

Business Growth and Development in Ibarapa

Adeleke, M. S.

Department of Business Education
 Emmanuel Alayande College of Education, Oyo, Nigeria.

Abstract

The focus of this paper is to examine and show the direction and type of business growth and development in Ibarapa and how Ibarapa economy can be improved upon to boost employment generation and economic performance. From the analysis of data collected from the three local governments in the region, Business in general term has relevance to the life of Ibarapa people and it is largely being conducted as a sole proprietorship at micro level. This sector, informal, continues to be favoured as long as informal proprietors' continue to increase and exist. The major constraints to this sector are access to finance and sound management. Therefore informal sole proprietorships should be given a kind of support to build their capacity through access to finance and education. This will strengthen the possibility of creating more solid frames for the contribution of the informal sector to Nigeria economy in general and Ibarapa in particular.

Keywords: business, development, growth, issues, constraint, informal sector.

INTRODUCTION

By definition, business covers all value adding activities of man in a society, which satisfies the provider and others in the society simultaneously and do not run counter of the society's laws (Adeleke, 2010) in its drive for economic gain. So the business to be considered here is the one that meets the above attributes. This business may be carried out on micro or small or medium or large scale. It all depends on the ownership structure, its mission and vision to utilise the society's resources to profit, its capital size and the size of human resources it carries in doing the business. Likewise the business may also operate in the core production sector or distribution sector or service sector of the economy.

Looking at business this way, it becomes necessary to look at the growth and development of business in Ibarapa by examining the issues and constraints that accounts for it as all forms of businesses thrive here. There are three local government areas in Ibarapa region. Ibarapa, as one of the regions in Oyo State, Nigeria, is bounded in the North by Iseyin, Kajola and Iwajowa Local Government Areas and in the South by Ogun State, in the East by Ibadan metropolitan city and West by Benin Republic.

Type of Business

Since business means any activity that has the potential of being demanded for in a society which does not violate the laws of the society but adds values to the life of society, it means it can be carried out in different forms. - Extractive Business, Manufacturing and Processing Business, Construction Business, Commercial Business and Service Business. Business can not be said to add value to the society if what the business is adding is not what the society needs. This is simply the ability

– readiness, willingness and ableness of the society to pay for such activity. The business must be able to transform the society's needs into goods and services that will satisfy these needs as shown below.

Table 1: Needs Transformation into Product

S/N	NEED	PRODUCT
1.	Physical	Agricultural products such as crops, fish, chicken, eggs, etc; mining products such as gravel, gold, oil, etc; manufacturing products such as plastic, candle, cloths, etc; constructive products such as welding, building, etc.
2.	Locational	Transportation, warehousing, etc
3.	Exchange	Wholesale and retail operations both financial and non financial.
4.	Physiological	Health care delivery, housing, tailoring services, food, etc.
5.	Psychological	Entertainment, ostentatious articles – gold, flashy car, etc.
6.	Informational	Communication, Education, advert, etc.

Source: Adeleke (2010) Easy Roadmap of Owing

Your Own Business

From the above table, business converts society's needs into the desired products that can meet the society's needs effectively. For business to be seen as an effective needs transformer, a good mix of the society's resources is needed. Manipulating these resources (both human, money and material resources) rightly will aid the ability of the business to transform needs into products that the society is ready, willing and able to pay for and in return for the usage of these resources the business equally compensates the society through payment of dividend, wages, interest, rent and money cost. This process continues as long as the business is relevant to the society. The impact of the business gradually becomes noticeable as the standard of living

continues to improve through employment (of both human, money and material resources) creation ability of the business, payment of taxes, rendering of social obligations, providing goods and services that meet the society's regulatory body standard (Obligations); obeying the rules and laws of the land and compensating (paying of interest, rent, wages and dividend) the society for the use of the resources in

meeting the needs of the society. as shown below. From the below figure, the input into business transformation process consist of the needs, resources and regulatory framework from the society on one hand and on the other hand the income earned from sales of products which the business transform into output like compensations, payment of taxes, and social behaviours.

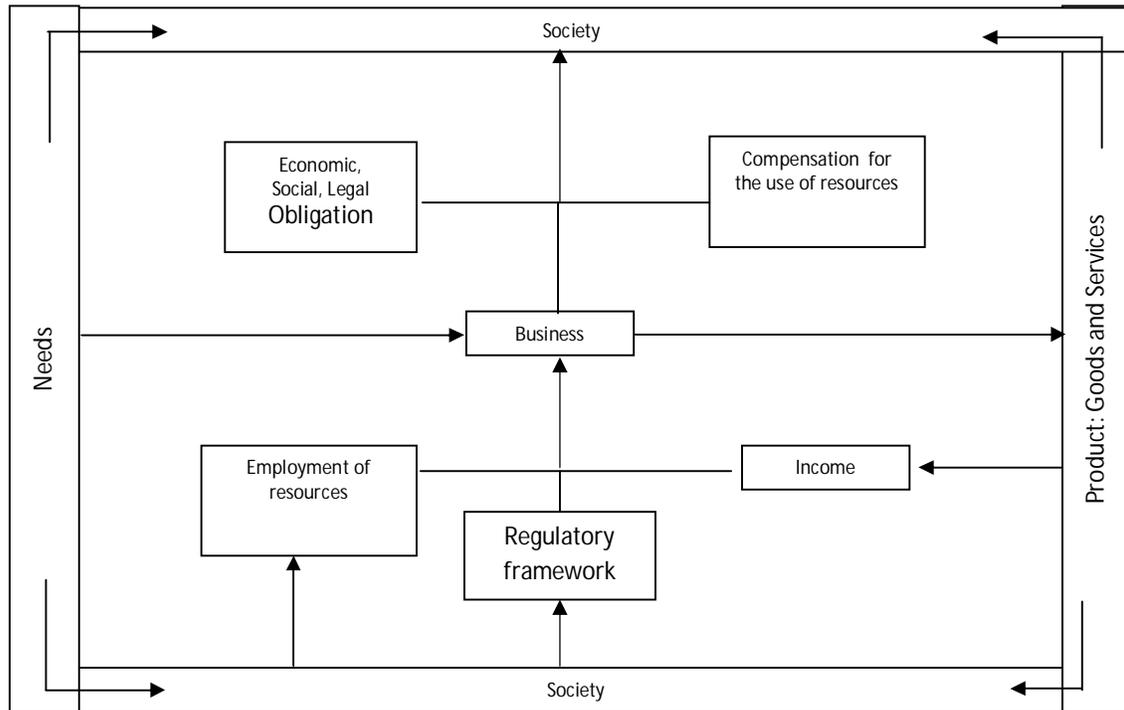


Fig 1: Business Transformation Model
Source: Self Developed by Adeleke, M. S. (2012)

The transformation model above clearly shows that business performs certain functions which include the followings (Adeleke, 2010):

1. Business supplies goods and services.
2. Business produces wealth for society.
3. Business acts as a seeking entity/profit.
4. Business assists in the establishment of a better society (by being socially responsible).
5. Business promotes creative ideas,
6. Business promotes skill acquisition and development (through human resources succession planning and development)
7. Business is a value adding entity (by changing form, time, place and ownership of products so as to meet the needs of the society).

Business Ownership Forms

Business ownership forms include sole proprietorship (one man business), partnership, Limited Liabilities Company and cooperative societies. According to Adeleke (2010), some factors influence the choice of

a particular business ownership form. These factors include ownership and management, transfer of ownership, sharing of profit, expansion of business, and extent of its liability and in addition income tax. Any of these forms has its own peculiarities. For instance a business owned and operated by just one person carries with it the sole obligation of providing capital and taking all profits and losses that may be earned during the course of running the business whereas the one owned and operated by two or more people as a partnership form has a relative chance of getting larger capital and efficient management from the partners but both the profits and losses are meant to be shared by the partners. Either sole proprietorship or partnership does not pay corporate tax apart from the income tax the owners will pay and likewise with these form of business ownership, owners lose all their personal belonging in the event of the business run. Whereas under the limited liabilities companies, the liabilities of members are limited to the nominal value of shares allotted to them or agree to pay in the event of business bankruptcy. This advantage goes to both limited liability companies and cooperative societies. But

they are being run by board of directors or management committee on behalf of the owners. The businesses owned and operated by these forms of businesses ownership have relatively larger capital compared to sole proprietorship or partnership. This has a kind of implication to type of business to be pursued. A capital intensive business may not be favourably operated by sole proprietorship or partnership compared to limited liabilities companies' ability in raising larger fund from shareholders or banks; like the access to public gives public limited liabilities companies a rider over privately owned companies whose access to capital market is limited. Management horizon and prowess of sole proprietorship can not be compared with partnership if they are to have reasonable larger size of employees in their business outfits. Apart from this the nomenclature of these business ownerships tells volume of what they can do. If the owners have large estate, banks may give them a favourable consideration when they are seeking for loan knowing fully that they have unlimited liabilities (i.e. their personal estate can be sold to pay off the business liabilities). At the international level, these businesses may also not have the ability to transact business like the limited liabilities companies; knowing fully that at will, without following a legal process, they can fold up.

Business Forms and Sizes

We have dealt with various forms of business ownership; let us see what the literature says about various scale or level these business ownerships do operate. To draw a line of divide between business sizes, we need to know that the attachment of an adjective to a business in order to describe such business is relative to individuals, various institutions, nations and international organizations. For instance, the Bolton Committee (1971) regarded firms to be small if they satisfied three criteria as follows:

- i. They had relatively small share of their market place.
- ii. They were managed by owners or part owners in a personalized way and not through the medium of a formalized management structure.
- iii. They were independent in the sense of not forming part of a large enterprise.

This definition was not accepted by Atkinson and Meager (1994) because as soon as a firm size reaches between 10 and 20 workers, there would be needs for proper coordination and supervision hence appointment of supervisors or foremen will arise. Likewise Wynarczyk et al (1993) contended that small business usually engage in specialize product and isolated geographical area that may not necessitate competition.

Because of the definition problem, for the purpose of this study, we are adopting NCI modified definition of 2001 (cited in Nwakeze, 2005) in classifying business into different classes as follows:

- i. Cottage/Micro industry: Total cost not more than N1.5m excluding cost of land and labour size of not more than 10 workers.
- ii. Small Scale Industry: Total cost above N1.5m but not more than N50m excluding cost of land and labour size of between 11 and 100 workers.
- iii. Medium Scale Industry: Total cost above N50m but not more than N200m excluding cost of land and labour size of between 100 and 300 workers.
- iv. Large Scale Industry: Total cost above N200m excluding cost of land and labour size of 300 workers.

From the above, two statistics are employed to describe a business as either micro or small or medium or large. Problem may still arise where a business satisfies a condition that describes it a micro or small business and another condition sees it as small or medium business. For example most of the fuel filling stations have less than 10 workers with investment of more than N1.5m. Can we say this business is a micro or small business! For the purpose of this paper, in order to resolve this definitional problem, money worth of the business shall be adopted as a rule in classifying business as a micro or small or medium or large.

Business Issues and Constraints

Conceptually, business employment creation ability which is the mainstay in its value adding activities in the society, business will continue to flourish as the activities of some certain actors increase positively. These actors may be generally grouped into:

- a) Opportunity or necessity driven business oriented individuals that are set to take on available opportunities and choose to exploit them in the society,
- b) Newly-formed businesses which innovate using new knowledge and other resources,
- c) All institutions that influence economic growth, and
- d) Society as the collection of all agents who are the ultimate beneficiaries of wealth creation.

The size and type of risk takers and access to venture capital coupled with the willingness of the individual to associate and run business together or through corporate governors influence ownership structure of business and the type and size of business that can be found in a society. The existence of those people with large heart for risk (i.e. risk seekers) promotes establishment of business that will not take on available opportunities in the society alone but run

innovative venture using new technology and other resources. These actions produce dual citizenship in these classes of people – corporate citizenship for their business and natural citizenship for the owners. Corporate citizenship makes business a citizen with property right to influence the society in a way that standard of living is improving steadily. This right may run counter of the political as well as socio-economic policies of the society; hence the society put in place some institutions to check and moderate the kind of activity of the corporate citizen. A country legal framework, fiscal as well as monetary policies aid the activity of risk seekers significantly. For instance economic policy of a given society that improves access to equity finance in rural areas also justifies government incentives on the grounds of net benefits to society and sustainable economic development. First, the social rate of return to some rural investments significantly exceeds the private return attainable by the venture capitalists. Society loses these additional benefits (e.g., the improved housing, healthcare, and education that may result from new job opportunities), if business development is retarded by an absence of venture capital (see Bernard *et al.* (2006). In another dimension, market imperfections (e.g., the high information and transactions costs associated with rural investments) result in a lack of capital availability for promising rural businesses in the “right industries” (Freshwater and others, 2001; Rubel and Palladino, 2000).

Generation of employment opportunities continue to increase with the existence of micro or small or medium business (see Owualah, 2001) as large firms fold up or relocate to low-cost labour markets overseas or business adopt new labour-saving technologies in the economy as a direct effect of the numerous programmes of the Federal Government in creating employment opportunities through Development Financial Institutions, National Directorate of Employment (NDE), National Economic Reconstruction Fund (NERFUND, Fund for Small Scale Industries (FUSSI), Small and Medium Industries Development Agency (SMIDA), and others. These institutions aid small and medium even large business not only in generating employment opportunities but in output expansion. The contributions from various businesses contributed in no small measure to the gross domestic product of this nation.

Society as the ultimate beneficiary of the wealth created from business can be seen in the pluralistic products in the society as well as the payment of taxes from the business, which the society uses to provide basic infrastructure that business also benefit from. Also the utilization capacity of business to employ local resources as input in its business processes also testifies to this (Owualah, 1999 and Nnanna, 2001). Whatever being used by the business from the society, business always compensates the society for that.

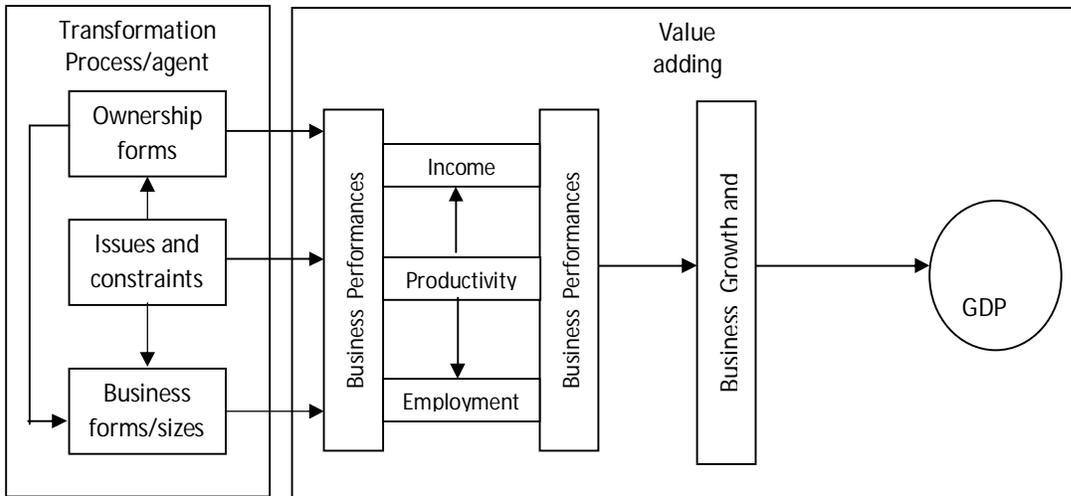


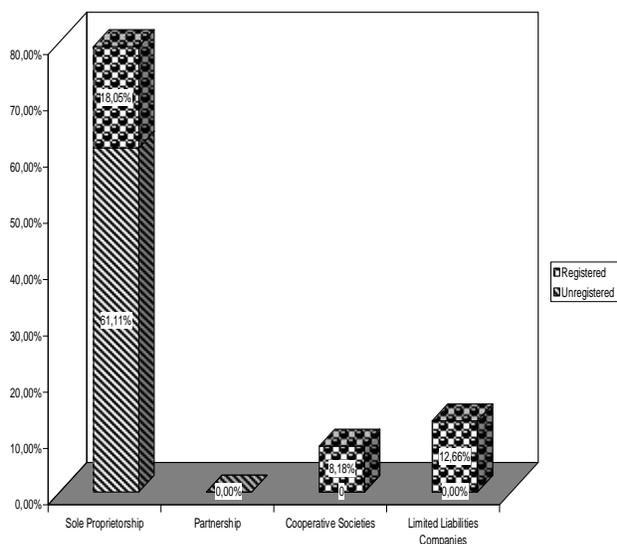
Fig. 2: Business Functions Model
 Source: Self Developed by Adeleke, M. S. (2012)

In sum the transformation process agents of the society's needs, work on the needs by transforming them into business productivity context which results into income for the business and create employment for the society and invariably affects the extent of business growth and development in the society which has a direct impact on the gross domestic product (GDP) as shown above.

Empirical Evidence of Business Growth and Development in Ibarapa

The findings stated below are from the questionnaire on representative samples. In this section the paper presents findings of the study on Business Growth and Development in Ibarapa Land on four forms of business ownership.

Fig. 3: Chart Showing forms of Business Ownership in Ibarapa



Source: Field Data, Nov. 2011

From Fig. 3, 61.11% of the representative samples are unregistered sole proprietorships with Corporate Affairs Commission (CAC) or ministry of Commerce and Industries. This is as a result of fear and ignorance about the needs for registration. The general belief is any business that registers with CAC or ministry of Commerce and Industries, will be paying taxes yearly. And others that do not register do not know the importance of such registration and probably consider it as waste of time and money. And of course many of them do not know how to go about it. Also partnership form of business is not feasible in Ibarapa as there exist only two successful partnerships, one at Igboora (Ore Meji & Sons) and Twins Stores at Lanlate. Others that registered do so because of government contract businesses. The implication of these findings is that:

- i. One man business is majorly the form of business ownership in Ibarapa Land
- ii. Many of these one man businesses are informal sole proprietors, which is not good enough for the economy, and
- iii. Partnership form of business is not popular

Table 2: Analysis of Primary Types of Business in Ibarapa

Ownership form \ Types of Business	Sole Proprietorship	Cooperative Societies	Limited Liabilities Companies	Total
Agriculture	55.45%	0.00%	4.95%	60.40%
Manufacturing	0.00%	0.00%	0.00%	0.00%
Processing	21.78%	1.98%	0.99%	24.75%
Construction	12.87%	0.00%	1.98%	14.85%
Total	90.10%	1.98%	7.92%	100.00%

Source: Field Data, Nov. 2011

From the above table, 90.10% of the representative samples (business ownerships) that engage in the

primary businesses are sole proprietorship. 55.45% are sole proprietorship that engages in Agriculture. Majorly sole proprietorship form of business dominates agricultural practices in Ibarapa land. This tells us that the principal economic activities of Ibarapa is Agriculture and is being carried out largely by informal sole proprietorship.

Table 3: Analysis of Secondary Businesses in Ibarapa Land

Ownership form \ Types of Business	Sole Proprietorship	Cooperative Societies	Limited Liabilities Companies	Total
Trading	25.00%	1.16%	13.95%	40.12%
Transportation	36.05%	1.16%	0.00%	37.21%
Banking & Finances	3.49%	14.53%	4.65%	22.67%
Total	64.53%	16.86%	18.60%	100.00%

Source: Field Data, Nov. 2011

From table 3, 25% of business ownership that engages in trading are sole proprietorship while 13.95% are limited liabilities companies. Private limited liabilities companies in Ibarapa to larger extent engage in the fuel business with the exception of Owotutu Food Ltd at Igboora, Jare Pharmacy at Eruwa, which account for a small proportion. Out of the 40.00% that engage in trading, the bulk of the ownership form of business is sole proprietorship. The majority of the transportation business is being carried out by sole proprietorship. This business is dominated by okada riders. 3.49% out of 64.53% of sole proprietorship participation in the secondary business in Ibarapa, engage in banking and financial services (Daily contributions, informal money lending, weekly contributions, etc.). The dominating institution in banking and financial services is cooperative societies while 4.65% of 18.60% limited liabilities companies' participation is in Banking and financial services. These companies operate microfinance banks in Ibarapa.

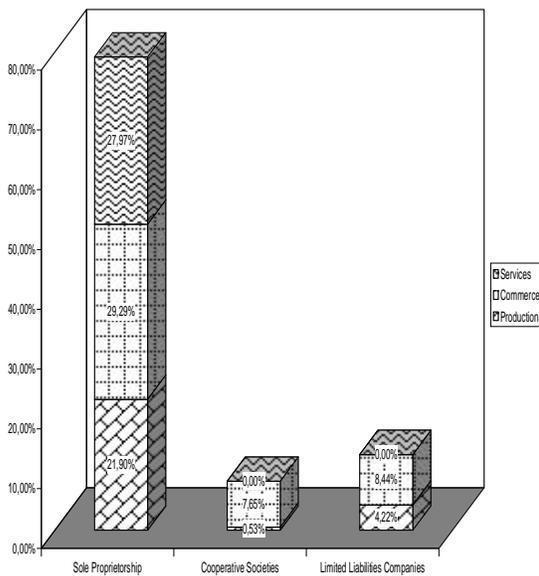
Table 4: Analysis of Tertiary Businesses in Ibarapa Land

Ownership form \ Types of Business	Sole Proprietorship	Cooperative Societies	Limited Liabilities Companies	Total
Business Centres	31.13%	0.00%	0.95%	32.08%
Barbing & Hair dressing	15.09%	0.00%	0.00%	15.09%
Tailoring Services	14.15%	0.00%	0.00%	14.15%
Vulgarizing, Battery Charging, Painting and Mechanic Services	13.21%	0.00%	0.00%	13.21%
Educational Services	24.33%	0.00%	0.00%	0.00%
Medical Services	4.11%	0.00%	0.00%	0.00%
Food, Bar & Hotel Services	25.47%	0.00%	0.00%	25.47%
Total	99.05%	0.00%	0.95%	100.00%

Source: Field Data, Nov. 2011

From the table above, sole proprietorship dominates tertiary businesses in Ibarapa. The possible reason is most of these services are professional or tied to personal reputations of the proprietors.

Fig. 4: Chart Showing Business Forms in Ibarapa



Source: Field Data, Nov. 2011

From the above, 79.16% of the surveyed businesses in Ibarapa land are owned by sole proprietorship, 12.66% are owned by limited liabilities companies that are privately owned and the rest are owned by cooperative societies. Majorly the bulk of the businesses in Ibarapa land is in commercial services followed by personal services. The implication of this findings vis a vis the findings of fig. 3, is that informal sole proprietorship has a lion share of the businesses in Ibarapa therefore financial supports for this form of business ownership may not be adequate. The income level of informal sole proprietorship is usually very low with low chances of continuity. Apart from this, its property holding right is also low in most cases compared to limited liabilities companies.

Table 5a: Analysis of Business Classes by Total Cost in Ibarapa Land

Length of years	Sole Proprietorship	Cooperative Societies	Limited Liabilities Companies	Total
Types of Business				
Cottage/Micro industry (N1.5m)	76,50%	6,04%	1,98%	87,18%
Small Scale (N1.5 to N50m)	2,66%	2,14%	8,97%	11,11%
Medium Scale (N50m to N200m)	0,00%	0,00%	1,71%	1,71%
Large Scale (above N200m)	0,00%	0,00%	0,00%	0,00%
Total	79,16%	8,18%	12,66%	100,00%

Source: Field Data, Nov. 2011

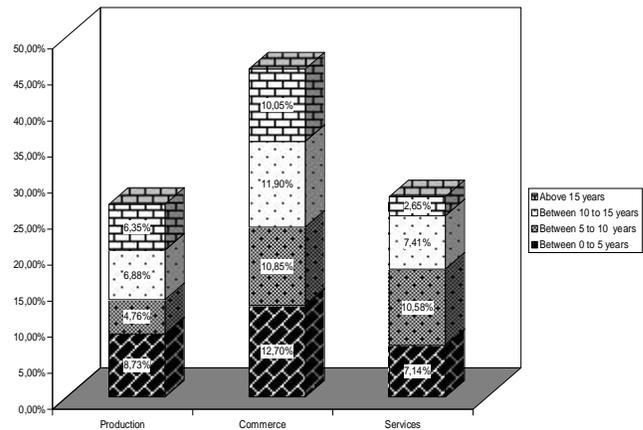
Table 5b: Analysis of Business Classes by Size of Employee in Ibarapa Land

Length of years	Sole Proprietorship	Cooperative Societies	Limited Liabilities Companies	Total
Types of Business				
Cottage/Micro industry (not above 10 workers)	79,16%	7,33%	11,81%	98,29%
Small Scale (11 to 100 workers)	0,00%	0,85%	0,85%	1,71%
Medium Scale (101 to 300 workers)	0,00%	0,00%	0,00%	0,00%
Large Scale (above 300 workers)	0,00%	0,00%	0,00%	0,00%
Total	79,16%	8,18%	12,66%	100,00%

Source: Field Data, Nov. 2011

From table 5a and b, it becomes obvious that businesses in Ibarapa have not developed beyond small scale level.

Fig 5: Analysis of Business Growth in Ibarapa



Source: Field Data, Nov. 2011

From the above chart, commercial services has 45.50% of the surveyed businesses, followed by personal service businesses with 27.78% and leaving production businesses with 26.72%. Also in the last five years, 12.70% of the sample representatives is commercial service businesses, production businesses has 8.73% and personal service business is 7.14%, which shows that production businesses almost double the figure of production businesses that aged between 5 and 10 years and for businesses above 10 years the entry is relatively stable between 6.35% and 6.88%. Whereas commercial service businesses maintain a steady growth over the years, this situation does not hold for personal service businesses. The implication of this is more businesses spring up year in year out.

CONCLUDING REMARKS

From the findings of this study, we can say that the numbers of businesses in Ibarapa is large, expansion in size, which means that there is business growth in

Ibarapa but in the informal sector as informal sole proprietors dominate in all the business areas except fuel filling stations. This needs to be addressed through education and continuing education on the needs for business registrations, formation of business cartel or merger to be operated by limited liabilities companies so as to attract the needed or required financial assistance from financial institutions which will aid business productivity to increase and likewise increase employment generation tempo in Ibarapa.

On employment generation, educational services, medical services, food, bar and hotel services and fuel filling stations have greater impact than any of the other businesses as well as paying of taxes and levies to government.

Conclusively, the forms of business ownership, existence of regulatory bodies and types of business have a kind of implication on the business performance. The impact micro business has on employment generation of Ibarapa is not as pronounced as that of small scale businesses. This also affects the productivity level of each business concern and of course business income. Taken all these together, this inhibits business development but may aid business growth as we have it in Ibarapa. Therefore informal sole proprietorships should be given a kind of support to build their capacity through access to finance and education. This will strengthen the possibility of creating more solid frames for the contribution of the informal sector to Nigeria economy in general and Ibarapa in particular.

LIMITATIONS AND SUGGESTIONS

There are only 160 sample representatives taken from the three local government areas. A larger number of sample representatives would be better to give a more accurate result. It would be good to repeat this study in future studies using a larger sample to validate the findings of this study. Besides that, cross-regional studies would also be recommended to have better understanding on the study subject and generalization of the results.

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