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## Basic Factors Of Entrepreneurship To Consider Before Establishing A Small Scale Business In Nigeria

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**ABSTRACT:** The goals and objectives of this paper is to emphasise on the factors to consider when establishing a small scale businesses has brought a lot of growth and development in the economic system of Nigeria. It has also created job opportunity for the teeming youth of Nigeria the challenges of a small scale businesses in Nigeria which lead failure of the business such as inadequate Capital, lack of proper supervision, ineffective of control major, lack of inadequate book keeping these are the root cause of most failure among small businesses in Nigeria the framework of this paper is to adopt or focus on the basic factors to consider in establishing entrepreneurship in Nigeria. Entrepreneurship play a vital role in a human development, in the society.

**KEYWORDS:** Entrepreneurship, Factors, Establishment, Small Scales, Business, Scratch, Interprise.

### INTRODUCTION

Small enterprises are often training ground for business; the motivations for small business pursuit would in general, provide a satisfactory guide for the motivation of all business. The history of Japan, for instance is replete with examples of entrepreneurs who started their enterprises at the back of their houses and by slow and steady progress became the financial magnate of their time (Akakai,2007). The definition of small business varies historically, by country and by industry. Business is considered small only in relation to other businesses in its industry. Generally small business has fewer employees and relatively has low volume of sales compared to other similar business in the same industry.

Obgemudia(2003) opined that any business that is privately owned and operated, with a small number of employees and has a low volume of sales is considered to be a small business.

And the unique things in small business is the Act of privately owned and operated. According to Nickel, et.al., (2003), Small business is one that is independently operated, is not dominant in its field of operation, and meets certain standard of size in terms of employees or annual receipts. Other features used to classify small businesses include turnover, volume of assets and net profit.

Note equally that, Small businesses are common everywhere in Nigeria. A typical example includes: hair dressers, lawyers, Restaurant, guest houses, photographs, hawking, Small shops etc. Such businesses are termed “small business or “mini business because by virtue of their types, requires small amount of capital to establish, and are mostly personally handed by the owner. The term mini

Businesses (Bop business) is a common colloquial expression for a single family operated business with a few or no employees other than them (Wikipedia, 2010).

Adapting to change is extremely important as small business not being tied to bureaucratic inertia which makes it easier to respond to change in the market quicker. The proprietors of small business should be intimate with their customers and clients so as to give them the opportunity to identify the needs or changes in the market prudentially resulting to quick response to the customers need.

### CHARACTERISTICS OF SMALL BUSINESS

1. The manager / proprietor handles, or supervises the financing production marketing and personnel of the enterprise.
2. The manager/ proprietor relies heavily on personal savings, loan from friends, relations or money lenders.
3. The entrepreneur confines his vision to the local community in which he carries on his business ignoring wider and more distant market.
4. The rate of business mortality is high because of strong mutual distrust, which militates against formation of partnership of limited liability companies.
5. There is low level of education of the owner / proprietor with consequent low level of business management, technical skills and market information.

Basic factors entrepreneur should consider before starting a business.

There are certain basic factors the potential entrepreneur(s) should critically consider before committing their resources, time, efforts and money in the proposed business venture. These factors include:

- The potential entrepreneur should be psychologically prepared to start the business.
- He or she should have a feasibility study for the proposed business.
- It is also proper to be very familiar with the legal environment in which his enterprise will operate including possible business restrictions.
- It is advisable to have the estimate of the business cost i.e both the fixed and variable costs.
- It is also important to know the facility requirements e.g furniture, fixtures, tools, space, house etc.

Ways of starting a business.

#### **(A) Buying an Existing Business.**

There is no doubt that many problems and challenges await an individual moving into small business ownership management. As such, it has been suggested that buying an existing business is the easiest and the best way in which an individual can start his / her own business. The ability to get the right business, at the right time, location, and price are the major factors to be considered. Also considered are:

- The determination of why the business is available.
- The present condition of the business.
- Whether the inventory contains mostly dead stocks.
- Whether the market for the firm's products are declining.
- Is the business solvent or not?
- What are the present owner in good health?
- Does the present owner desire to retire?

These questions must be assuring before jumping to conclusion whether to buy or not.

#### **(B) Starting a Business from the scratch.**

Starting a new business from the scratch is a very difficult way to begin. A new environment or location has some merits and shortcomings. It may enjoy the merit of fresh appearance, which is an asset in location and in some type business. It can be located where is

available space, any name can be given to the new venture, has clear start from zero with no carry-over cost as liabilities. The owner can select his product and service, bankers, suppliers, bias-free customers, has the initiative of formulating policy and business practices.

On the other hand, raising capital may be difficult, start-up expenses, including legal and registration charges may be high with time lag in installing fixtures and installing inventory, carries greater risk when compared with buying or inheriting an existing business.

### **(C) Inheriting or Acquiring a Business.**

The premature or natural death of a father or a relation may result in any individual owing a business with or without the person preparing for it. This type of business ownership sometimes is affected by the lack of capabilities in managerial skills or inherent problem or managing the firm; again when relative's work together in a firm, emotions interfere with business decisions; in addition, individual interest may also take precedence over the centralised or business objectives and the supporting organisational structure; it also associated the inability to make rational decisions about the skills and abilities of each family members; family quarrels may be carried over into the firms operations and these adversely affect the effectiveness of the business.

## **STARTING AND RUNNING A SMALL BUSINESS**

Poor management covers a number of faults. It could mean poor planning, poor record keeping, poor inventory control, poor promotion, and poor employee relations. To start and run a business may demand the following:

- **Begin with planning.**

Planning is deciding in advance what to do, when to do it and who to do it. (Koontz et.al., 1980). Koontz considered planning is a set of managerial activities designed to prepare the enterprise for the future and ensure that decisions regarding the use of people and resources help achieve enterprise objectives.

OSHAGBEN (1983), sees planning as the intellectual process of looking ahead. It is concerned with the future and its basic aims are to provide an appropriate framework now that will ensure the realisation of some goals later.

A business plan forces potential owners of small businesses to be quite specific about the products or services they intend to offer. They must analyse the competition, the money needed to start, and other details of operation.

You're encourage to implement fully the contents of your business plan rather than putting the plan in a drawer somewhere once the financing has been attained and the business launched. Business plan helps you think through all aspects of organising and operating, specification about the products or services you intend to offer

### **Getting Money to Fund a small Business.**

The problem with most new small businesses is that the entrepreneurs have more enthusiasm than managerial skills and capital. It is capital (money) that enables entrepreneurs to get started; buy needed goods, services, labour, and building; keeping the business going. Inadequate capitalization or poor financial management can destroy business, even when the basic idea behind the business is good and the products are accepted in the market place. One of the secrets of finding the money to start your business is knowing where to look for it. Some of the financial reasons cited by the small business administration for failure are:

- Starting with too little capital.
- Starting with too much capital and being careless in its use.
- Borrowing money without planning how and when to pay it back.
- Trying to do too much business with not enough capital.
- Not allowing for setbacks and unexpected expenses.
- Extending credits too freely.

### **Know your customers.**

Appropriate advice to aspiring entrepreneurs today might be, 'find an unsatisfied need and fill it.' It's amazing today how many people are so eager to enter business that they fail to identify the wants and needs of a critical component – their customers. How many times have you heard someone say, 'there's a market for this or a market for that'? Do you think most budding entrepreneurs have ever thought about what a market actually is? Business persons must know the market in which they compete if they hope to survive.

### **Managing employees.**

As a business grows, it becomes impossible for an entrepreneur to oversee every single detail even if he is putting in 60 hours per week. This means that hiring, training, and motivating employees become critical. Watching a small business develop is similar to watching children grow. You beam with pride as your children mature, but you realise that your ability to control their lives declines with every year. The same is true with small-business growth. Often entrepreneurs reluctantly face the reality that to keep growing, delegating authority to others is essential. However, nagging questions such as 'who should be delegated authority?' and 'How much control should they have?'

### **Keep Records.**

If you talk with small business owners, they are likely to say that the most important assistance they needed in starting and managing the business involved accounting. A business person who sets up an accounting system early will save much grief later.

### **Looking for Help.**

Small-business owners have learned, sometimes the hard way that they need outside consulting advice, but may also be true of marketing, finance, and other areas, most small business owners cannot afford to hire such expert as employees, so they must turn to outside assistance.

## **SOURCE OF FINANCE TO SMALL SCALE BUSINESS**

Finance is one of the major success factors in operating a business enterprise. Business firm, for instance, may have competent management and supporting staff, but without adequate funding failure may still be inevitable. This is because the operations of the business firm must be financed; workers must be paid salaries and wages, equipment and machinery must be purchased etc. For the smooth operation of the business firm. This can only be achieved if adequate funds are made available. Sources of business capital may be classified into short, medium and long term sources. The following are some of the major sources of funds:

1. Owner's personal previous saving: the personal previous savings made by the businessman constitutes one of the major primary sources of start-up capital especially for sole proprietorship, partnership and even private companies. It is advisable for the businessman to start the business with his personal money instead of borrowed capital because of the risks and costs associated with borrowed capital.

2. Loan from friends and business association: A businessman can obtain business capital from his friends' relative's and business associates if he cannot provide all the required start-up capital. This is because, sometimes, the new business may be fairly large that the initial capital requirement may be too much that cannot be provided by the owner(s). It is however, advisable for any businessman who obtains loaned capital from his friends, relatives or close associates to repay such loan as quickly as possible. This is because, sometimes, these people who provide the loan tend to feel as if they are co-owners of the business and as such they tend to interfere with the affairs of the business.
3. Trade credit: This is an agreement between a seller of merchandise and a purchasing firm which allows the purchasing firm to defer payment until the goods purchased is sold and payment received.
4. Use of internally Generated funds: for an existing business firm, capital may be obtained through the use of internally Generated income. That is profits generated from previous operation may be ploughed back into the business instead of going out to look for loans. This is referred to as retained earnings. Although it cannot be used as a start-up capital.
5. Sale of corporate securities: For incorporated companies whose stock are quoted on the stock exchanges, capital may be obtained through issuance of securities. The securities could be in the form of ordinary shares or preference shares.
6. Financial institutions: financial institutions such as commercial banks; development banks; merchant banks; and insurance companies provide short, medium and long term loans to meet the capital requirements of many business firms.
7. Government Agencies: Government at federal, state and local levels usually establishes certain agencies charged with the responsibilities of encouraging and rendering financial assistance to business enterprises. Some of these agencies include:

## CONCLUSION



Note that, the easiest businesses to start are the ones that tend to have the largest growth and the greatest failure rate. Whereas those businesses that are easily to keep alive are difficult to get started. As such, the ones that can make one rich are the ones that are both hard to start and hard to keep going. Whenever you want to start-up a business, you must be careful about the kind of business you want to establish because you may not find everything you want in just one business, for example, easy starting, guaranteed security, and good reward all in just one business. What is expected of you is, Entrepreneurs should imbibe the right attitude of aiming at success and considers setbacks as test of his/her perseverance and view problems/ threats as challenges. He/she must be willingly to learn from experience and change with the times. Operating a business is not something one can learn over night; even entrepreneurs who have years of experience continued to learn new techniques and ideas and learn how to respond to change in the market. This abilities of adapts and learn is what makes them successful. As you choose to set up your own business you must realise that what you are doing may not be a complete success. However, it is prudent to take a step back and re-evaluate your position before embarking on a business venture.

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