

Socio-Economic Appraisal of Small Scale Enterprises Associated With Wood Based Industries: Case of Illoabuchi Sawmill, Port Harcourt

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Abstract

Background: Micro and small scale enterprises (MSSE) have been noted to be a key driver for economic growth hence; MSSE cannot be overlooked in the economic development of any country. Socio economic studies of MSSEs associated with Illoabuchi sawmill was investigated. **Methodology:** Structured questionnaires were administered among the available MSSEs numbering 137. Average turnover and employee number of MSSEs were evaluated. Data was analyzed using descriptive tools and Pearson correlation analysis.

Results: Foods and drinks related enterprises form the bulk of micro and small scale business in the sawmill (35.8%) while building materials and transport services form 22.6% and 8.0% respectively. Monthly average turnover for food related business was below ₦ 20,000 (40.5%) while building materials ranged between ₦100,000 - ₦150,000 (0.8%). About 91.2% of the respondents had 1-3 employees in their business outlet while 8.0% had 4 - 6 employees. **Conclusion:** Illoabuchi sawmill provides opportunities for many associated MSSE both wood based and non-wood based. These small scale enterprises provide employment and generate income for business operators associated with Illoabuchi sawmill and serve as grounds for improving entrepreneurial capabilities and managerial competencies of operators.

Key Word: Small enterprises, sawmill, income, employment, Port Harcourt

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I. Introduction

Micro and Small Scale Enterprises (MSSE) are essential for growth and development of national economies. MSSE is rated the highest employer of labour both in advanced and developing economies. Most MSSEs are operated by few individuals and usually family members in poor economies, they engage majorly in small agricultural holdings, petty trading, mini transport operators and artisans; this could range between one and ten employees depending on investment capital base available. MSSEs have been recognized for their capacity to generate employment, alleviate poverty, enhance economic development and foster even distribution of development in rural and urban centres (Olayiwola and Adeleye, 2005). MSSEs are basic instruments for sustainable economic development. Classifications of MSSEs are diverse and vary with countries depending on national policies and structure of the economy. Common nomenclatures of MSSEs include; Micro and Small Scale Enterprises (MSSE), Small Scale Enterprises (SSE), Small and Medium Scale Enterprises (SMSE), Micro and Medium Scale Enterprises (MMSCE) e.t.c. Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) categorized MSSEs into three levels; micro, small and medium scales (SMEDAN, 2020). Excluding land and buildings, micro enterprises have fewer than Ten (10) employees and capital base less than ₦5M (Five million Naira), small enterprises employ 10 – 49 staffers and capital base of ₦5M – ₦49M while medium enterprises employ 50 -199 with capital base starting from ₦50M but less than ₦200M.

MSSEs form the bulk of businesses that account for GDP in Nigeria especially at informal levels. These include agricultural holdings, forestry and wood based enterprises, transportation and artisans. MSSEs contributed 48.47% to Nigeria GDP in 2013 fiscal year with start-up capital of less than ₦50000 reported for 68.35% of the micro enterprise operators (SMEDAN/NBS, 2013). Wood or lumber industries are usually driven by private sector of the economy in developing countries and are concerned with logging, timber trade, conversion of round wood to sawnwood/lumber, poles, fuel wood, veneer, wood products (e.g. furniture) and secondary products such as pulp and paper industry. The forestry subsector has over the years contributed immensely to the socio-economic development in Nigeria (Fuwape, 2003). Wood based industries are known to contribute greatly to local and national economies (Idumah *et al.*, 2016) and ranks among one of the highest revenue and employment generating sectors. Timber export makes significant contribution to the gross domestic product of Nigeria (Idumah and Awe, 2017)

Logs are converted into lumber, boards or marketable planks in sawmill. Except in few places, sawmills and plank markets are usually lumped together locally in Nigeria; round woods are processed into different lumber sizes, sorted and sold in a competitive manner by wholesalers and retailers, while planks are well standardized, treated and sold in specialized supermarkets for building materials such as “HOME DEPOT, INC” in North America and European countries. In a typical sawmill in Nigeria, there are various MSSE associated with proper functioning of the mill such as transportation, food vendors, firewood sellers, wood turning machine operators, micro wood furniture and souvenir processing enterprises, building materials etc.

Large sawmills attract MSSEs who target sawmill workers and visitors as potential patrons of their businesses by providing immediate services and making available essential products associated with wood/lumber. These actions of MSSEs generate employment and livelihood sustenance for numerous families and individuals which are not captured in the formal GDP. Although the associated MSSEs in sawmills are not the main factors considered in locating such mills, they only appear as positive externalities and usually outnumber core mill workers in most cases. Olawuni and Okunola (2014) asserted that sawmill industry in Ile – Ife, Nigeria contributes significantly to the economic development of residents in job creation, domestic wood for cooking, and provision of infrastructural facilities. There is paucity of information on the socio-economic characters of MSSE operators in sawmills to base their contribution to economic growth for effective planning. In this study, the socio-economics of associated wood based businesses (MSSEs) within and around Illoabuchi sawmill in Port Harcourt city was appraised to further established the socio-economic relevance of wood based industries in Nigeria.

II. Methodology

Study area

This study was carried out at Illoabuchi sawmill Port Harcourt, Rivers State, Nigeria. Illoabuchi sawmill is a cluster sawmill which was established in 1989 on about 1.5 hectares of land. It is located on latitude 4°78'89" N and longitude 6°98'77"E and situated within the Port Harcourt City Local Government Area (PHALGA) (Adedeji *et al*, 2016). Major log transportation method to the sawmill is by water, logs are either rowed or ferried by boats from the mangrove and fresh water swamp forests within and outside Rivers state. Logs are processed into sawn wood for building and construction purposes in the city. Several wood based artisans and other associated small enterprises are prevalent within and around the sawmill periphery. PHALGA has a population of 538,558 people at 2006 census (FGN, 2009). Port Harcourt is situated in the subequatorial region, experiencing frequent and prolonged downpour of rainfall. In Port Harcourt, the peak of rainy season usually occurs from June to October, with the total annual rainfall of more than 2500 mm (Eludoyin *et al.*, 2015)

Data Collection and Analysis

Complete enumeration technique was employed for this study. Data were collected through the administration of well-structured questionnaires, on-site observation and face-to-face interview. The completion and retrieval of questionnaires was done immediately at the location. The literate MSSE operators completed the questionnaires themselves, while the illiterate operators were aided by interpreting each question and ticking or recording the right answers carefully. We encounter a total of 139 small scale business operators at Illoabuchi sawmill during the data collection period to obtain necessary information out of which 137 responded in completing the questionnaires. The resulting data from the exercise was processed into suitable form for statistical analysis. Descriptive statistics and correlation analysis were employed in analyzing the data using the SPSS 16.0 software. Thus, results are presented in charts and tables.

III. Results and Discussions

Demographic characteristics of Respondents in Illoabuchi sawmill

Males (57.7%) form the majority of the MSSE operators while 42.3% are females (Table 1). This is congruent with findings of Odetayo and Onalapo, (2016) on SSE operators in Osun state, Nigeria. The age distribution of the respondents showed that operators aged above 30 years formed about 45.0% cumulatively while young adults (21 – 30 years) who are just starting independent life were 47.6%. This indicates that majority of those who engage in MSSEs in Illoabuchi sawmill are in their active ages and this provides good potential for high productivity and alertness. They also have the capacity to carry out strenuous and hazardous activities such as furniture making, log and planks transportation. Married respondents were 48.2% and unmarried operators (50.4%), only 1.5% were either divorced or separated from their spouses. About 55.5% had high school education and 13.9% experienced tertiary education, 13.1% do not attend formal school system. This indicate that about 70.0% of MSSEs had one level of formal education or the other, however, findings here contradicts the report of Okezie *et al.*, (2013) who opined that most MSSEs are not exposed to formal education. Family size of MSSE operators revealed 80.3% have about five persons and below and 19.7% between six to ten (6-10) persons in their homes. Most respondents 83.2% possess maximum of five (5) years experience in the

business while the rest have more years of experience up to 20 years. It is evidenced here that most MSSEs associated with Illoabuchi sawmill are temporary operators seeking take off capital for other reliable enterprise for higher income, hence do not stay long years around the sawmill, only few with long experience as MSSEs in the study are satisfied with their current status of income generation such as those dealing in building materials and haulage enterprises.

Table 1: Demographic characteristics of small scale business owners in Illoabuchi sawmill Port Harcourt

Demographic characters	Frequency	Percent
Sex of respondent		
Male	79	57.7
Female	58	42.3
Total	137	100.0
Age		
Below 20	7	6.8
20 – 30	49	47.6
31 – 40	30	29.1
41 – 50	12	11.7
Above 50	5	4.9
Total	103	100.0
Marital status		
Married	66	48.2
Unmarried	69	50.4
Divorced/Separated	2	1.5
Total	137	100.0
Family size of respondent		
Below 5	110	80.3
6 – 10	27	19.7
Total	137	100.0
Education		
Non – formal	18	13.1
Primary school certificate	20	14.6
Secondary school certificate / GCE	76	55.5
Tertiary	19	13.9
Others	4	2.9
Total	137	100.0
Respondent experience		
1 – 5	114	83.2
6 – 10	20	14.6
16 – 20	1	0.7
Above 20	2	1.5
Total	137	100.0

Source: Field Survey, 2018

Classification and Employment generation of associated businesses in Illoabuchi sawmill

Food related enterprises such as cooked food vendors/hawkers, bar/drinking joints, snacks such as peanuts (boiled or roasted), fruits, sausages, akara (beans cake), bread, fried yam, local drink (tombo, zobo etc.), tapioca and coconut etc. thrive most and form the bulk of MSSEs (35.8%) at Illoabuchi while building materials and transport services form 22.6% and 8.0% respectively (Table 2). Food related enterprise require small capital base (N5000 – N10000) compared to enterprise such as transport and building materials that requires relatively higher take off capital of about N50000 – and above (Plate 1). For example a light truck for lumber haulage could cost up to N3M in Nigeria. This report is in tandem with Hatten (2012) who noted higher population of people in small capital based investments among small scale business operators. Also employment generation of different MSSEs follow the same trend as classification in terms of occurrence frequencies. Among the MSSEs surveyed in the study, 91.2% of the respondents were observed to have 1-3 employees per outfit while 8.0% and 0.7% had 4-6 and above 9 employees respectively (Fig.1).

Table 2: Classification and employment generation of small scale enterprises associated with Illoabuchi sawmill, Port Harcourt

Enterprise	Classification		Employment generation	
	Frequency	Percent	Frequency	Percent
Food and drinks	49	35.8	69	30.26
Medicine (Herbal medicine seller)	01	.7	01	0.44
Building material	31	22.6	50	21.93
Fashion and textiles	4	2.9	16	7.02
Transport services	11	8.0	37	16.23
Electrical materials,electronics,music and musical equipment	04	2.9	04	1.75
Sawmill machine spare parts retailers	02	1.5	04	1.75
Others(Lotto, Engine oil, Paints, Foams etc)	35	25.5	47	20.61

Total	137	100.0	228	100.0
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Source: FieldSurvey, 2018.



Plate 1: Selected MSSEs in Illoabuchi Sawmill, Port Harcourt, Nigeria: Mini transport operator and local food vendor (Yam frying) providing services to core sawmill operators

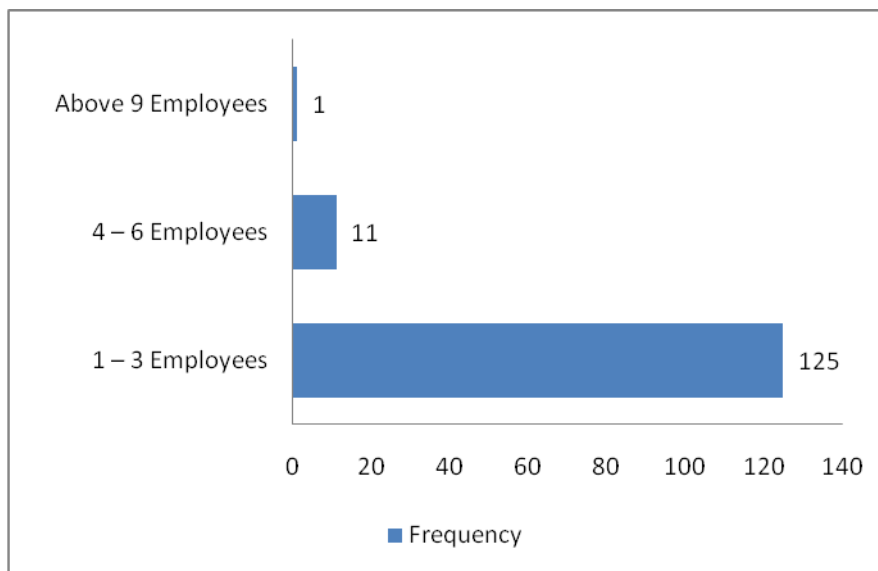


Figure 1: Average employee per outfit of MSSE in Illoabuchi sawmill Port Harcourt

Correlation analysis shed light on the relationship between average monthly turnover and demographic characteristics of the MSSE operators such as age, marital status, educational level, type of enterprise, experience and start-up capital. Table 3 revealed a positive correlation of certain characteristics (education, experience and start-up capital) and monthly turnover. Positive correlation of education level helps to boost average monthly turnover as a result of their likelihood to understand and apply certain principles of business management. This could give them an edge over the illiterate operators, also experience in business has an important role to play in business management hence operators with relative education of book keeping, inventory and policy interpretation coupled with experience have the potential of recording higher turnover monthly. Similar findings have been reported among SSE operators in Osogbo, western Nigeria (Aworemi *et al.*, 2010; Odetayo and Onaolapo, 2016) for many types of investments. Also Gumel (2019) noted that education helps owners and managers engage in critical thinking that results in innovation and business growth.

Table 3: Correlation of average monthly turnover and Demographic characteristics of MSSEs in Illoabuchi sawmill Pot Harcourt

	Age	Marital status	Education	Type of enterprise	Experience	Start-up capital	Monthly average turn over
Age	-6.44**	0.000	-0.061	0.206*	0.273**	0.301*	0.399**
Marital status			0.481	0.016	0.001	0.012	0.000
Education			0.125	0.064	-0.122	-0.206	-0.210*
Type of enterprise			0.147	0.457	0.157	0.090	0.016
Experience				0.036	0.081	0.120	0.207*
Start-up capital				0.680	0.345	0.327	0.018
					0.089	0.156	0.110
					0.303	0.199	0.210
						0.008	0.0221*
						0.948	0.011
							0.640**
							0.000

Source: Field survey, 2018.

Startup capital and source of capital of small scale business operators in Illoabuchi sawmill Port Harcourt

The trend of capital source for MSSEs is shown in Fig. 2, 83.2% of the operators started with personal savings while others received donations or interest free loans from friends and family (6.0%), few operators (2.0%) secured bank loans to take off the business. Most MSSEs rely on personal savings to start due to difficulties and stringent conditions attached to bank loans in Nigeria. Majority of poor people lack collateral security to secure bank loans such as landed property or sureties who can pay back in case of business failure; hence they are usually denied such credit facility (Jacob and Udungeri, 2018; Saari, 2020). Microfinance banks and commercial banks are reluctant to dish out loans without assurance of ability to pay back. In Nigeria, bad debts in form of nonperforming loans have threatened survival of many banks in the past; hence they are weary of such unpalatable experience (Adeyemi, 2011; Akani and Uzar, 2018).

Figure 3 shows startup capital of MSSE operators in Illoabuchi sawmill. Most operators (78.3%) started their business with a capital base below ₦50,000. At the survey time, 1USD\$ was approximately N380 (Nigerian Naira), this means that most of the associated businesses at Illoabuchi sawmill started with less than \$140USD. Hence, they are mostly petty traders, food vendors and hawkers of beverages in and around Illoabuchi sawmill who do not require huge capital to take off. They serve the core mill workers and transporters. These groups of MSSEs were also observed to be prevalent in institutions of higher learning in Nigeria providing various petty services (Oladele and Ezinwo, 2017). These businesses are pure micro/small scale in nature considering their start-up capital. Also, most of the MSSE operators started their business with their personal savings which further explains that most of them are owned solely (Adeyemi, 2014). The owner plan, direct and coordinate activities to create business value.

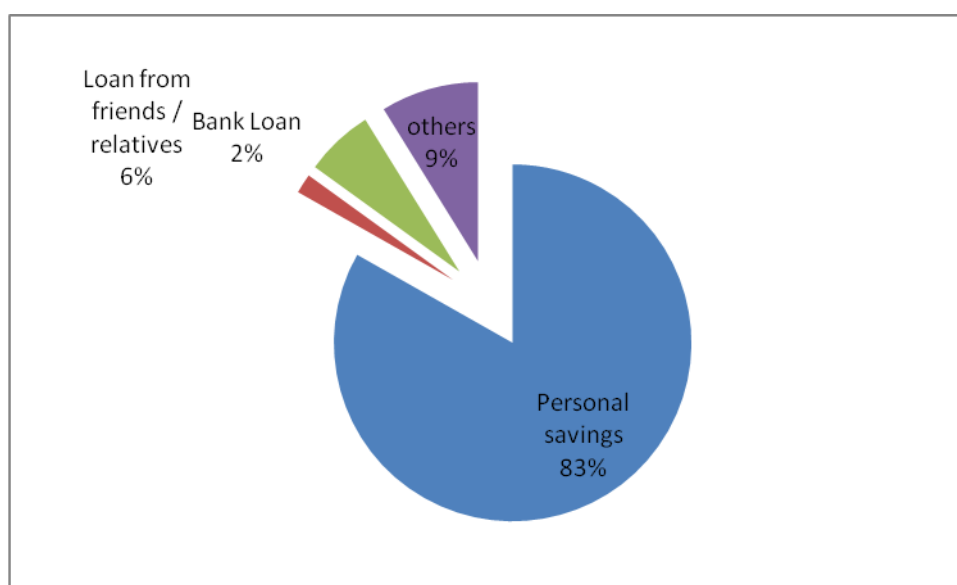


Figure 2: Source of capital of MSSE operators in Illoabuchi sawmill Port Harcourt

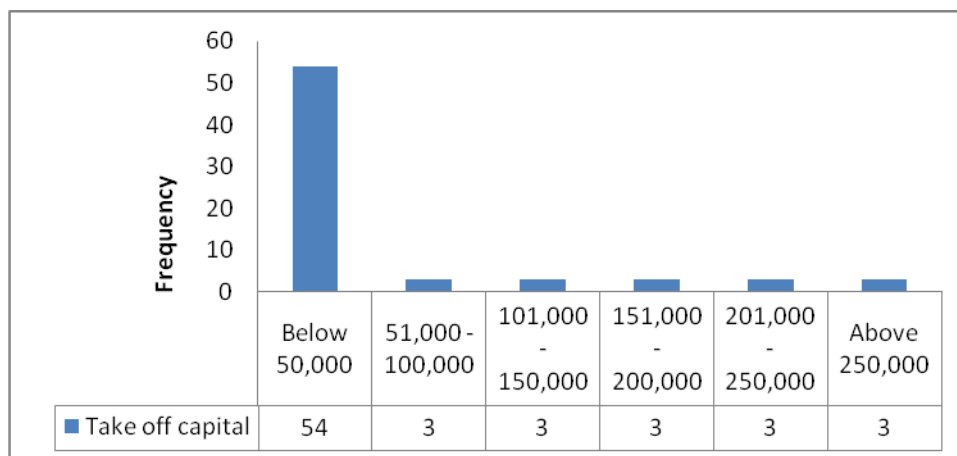


Figure 3: Start-up capital of MSSE operators in Illoabuchi sawmill Port Harcourt (Source: Field survey, 2018)

Monthly turn over and Types of enterprises in Illoabuchi sawmill Port Harcourt

Food and drinks has average monthly turnover between below ₦20,000 - ₦40,000, building material has between ₦ 41,000 – 100,000 while transport service and other enterprises such as Wooden/Iron door store, and Paints have monthly turnover between ₦21,000 - ₦60,000 and below ₦20,000 – ₦150,000 respectively (Table 4). Petty traders involved in food and drinks took off with paltry capital while the turnover looks scanty, it corresponds with the invested capital. Apart from the petty food vendors, MSSEs that engage in building materials and sawn wood transportation activities recorded highest monthly turnover due to the higher take off capital and complementary nature of their business; most wood buyers requires haulage services for items procured and other building materials such as nails, paints and roofing sheets among others.

Table 4: Average Monthly turnover of Common enterprises at Illoabuchi Sawmill Port Harcourt

Type of enterprise	Average monthly turn - over ₦						Total
	Below 20,000	21,000 - 40,000	41,000 - 60,000	61,000 - 80,000	81,000 - 100,000	101,000 - 150,000	
Food and drinks	37	10	1	0	1	0	49
Medicine (Herbal)	1	0	0	0	0	0	1
Building material	0	6	10	11	2	0	29
Fashion and textiles	0	3	1	0	0	0	4
Transport services	0	7	3	1	0	0	11
Electrical materials and musical equipment	1	1	1	0	0	0	3
Sawmill machine spare parts retailers	0	0	0	2	0	0	2
Others (Wooden/Iron door, Paints, Chemicals etc.)	14	13	3	0	1	1	32
Total	53	40	19	14	4	1	131

Source: Field survey 2018

IV. Conclusion

Illoabuchi sawmill provide opportunities for many associated MSSEs to thrive: wood based and non-wood based. These MSSEs provide employment and generate income for majority of people at the lowest rung of social strata ladder. They also serve as grounds for improving entrepreneurial capabilities and managerial competencies. However, the preponderance of micro scale with very low capital base below N50000 is an indication of poverty and poor quality of life among the Nigerian populace. Efficient management of Illoabuchi sawmill sustainably will continue to provide employment and source of livelihood to many individuals.

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