42%. This has shown that the majority of the business

owners have low sales volume while half of them sales little daily in the study. The competition and poor market sales the lowest frequency is 5 which represent 10% and the highest frequency is 17 which also represent 34% which is shows that poor competitions do not have any effect on their business.

The result on the regression analysis shows that the business environmental challenges which has significant effect on small scale business performance are lack of easy access to credit facilities, which indicated the t-statistics value of -3.485 and p-value of .001, which the result indicated that there is significant influence of lack of easy access to credit facilities which means that, if the business has difficulties in access fund either from government or Bank loan and other financial institution it would negatively affects his or her business growth and expansion. However, this study is inconsonant with the study of [31-33,26] Therefore, based on the above argument then the H1 is accepted. The finding also shows that multiple taxations which indicated the t-statistics value -2.477 and the p-value of 0.018 that shows that multiple taxations affect business owners on the business profits growth and expansion. Charging high tax or double taxation on small business or new business may affect it is participation in a market in terms of additional inputs and the cost of the purchase and the profit in the business. The findings of this study are in association with studies of [39-41,34] they all established that government imposition of multiple taxes affects business performance. From the above findings of this study which indicated that multiple taxations negatively affects business performance then the H<sub>2</sub> is accepted.

However, the study also reports that the poor market competition advantage do not have a positive effect on the small scale business performance as shows by the p-values above 0.05 which are above the recommended maximum of 0.05 which indicated that t-statistics value .471 and the

p-value of 0.641. Thus, the outcomes of this study disagreed with findings of the [48-50] which indicated that market competitive advantage has a positive impact on business performance. So, therefore, the H<sub>3</sub> is rejected which means that poor market competition in Bauchi central market has no effects on small business performance. Finally, The finding also shows that low value of sales which indicated the t-statistics value -1.298 and the p-value of 0.202 that's show that low value of sales has no effects on small business owners growth and expansion, of which the findings of this study have a reverse outcomes with the findings of [42,45,46] which they found out that the volume of sales has significant and positive effects on the small scale business. Consequently, then the H<sub>4</sub> is also rejected. From the finding, low sales value do not affect small business in Bauchi central markets.

**Table 1. Lack of easy access to credit facilities**

Item	Frequency	Percentage
Low	7	14
Moderate	9	18
High	15	30
Very high	19	38
Total	50	100

**Table 2 Multiple Taxation**

Item	Frequency	Percentage
Low	2	3
Moderate	3	7
High	23	46
Very high	22	44
Total	50	100

**Table 3 Low Volume of Sales**

Item	Frequency	Percentage
Low	3	6
Moderate	13	26
High	21	42
Very high	13	26
Total	50	100

**Table 4 Competition and Poor Market Sales**

Item	Frequency	Percentage
Low	5	10
Moderate	13	26
High	15	30
Very high	17	34
Total	50	100

Source: field survey, 2019

**Table 1.5 R square**

Model	R Square	Adjusted R Square
1	.705	.629

**Table 1.6 Regression Analysis**

Model	T	Sig.
(Constant)	6.798	.000
LACF	-3.485	.001
MT	-2.477	.018
CPMS	.471	.641
LVS	-1.298	.202

## **5.1 CONCLUSION AND RECOMMENDATION**

This research paper discussed environmental challenges affecting small scale business in Bauchi City, Nigeria. The outcomes of the study established that government has a major role in terms of averting business challenges through tax policies, financial support and good atmospheric environment for competitive advantage, similarly, small scale business contributes significantly to the economic development and a conducive environment would create a better environment for the new and existing business owners which would attract more investor to the sector, this can be achieved through providing sufficient and effective infrastructural conveniences and a good design and formulation of favourable policies which would eventually address the main challenges of small scale business. The study, however, recommends that the government should address the problem of inadequacy of credit facilities through credit loan to small scale business which would be free from corruption and political inclination, The problem of lack funds such as access to outer finances, absence of collaterals and high-interest rate should be properly addressed by the government and pertinent patrons in order to ease the financial glitches experience by small scale business in Bauchi Central Market and the Nigeria at large. The government should provide simple and affordable credit facilities to small scale business through microfinance organization as well as endowments. The government should make a provision of new design fiscal and monetary policies that are complementary to small scale business and also the policy should address the issue of interest on a loan

and the interest should be affordable that can enable the small business owner to be able to repay without hitches. The study also recommends that the government should address the poor competitive environment through the adoption of technology which would enable their business beyond the local market. If this negative effect were addressed it would increase the sales volume as well as to maintain profitability.

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How to cite this article: Alhaji IA, Muharram FM. The influence of environmental challenges on small scale businesses in Bauchi central market. *International Journal of Research and Review.* 2019; 6(8):550-559.

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