

Adoption of Feasibility Report as A Success Factor by Small and Medium Scale Entrepreneurs in Kaduna

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Abstract: *Starting a business, whether large scale, medium scale or small scale in Nigeria involves a lot of processes. The environment that will accommodate such business is very crucial to the entrepreneurs. This research examines the adoption of feasibility report as a success factor by small and medium scale entrepreneurs in Kaduna. In the study, both the primary and secondary sources of data was used. A survey design was adopted while a sample size of 36 respondents was used to represent the entire population. The questionnaire was the instrument used in acquiring data from the respondents. In the summary of findings, a greater number of respondents (entrepreneurs) did not conduct feasibility report while a lesser number of respondents (entrepreneurs) did conduct feasibility report. This shows the neglect of feasibility report by the entrepreneurs and perhaps the consequent failures of such businesses. One of the recommendations made was that, there is need for entrepreneurs to conduct feasibility report before embarking on businesses, whether large, medium or small scale.*

Keyword: *Adoption, Feasibility report, small and medium scale, entrepreneurs*

I. Introduction

1.1 Background To The Study

All economies in the world have their unique characteristics. Whether in developed, developing or underdeveloped countries, economies are not uniform. Thus, in developed economies, all or certain economic indices are determinable because the business is organized. In developing economies, or as may be described as underdeveloped, such economics indices are unavailable and unorganized subjecting the entrepreneur to series of unfounded speculations.

The Nigerian economy is not left out in these characteristics. It is one economy, which principally relies on speculations because the indices that make an organized economy are unavailable. The Nigerian economy can be said to be hostile to investment thus increasing the risk of the entrepreneur. The reason is that, there is hardly any sector of the economy that can provide reliable and dependable data. Cases abound when certain authorities question data published in Nigeria. The most recent is the Gross Domestic Product (GDP) few weeks ago. Every newspaper in Nigeria was awash with the question of 'how did Nigeria's GDP surpass that of South Africa'.

Starting a business in Nigeria as in other places involves a lot of processes. The environment that will accommodate such business is very crucial to the entrepreneurs. It is on this note that, entrepreneurs who are willing to embark on small scale business face much challenges when there is no stable economy and also the absent of a friendly business environment. Business feasibility report plays a major role in the establishment of large scale, and medium scale as well as small scale businesses.

1.2 Statement Of The Problem

The uncertainty that characterizes the Nigerian economy plunges every entrepreneur (investor) to the whims and caprices of speculation. This is an indication that every sector is unpredictable and to be on the safe side, entrepreneurs must necessarily arm themselves with a feasibility report or study in the choice area of business. The worst victims in this scenario are the small scale entrepreneurs. Most of the investors within the small scale business rely on the rule of the thumb. Research has shown that many small scale businesses go into operation in a rather haphazard manner, which is anchored on personal advice, causal observation or conviction of some sort (Akpan, 1994).

In some cases, where a feasibility report is carried out, it is often devoid of the basic tools of investment appraisal. Akpan (1994) opined that personal interview, trial and error, apprenticeship and business report analysis usually adopted by small scale entrepreneurs are not enough to reveal the strength and weakness of a business.

Therefore, if this paper must agree with Akpan (1994), it can be understood why the failure rate in small scale entrepreneur is higher inspite of what the government is doing to encourage entrepreneurship.

1.3 Objectives Of The Study

The main objectives of this seminar include:

1. To examine the socio-economic characteristics of the respondents.
2. To examine adoption of feasibility report on small-scale business;
3. To make analysis of information based on feasibility report on small-scale business; and
4. To make suitable recommendation to this research.

1.4 Research Questions

The followings are the questions for the study;

1. To what extent has feasibility report enhance small and medium scale entrepreneurs in Kaduna?
2. What are the factors that impede feasibility report?
3. Why is feasibility report necessary for small and medium scale entrepreneurs in Kaduna?
4. What are the measures to tackle the impediments of feasibility report on small and medium scale entrepreneurs in Kaduna?

1.6 Research Hypothesis

The following hypotheses are formulated for use in this study.

H₀: There is no significant relationship between feasibility report and success of small and medium scale entrepreneurs in Kaduna.

H₁: There is a significant relationship between feasibility report success of and small and medium scale entrepreneurs in Kaduna.

II. Literature Review

2.1 The Concept Of Feasibility Report

A business feasibility report can be defined as a controlled process for identifying problems and opportunities, determining objectives, describing situations, defining successful outcomes and assessing the range of costs and benefits associated with several alternatives for solving a problem (Alan, 2005). The business feasibility report is used to support the decision making process based on a cost benefit analysis of the actual business or project viability. The business feasibility is conducted during the deliberation phase of the business development cycle prior to commencement of a formal business plan. It is an analytical tool that include recommendations and limitations, which are utilized to assist the decision-makers when determining if the business concepts is viable (Drucker, 1985); Hoagland and Williamson, 2000; Thompson, 2003C; Thompson, 2003a).

It is estimated that only in fifty (50) business ideas are actually commercially viable. Therefore, a business feasibility report is an effective way to safeguard against wastage of further investment or resources (Gofton, 1997; Bickerdyke et al, 2000). If a project is seen to be feasible from the result of the report, the next logical step is to proceed with the full business plan. The research and information uncovered in the feasibility report will support the business planning stage and reduce the research time. Hence, the cost of the business plan will also be reduced. A thorough viability analysis provides an abundance of information that is also necessary for the business plan. For example, a good market analysis is necessary in order to determine the business concepts feasibility. This information provides the basis for the market section of the business plan (Bangs, 2000; Hoagland and Williamsson, 2000; Truitt, 2002; Thompson, 2003b).

Finally, a feasibility report should contain clear supporting evidence for its recommendations. The strength of the recommendations can be weighed against the study ability to demonstrate the continuity that exists between the research analysis and the proposed business model. Recommendations will be reliant on a mix of numerical data with qualitative, experience-based documentation. A business feasibility report is heavily dependent on the market research and analysis. A feasibility report provides that stakeholders with varying degrees of evidence that a business concept will in fact be viable (Hoagland and Williamson, 2000; Thompson, 2003c; Wickam, 2004).

2.2 Business Feasibility Report And Dimensions Of Business Viability

The business feasibility report places the finding of the dimensions of business viability model assessment into a formal business report. It also aligns the findings with functional processes of an enterprise which an audience can easily understand (Thompson, 2003a). For the purpose of understanding the structure of a business feasibility report, the following represents the framework of the dimensions of business viability.

- Market viability
- Technical viability
- Business model viability
- Management model viability

- Economic and financial model viability
- Exit strategy viability

Business and market analysis will contribute considerably to the business viability feasibility report. Here, consideration is given to using traditional business analysis techniques such as SWOT, Porters Five Forces and PEST. Although they may not provide information which is adequate and exhaustive to the proposed business model, they will provide a strong starting point for future analysis.

2.3 Describing Small Scale Businesses

There has been a dearth of agreement among writers in Nigeria and elsewhere as to what constitutes a small-scale business because the classification of businesses into large-scale, medium scale or small-scale is a subjective and qualitative judgement. In countries such as USA, Britain and Canada, small-scale business is defined in terms of annual turnover of 2 million pounds or less and with fewer than 20 paid-up capital and number of employees (Ekpenyong and Nyong, 1992).

In the 1990 budget, the Federal Government of Nigeria defined small-scale enterprises for purpose of commercial bank loans as those with an annual turnover not exceeding ₦500,000 and for Merchant Bank loan, those enterprises with capital investment not exceeding 2 million naira (excluding cost of land) or a maximum of 5 million naira. The National Economic Reconstruction Fund (NERFUN) put the ceiling for small-scale industries at 10 million naira.

Section 37b(2) of the Companies and Allied Matters Decree of 1990, defines a small company as one with:

- a) An annual turnover of not more than 2 million naira.
- b) Net asset value of not more than 1 million naira.

Despite their differences, all these definitions share common ideas that small-scale industries are generally low in terms of number of persons employed and in the amount of investment and annual business turnover.

III. Research Methodology

This section of the Study discusses the basic research design, location of the study, sources of data collection, population and sample size, sampling technique, method of administration of instrument, method of data analysis and problems encountered in the course of the research.

In this study, the two sources of data collection were the primary source and secondary source.

The primary source included interview and questionnaire. This was to enable the researcher draw data from the field through the construction of simple questions from the respondents or representatives of the population. The secondary source included textbooks, journals, bulletins, gazettes, newspapers, magazines, encyclopedia and websites. The population of the study contains all owners of small and medium scale enterprises in Kaduna. They are otherwise referred to as entrepreneurs.

Since it is not possible to survey all owners of small and medium scale enterprises in Kaduna, a sample of 36 entrepreneurs was selected to represent the entire population whose businesses are located in the major streets in Kaduna. A sample technique was drawn using a random sampling technique. This is a technique in which every member in the defined population is given equal and independent chance of being selected or included in the sample.

Random sampling technique was used to select 36 respondents in Kaduna because it was able to reduce cost, control selection bias and summarize collected data more quickly. The administration of instrument (questionnaire) was done in the form of structured questions which was distributed to respondents. The questionnaire was divided into two parts.

The first part enabled the researcher to collect personal information of the respondents. The second part was questions pertaining to the study in order to elicit appropriate responses. The researcher personally administered the questionnaires to respondents and stood back to receive the questionnaire. Fifty (50) questionnaires were distributed to respondents, forty (40) were recovered out of which four (4) were spoilt, leaving the researcher with 36.

Analysis of the data collected was mainly quantitative, involving tabulation of important variables. To enhance accuracy in the analysis of data collection, the simple percentage statistical method was employed. Various problems mitigated against the course of this research. The most important was that some respondents had very little education to understand the use and purpose of the questionnaire. Thus, much time was spent on explaining to them the purpose of this research.

The researcher encountered financial constraints. The funds were in limited supply to run to and fro, to give and receive back the questionnaires. This took more than the researcher's budget and time frame.

Most respondents demanded for money on the grounds that the research is not to their advantage but rather to the researchers benefit, while others argued that the survey is illegitimate and refused to cooperate. The researcher assured them of anonymity and confidentiality. Despite these challenges encountered, the researcher

was able to use research dexterity and ethics to control the situation which had resulted to a fruitful success of the study.

IV. Analysis Of Data And Presentation Of Results

This section of the study seeks to present and analyze data collected during the course of the field work of this research.

The analysis is based on the response of 36 respondents as a sample size for the study. The data was equally presented and analyzed to assist in the answers to the research hypothesis earlier formulated for the study.

Socio-Demographic Characteristics of Respondents

Table 4.1: Socio-Demographic Characteristics of Respondents

Sex Group	No. of Respondents	Percentage (%)
Male	24	66.67
Female	12	33.33
Total	36	100.00
Marital Status		
Single	15	41.67
Married	18	50.00
Divorce	3	8.33
Total	36	100.00
Age Group		
20 – 24	3	8.33
25 – 29	8	22.22
30 – 34	10	27.78
35 – 39	9	25.00
40 and above	6	16.67
Total	36	100.00
Educational Status		
Below Secondary School	8	22.22
Secondary School	21	58.33
NCE, OND, HND	4	11.11
Bachelors Degree and above	3	8.33
Total	36	100.00
Religious Affiliation		
Christian	28	77.78
Muslims	2	5.56
African Traditional Religion	6	16.66
Total	36	100.00
Age of Business (Years)		
Less than 5	9	25.00
6 – 10	17	47.22
11 – 15	6	16.67
16 – 20	4	11.11
Total	36	100.00
Number of Employees		
	No. of Respondents	Percentage (%)
Less than 10	24	66.67
11 – 20	8	22.22
21 – 30	4	11.11
31 – 40	-	0.00
Total	36	100.00
Previous Working Experience (Years)		
0	10	27.78
1 – 5	19	52.78
6 – 15	6	16.67
Over 15	1	2.78
Total	36	100.00
Type of Business (Years)		
Service	13	36.11
Production	5	13.89
Retail	10	27.78
Wholesale	8	22.22
Total	36	100.00

Source: Field Work, 2014.

Table 4.2: Adoption of Feasibility Report Distribution

Feasibility Report Adoption	No. of Respondents	Percentage (%)
Feasibility report	4	11.11
No feasibility report	32	88.89
Total	36	100.00

Source: Field Work, 2014.

Table 4.2.1: Distribution of Respondents on Capital Base

Capital Base (₦)	No. of Respondents	Percentage (%)
Less than 200,000	11	30.55
200,000 – 500,000	15	41.67
600,000 – 1,000,000	7	19.44
1,000,000 – 2,000,000	3	8.33
Total	36	100.00

Source: Field Work, 2014.

4.1 Analysis Of Tables

As shown in Table 4.1, respondents who were male are 66.67% while respondents who were female are 33.33%. In Table 4.1, about 41.67% of respondents were single, 50% were married while 8.33% were divorce. Table 4.1 shows that respondents ranging between the ages of 25 – 29 were about 22.22%, respondents ranging between the ages of 30 – 34 were about 27.78%, respondents ranging between the ages of 35 – 39 were about 25% while respondents ranging between the ages of 40 and above were about 16.67%. In Table 4.1, about 22.22% of respondents have less than secondary school education, 58.33% of respondents have secondary school education, 11.11% of respondents have NCE, OND and HND while 8.33% of respondents have bachelors degree and above. In Table 4.1, 77.78% of respondents were Christian, 5.56% of respondents were Muslims while 16.66% respondents were African Traditionalists. Table 4.1 shows that most of the small scale businesses are between the ages of 1 – 5 years with 25% frequency, and others between 6 – 10 years, 11 – 15 years, 16 – 20 years with 47.22% frequency, 16.67% frequency and 11.11% frequency respectively. Table 4.1 indicates the number of employees of small scale businesses which varies from those employing less than 10 people (66.67%), those employing between 11 – 20 people (22.22%) to those employing between 21 – 30 people (11.11%). Table 4.1 indicates the previous working experience of the respondents. About 27.78% had no previous working experiences before they adopted their businesses. Majority (52.78%) of the respondents had 1 – 5 years working experience before they adopted their businesses. About 19.45% of the respondents had more than 6 years working experience. In Table 4.1, the type of business of the respondents included service (36.11%), production (13.89%), retail (27.78%), wholesale (22.22%).

Table 4.2 shows that about 11.11% of the respondents adopted feasibility report before they started their businesses but 88.89% did not adopted feasibility report before they started their businesses.

In Table 4.2,1, the small scale business with less than ₦200,000 capital base are 30.55%. Those with capital base of between ₦200,000 – ₦500,000 are 41.67%. These businesses have the highest frequency. About 19.44% had their capital base ranging from ₦600,000 – ₦1,000,000 and 8.33% had a capital base between ₦1,000,000 – ₦2,000,000. None of the small scale businesses has more than ₦2,000,000 capital base.

4.2 Summary Of Findings

One of the major problems that confront entrepreneurs is the lack of funds. If it were easy to obtain funds, many Nigerian would have become entrepreneurs. Capital is considered the most critical factor in translating an entrepreneur’s dream into reality. Some entrepreneurs whenever they have need for money think of banks. It has to be pointed out here that, many banks do not give venture capital or make loans to businesses not yet in existence. Most importantly is the lack of feasibility report when entrepreneurs start-up their business. From the findings of the study, a greater number of respondents (entrepreneurs) did not conduct feasibility report while a lesser number of respondents (entrepreneurs) did conduct feasibility report. This demonstrate the neglect of feasibility report by the entrepreneurs and perhaps the consequent failures of such businesses. Let me reiterate here that, the absence of bankable feasibility report has its consequences on the number and viability of SMS.

V. Conclusion

The economic foundation of a nation rests on its ability to own and manage small-scale businesses. The major force in the Nigerian economy today is the entrepreneurs. Small-scale businesses provide the logical starting point for big businesses and it is also the small business, which primarily carries the entrepreneurial thrust.

Most small-scale businesses are created by their owners; others are family businesses, while some are inherited. The entrepreneur must ensure that feasibility report is commissioned to reputable firm. This research

has revealed that the average small-scale businesses in Kaduna are between 6 – 10 years. Few operators of small-scale businesses have tertiary education and a minute percentage have previous business experience. Most of the proprietors of small-scale businesses do not conduct feasibility report before they start their businesses. Therefore, feasibility report is to consolidate an argument based on factual evidence and analysis to help justify decisions in relation to the core question of whether the business venture in question is actually viable.

VI. Recommendations

Based on this research, it recommends that:

1. There is need for entrepreneurs to conduct feasibility report before embarking on businesses, whether large, medium or small scale.
2. There is need to consult others for help and information when writing the feasibility report.
3. Feasibility report regarding the viability of a business idea should be unbiased, objective and analytical.
4. Government and micro-finance schemes must ensure that assistance is rendered to entrepreneurs who are willing and honest to start-up small-scale business in connections with the conducted feasibility report.
5. Emphasis should be given by government and agencies on the desirability of the feasibility report in the commencement of business.

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