**ASSESSMENT OF THE ROLE COMMERCIAL BANK ACTIVITIES AND DEVELOPMENT OF SMALL SCALE BUSINESSES IN AKWA IBOM STATE**

**(A CASE STUDY OF IDEMS RESOURCES LIMITED, UYO)**

**ABSTRACT**

The research focus is to ascertain the extent to which commercial banks as helped to finance small scale industries. Instrument of data collection is questionnaire and research questions which formed the source of primary data. While materials from various published articles, face books, journals and newspaper, formed the secondary data. The method of analysis is the use of the table’s percentages and chi – square. The major finding of the research is that first bank of Nigeria plc has helped to finance small scale industries. The recommendation based on the finding is that in order to reduce the risk in small scale industry lending, the central bank of Nigeria and the government can do more than they are doing currently. The study concluded that if the desired objective of using small scale industries as catalyst of development is to be achieved than the role of commercial banks should be mutually supportive. Also recommendations were given on how commercial banks could help to finance small scale business.

**TABLE OF CONTENTS**

**Contents Pages**

**CHAPTER ONE: INTRODUCTION**

1.1 Background of the Study - - - - - - 1

1.2 Statement of the Problem - - - - - - 4

1.3 Purpose of the Study - - - - - - 5

1.4 Research Question - - - - - - 5

1.5 Research Hypothesis - - - - - 7

1.6 Significance of the Study - - - - - - 8

1.7 Scope of the Study - - - - - - 9

1.8 Limitation of the Study - - - - - - 10

1.9 Definition of Terms - - - - - - 10

**CHAPTER TWO: REVIEW OF RELATED LITERATURE**

2.1 Brief Introduction - - - - - - - 13

2.2 Conceptual Frameworks - - - - - - 13

2.3 Meaning of Small Scale Industry - - - - 16

2.3.1 Government Policy - - - - - - - 18

2.3.2 Support System - - - - - - - 20

2.2.3 Financing - - - - - - - - 21

2.3.4 Monetary Policy Development in Favour of Small Scale Industries - - - - - - - - - 26

2.3.5 Benefits of Small Scale - - - - - - 27

2.3.6 Problems Facing the Small Scale Industry - - 28

2.3.7 Financing the Project - - - - - - 29

2.3.8 Technical know-How - - - - - - 31

2.3.9 Personnel Matters and General Administration - 32

2.3.10 Improving Funding of Small Scale Industries - 33

**CHAPTER THREE: RESEARCH METHODOLOGY AND DESIGN**

3.1 Brief Introduction - - - - - - - 36

3.2 Research Design - - - - - - - 36

3.3 Area of Study - - - - - - - - 38

3.4 Population of the Study - - - - - - 38

3.5 Sample Size and Sampling Technique - - - 39

3.6 Method of Data Collection - - - - - 40

3.7 Description of Instrument for Data Collection - - 41

3.8 Method of Data Analysis - - - - - - 42

3.9 Decision Rule - - - - - - - - 42

**CHAPTER FOUR: DATA ANALYSIS AND PRESENTATION**

4.1 Brief Introduction - - - - - - - 44

4.2 Analysis of Questionnaire Administered - - - 44

4.3 Analysis of Questionnaire According to Respondent - 45

4.4 Test of Hypothesis - - - - - - - 55

**CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS**

5.1 Brief Introduction - - - - - - - 58

5.2 Summary of Findings - - - - - - 58

5.3 Conclusion of Study - - - - - - - 60

5.4 Recommendations - - - - - - - 61

References

Appendices

**CHAPTER ONE**

**INTRODUCTION**

**1.1 BACKGROUND OF THE STUDY**

The successive development plans of Nigeria have laid emphasis on the attainment of self reliance. The need for this national objective is because much is expected from individuals from the view point of providing employment opportunities, self reliance in basis food and material production high per capital income, foreign exchange earnings and the production of industrial raw materials. It was observed that Nigerian small scale industries continued to decline despite the so called priority given to the sector.

However, the discovery by the central bank that this policy was not enough by itself led to the central bank request with effect that all commercial bank must reserve a proportion of the minimum credit allocation to indigenous borrowers for small scale Nigeria enterprises. The target prescribed was ten percent (10%) which subsequently raised to sixteen percent (16%). Even

Though available data showed that performance of commercial banks against this directive has been disso pointing the central bank intend to spare no effort in ensuring that banks fully comply without compromising the smooth functioning of the nation planning system. Without the development of small scale industries in Nigerian, the nation’s quest for industrialization will certainly remain for ever at stake. it is in this regard that Agbo (2000) maintains that future development in our industrialization must address the basis issues of creating linkages without the economy to begin to produce real input to our manufacturing activities. Thus, priority attention must therefore be given to these industries for which domestic inputs could easily be produced. This will bring about agro-allied industries like food processing and other by-products.

Nzewi and Ozo (2000, 56) observed that empirical indicates. that strong producer incentive to small scale industrial list are necessary not also only to meet the food requirement but also to provide growing input supplies and demand as a foundation for sustained industrial growth.

The present economic constraint may well turn out to be a blessing in disguise to our industrialization effect particularly for dynamic manufacturing sector. for instance, the market determine exchange rate through seeing with its result and high cost of imported inputs may serve as an impetus for industrialization to intensity their search for local substitutes. Ekpeyong and Nyong (2001) observed that small scale enterprises are regarded as organic part of a variable structure for the attaining meaningful economy development than large enterprise because of the perceived linkage and multiplier effects which small scale enterprises have on the performance of the economy and economic growth in general.

And development of Obafemi Awolowo university ile ife as the industries whose total assest in plant equipment and working capital to not exceed N 250.000 with not more than 50 employees.

**1.2 STATEMENT OF THE PROBLEM**

It is obvious that much is gained economically and otherwise from the establishment of small-scale industries in any economy and Nigeria is not an exception in this regard. this present economic situation in the country is such that one need to wonder about the small scale industries. this is as an result of their indispensability in survival of any economy unfortunately the aim of establishing these industries suffers set backs as a result of many factors but significant among these factors is lack of fund to this sector.

From all indication. The small –scale industries funding for effective growth. In recognition of this, the government has made an effort to eradicate the funding problem of small –scale industries, by stipulating a lot of rules gathering towards adequate funding of the small-scale industries. disappointingly, these rules in most cases remain significant theoretically without any practical effect.

**1.3 PURPOSE OF STUDY**

In every study, there must be some specific purpose objectives and goals. Identifying purpose and objectives is very important and the objectives of study can be mentioned.

* To ascertain the extent to which the organization has helped To finance small scale industry
* To identify the problem encountered by small scale industrialist in obtaining finance from the organization
* To evaluate various measures introduced to boost industrial production and its financing and how this has affected realization of the set goals.
* To determine the causing changes in small scale industrial financing by the organization.
* To make suggestion and recommendation based on the data generated by the study.

**1.4 RESEARCH QUESTION**

The purpose of commercial bank is to make short terms loans using money from current accounts and since the effect of commercial banks cannot be emphasized it becomes very necessary to date that small scale business should employ small number workers and should not have high value of scales,

* To what extent has the organization helped to finance small scale industries?
* What are the problems encountered by the small scale Industrialist in obtaining finance from organization.
* What are the various measures introduce to boost industrial production and its financing and how this has affected the realization of the set goals?
* what are the causes of changes in small scale industrial financing by the organization
* Does any linear relationship exist between tending to small scale industries and economic recovery and self lance on the economy?

**1.5 RESEARCH HYPOTHESIS**

In regard to research hypothesis, two major hypothesis are being considered, they are:

* null hypothesis, which is represented by Ho
* alternative hypothesis, which is represented by H1

**Hypothesis One**

**Ho:** Is there any linear relationship that exist between lending to small scale industries and economic recovery and self reliance of the economy?

**Hi:** There is a linear relationship that exist between lending to small scale industries and economic recovery and self reliance on the economy.

**Hypothesis two**

**H0:** the various measures introduce to boost industrial production and financing, has this measure affected the set goals?

**H1:** the various measures introduce to boost industrial production and financing has affected the set goals.

**1.6 SIGNIFICANCE OF STUDY**

The following constitute what is the significance

* to the research it will enable the researcher highlight the problem associated with the role of commercial banks in financing small scale industry in Nigeria
* To the organization it will give information on the possible area for improvement. Furthermore, the study will help commercial banks to asset and appraisal their role in financing small scale industry in Nigeria.
* To the other researchers or student with the recommendations and suggestions made. in this paper, it will help policy makers formulate new economic policies that maintain or modify the existing one
* To the researchers, it will equally serve as a guideline to researchers who may wish to decide with this study in the future.
* to the small scale entrepreneurs it will also help them to make sufficient preparation in their request for credit assistance

**1.7 SCOPE OF STUDY**

In every study there must be a scope. The scope here talks about the coverage area of your study. In this case the scope of this study will focus on what commercial activities will adopt in banks to development effectiveness performance on small scales businesses.

The scope of the study will focus on the following:

1. Development
2. Benefit
3. Compensation
4. Reward

**1.8 LIMITATION OF STUDY**

However, there were constraints encountered by the researcher. These include the following

Time constraint: a study of this nature needs a relatively long time during which information for accurate or at least near accurate inferences could be drawn. The period of the study was short. Hence time posed as a constraint to the researcher.

Financial constraint: the researcher would have extended the survey to other areas. But limitations are here included cost of transportations source for material and cost of type setting the already completed work.

**1.9 DEFINITION OF TERMS**

it would be very important for me to define clearly some of the terms used in the study to enable the reader realize quickly what is being written to avoid any controversial interpretation of terminologies or phrases.

* **Commercial bank**: commercial banks are profit seeking and risk-averse institutions. A bank, which make short terms loans using money from current accounts
* **Development**: the process of economic and social transformation that is based on complex, cultural and environmental factors and their interaction
* **Small scale businesses**: is a business that employs a small number of workers and does not have high volume of scales. Such businesses are generally privately owned and operated sole proprietorships.
* **Industrialization-** industrialization is the period of social and economic change that transforms a human group from an agrarian social into an industrial one, involving the extensive re-organization of an economy for the purpose of manufacturing
* **Economic** **constraints –** an economic constraint for something that will affect a business for example, customers have stopped spending their disposable income on luxuries because of use of a recession, so a business will lose sales and profits
* **Manufacturing-** manufacturing is the production of merchandise for use or sale using labors and machines, tools, chemical and biological processing, or information. the term may refer to a range of human activity from handicraft to high tech but is most commonly applied to industrial production, in which raw material is are transformed into finished goods on a large scale such finished goods may be used for manufacturing other more complex products, such as aircraft household appliances or automobiles, or sold to wholesalers who in return sell them to retailers, who then sell them to end users and consumers.
* **Central bank-** central bank or monetary authority is an institution that manages a state’s currency, money supply and interest rates. Central banks also usually oversee the commercial banking system of their respective countries.