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ASSESSING INFLUENCE OF RESOURCES AND MARKETS IN THE GROWTH OF WOOD-BASED MICRO AND SMALL ENTERPRISES IN KADUNA, NORTH-WEST, NIGERIA

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Abstract
The focus of this research was to investigate determinants of growth of wood-based MSEs in Nigeria. MSEs have not performed creditably well and they have not played expected significant roles in economic growth.. Two research questions, converted to null hypotheses were formulated and tested at .05 alpha levels. Descriptive survey design method was used for the study. An open and structured questionnaire developed by the researcher was the major instrument used for data collection. Trial testing was utilized to determine the tool validity and reliability. The tool reliability index is 0.84 computed using Cronbach's Alpha Coefficient methods. Sample size of 346 MSE owners / managers were sampled using stratified random sampling technique across the four strata of the accessible Population. The data was analyzed using descriptive and inferential statistics of ANOVA and Regression Analysis. The results indicated that determinants such as resources and markets are significant predictors of growth of wood-based MSEs. Based on these findings, some recommendations were made among which is Wood-based entrepreneurs that are growth focused must plan to invest in human and material resources because this study has established that adequate resources play the most significant role in determining MSEs' growth

Keywords: *Determinants; Wood-Based MSEs; Resources; Markets; Nigeria*

Background to the Study

This study focused on the determinants of growth of wood-based Micro and Small Enterprises (MSEs) in Nigeria. The role of micro and small enterprises (MSEs) in employment and income generation is increasingly recognized and has become a major playing field for policy makers and donors with dual objective of enhancing growth and alleviating poverty (Gebreyesus,2007).MSEs are important components of the Nigerian economy, comprising a significant proportion of the country's informal sector. Before Nigeria's political independence, only a small number of industries existed in the country, mostly concerned with processing of agricultural goods for domestic and export markets. Like many developing economies, Nigeria has taken several policy steps to develop its production sector (Adibefan & Daramola, 2003).

MSEs are widely recognized as the key engine of economic development. As a result of this recognition, a central issue dominating policy debates around the world and Africa in particular has been how to stimulate economic growth through the development of MSEs (Robson, Haigh& Obeng, 2009). Both developed and developing focus on MSEs because it is believed that they bring great economic benefits in terms of employment nations creation and income generation (King & Heshmati, 2008). According to Mead and Liedholm (1998), MSEs have been recognized in many countries as a major source of employment and income generation. They noted that detailed surveys in a number of countries suggest that as many a quarter of all people of working age are engaged in MSE activities. Yet, in Nigeria, the sector has stagnated and remained relatively small in terms of its contribution to Gross Domestic Product (GDP) or gainful employment (Aiyedun, 2004). The catalytic roles of micro and cottage businesses have been displayed in many countries of the world such as Malaysia, Japan, South Korea, Zambia, and India among other countries. They contribute substantially to the Gross Domestic product (GDP), export earnings and employment opportunities of these countries. Micro and small scale enterprises (MSEs) have been widely acknowledged as the springboard for sustainable economic development. Apart from the fact that it contributes to the increase in per capital income and output, it also creates employment opportunities, encourage the development of indigenous entrepreneurship, enhance regional economic balance through industrial dispersal and generally promote effective resource utilization that are considered to be critical in the area of engineering economic development (Oboh, 2004; Odeh, 2005).

In developing countries the informal sector, in which most of the MSEs lay, is a large source of employment and livelihood of particularly the urban population. According to ILO (2002) estimations informal employment (outside agriculture) defined as employment that comprised of both self-employment in informal enterprises (i.e. small and/or unregistered) and wage employment in informal jobs (i.e. without secure contracts, worker benefits, or social protection) represents nearly half or more of the total non-agricultural employment in all regions of the developing world. It ranges from 48% in North Africa, to 51% in Latin America, 65% in Asia and 72% in sub-Saharan Africa. The informal sector is also a larger source of employment for women than men in developing countries, for example in sub-Saharan Africa 84% of women non-agricultural workers

are informally employed compared to 63% of male non-agricultural workers.

The National Bureau of Statistics (NBS) and the Small and Medium Enterprises Development Agency (SMEDAN) (2010), defined MSEs in Nigeria relative to the overall size and structure of the domestic economy as those employing less than 10 employees, with assets (excluding land and building) of less than five million naira (N5,000,000,000). Whereas, small enterprises are those employing between 10 and 49 employees, with assets (excluding land and building) of five million naira and above, but less than 50 million naira (N50,000,000.00).

According to Osotimehin; Jegede; Akinlabi; and Olajide (2012) Micro and small scale enterprises (MSEs) in Nigeria have not performed creditably well and they have not played expected significant role in economic growth. They equally have not influenced apprentice training so as to accelerate employment and poverty alleviation in order to foster Nigerian economic development. They noted that in spite of the fact that micro and small scale enterprises (MSEs) have been regarded as the bulwark for employment generation and technological development in Nigeria, this subsector is faced with enormous challenges. These challenges can be solved by embarking on empirical researches. Therefore this study investigated the relationships between some selected determinants such as resources and markets and the growth of wood-based MSEs in Nigeria

Literature Review

Aiyedun (2004), defined growth or expansion of enterprise as involving increase in size (number of employees), strength and quality. Enterprise growth can be classed as internal, where diversification leads to the creation of more departments, and external where it leads to acquisition of additional branches and expansion of business network (Chete&Adenikinju, 1995). However, Daniels (1995) explained that the indicator most frequently used to measure expansion is the change in the number of workers in the enterprise. The different components of change are subject to different forces and determinants.Growth is equally used to explain changes in organizational life-cycle that takes place from early growth, rapid growth, maturity and decline (Ile, 2001). Growth may be determined by external circumstances such as industry changes, government policy on imports, higher minimum wages, and competition (Aiyedun, 2004). Growth determinants vary from sector to sector and from one country to another, but they are generally multi-dimensional (Mamman, 2008). Why do some MSEs expand rapidly while others stagnate? Nichter and Goldmark (2009) noted that, to explore this important question, it is imperative to investigate factors associated with MSE growth, which include: Individual entrepreneur characteristics; MSE characteristics; Relational factors (such as social networks or value chains); and Contextual factors (such as the business environment). Economic growth is critical to the existence and indeed the survival of any economy and by implications any nation. Hence it is a good indicator for assessing the potential of productive or real sectors of the economy (Nigeria, 2009). In advanced economies, the SME sector is acclaimed as the engine of economic growth and development, however against international best practices, Nigeria is poorly rated

(Babajide, 2012).

Resources and Growth of Wood-Based MSES

The sources of a sustained competitive advantage can be knowledge, learning, culture, teamwork and human capital (Barney, 2001). Based on a resource-based view, *financial resources*and *human capital*are the most important resources for small business growth (Wiklund et al., 2007). It has been argued that securing fi*nancial resources*might be particularly important in promoting firm growth (Bamford, Dean & McDougall, 1997; Sexton & Bowman-Upton, 1991). It is because *financial resources*can relatively easily be converted into other types of resources (Dollinger, 1999). With sufficient resources, firms are able to experiment new things, which not only increases their innovation potential but also enables the business to pursue new growth opportunities (Castrogiovianni, 1996; Zahra, 1991). Empirical studies show that access to *financial resources*has a positive effect on small business growth (Cooper et al., 1994; Storey, 1994). Financial performance of a firm is a secondary input to the *financial resources*for firms. Profit yielded in the past can be reinvested into the firm. By this means, a firm not only relies on external funding, but instead also uses internal funds to finance investments.

Coad (2007) argues that financial performance can be expected to correspond to firm growthgiven the principle of 'growth of the fitter' from evolutionary theory. Following this logic, onlyfirms with superior financial performance can grow. *Human capital* represents knowledge, skills and experience. On a organizational level, human capital of the total workforce plays a more determined role when compared to the entrepreneur alone (Birley&Westhead, 1990; Chandler & Hanks, 1994). Employees are considered as the most important resource for MSEs. Knowledge of individuals plays a crucial role in building competitive advantage of a firm. Small firms are more likely to engage in innovation activities due to their constraints in available resources, and therefore high quality workforce and further human resource development within the organization is rather important for such firms(Rauch, Frese&Utsch,2005).

Markets and Growth of Wood-Based MSES

Enterprise growth can be determined by how successfully one sells products and services to the

Customers. Therefore, *market orientation*can be considered an important determinant of growth. Firms with *market orientation*are able to track and respond to the customer's needs and preferences. They are more likely to develop their market intelligence as well as have the ability to coordinate internal processes in order to respond quickly and effectively to customers and external stakeholders. Consequently, *market orientation* enables better satisfaction of customers and stakeholders which in turn result in a firm's growth (Hult, Snow &Kandemir, 2003). According to Lintu (2006), the forestry sector tends to be very much production and product oriented. Therefore, for it to get to the consumers there is the need for the application of marketing science which is the key to the future growth and development of the sector in Nigeria. Without adequate demand by local consumers, developing-country firms, especially MSEs, have a much lesser chance of accessing the higher margins and value-added functions associated with the international high-end

market segments. MSEs may not interact directly with developed country firms, but may rather act as subcontractors to large developing-country manufacturers (Carr & Chen, 2003; Nadvi, 1995). In such cases, the pathways to growth may be blocked. The efficiency with which a firm sells its products and services to the customers determines its growth establishing market orientation an important determinant of firm growth. Accordingly, market orientation results in improved satisfaction of customers and stakeholders leading to the firm's growth (Hult, Snow & Kandemir, 2003, Narver& Slater, 2004). Empirical evidence suggests that market orientation is significantly associated to the overall growth performance of a firm (Jaworski & Kohli, 2003).

Purpose of the Study

This study was intended to investigate the determinants of growth of wood-based Micro and Small Enterprises (MSEs) in Nigeria.. In specific terms, the study intended to:

1. Ascertain whether resources exert influence on the growth of wood-based MSEs in Nigeria
2. Find out whether markets have any relationship with the growth of wood-based MSEs in Nigeria.

Research Questions

The following research questions were formulated so that answers could be provided for them:

1. To what extent did resources exert influence on the growth of wood-based MSEs?
2. To what extent did markets relate to the growth of wood-based MSEs?.

Study Hypotheses

The two research questions were translated into hypotheses and tested at .05 level of significance in this study:

1. There is no significant relationship between resources and the growth of wood-based MSEs.
2. Markets do not significantly influence the growth of wood-based MSEs.

Methodology

Research Design: The study was carried out using descriptive survey design. Research design is a plan or blue print which specifics how data relating to a given problem should be collected and analyzed (Nworgu, 1991). The descriptive survey design is considered appropriate for this study because the objective was to investigate the determinants of growth of wood-based MSEs. A descriptive survey attempts to picture or document current conducts or attitudes, that is, to describe what exists at the moment (Tayie, 2005).

Population and Sample of the study: The population of this comprises all the wood-based MSEs in, Nigeria. Thus, the target population comprised of 3,460 registered wood-based MSEs in Kaduna State, Nigeria (SMoC, 2010). A sample size of 346 wood-based MSEs owners / managers were sampled which represented 10% of the study accessible population. Providing justification, Kerlinger (1986) indicated that a sample size of 10% of the target population is large enough so long as it allows for reliable data analysis and

allows testing for significance of differences between estimates. Stratified random sampling technique was utilized to select the samples spread across the four strata of sawmill, timber marketing, furniture making and carpentry / joinery enterprises.

Instrument for Data Collection: The study employed open and structured questionnaire designed and developed by the researcher as the major instrument for data collection. According to Gall et al (2007), the questionnaire is more commonly used in educational research because it is standardized, highly structured in design and compatible with quantitative methods. The tool is made up of two sections. Section A collected data on the demographic profile of the respondents while section B elicited responses based on the research constructs. To ascertain the validity and reliability, the items were critically examined by three experts in Vocational and Technical Education and Measurement and Evaluation for its content and face validation. The tool was later subjected to trial testing. Cronbach Alpha technique was used to determine the internal consistency of the instrument. The computed Coefficient yielded indexes ranging from 0.6 to 0.84 which were considered adequate (Victor, 2014). The services of trained and competent research assistants were sourced and utilized in the distribution and collection of the copies of the questionnaire.

Statistical Analysis: Three (300) hundred copies of the questionnaire were finally edited, coded and found suitable for data analysis. The data were analyzed using descriptive and inferential statistics of ANOVA and Simple Linear Regression. This was facilitated with the help of Statistical Package for Social Sciences (SPSS) version 2s0.

Data Analysis and Discussion

Table 1 contains summary of the regression results, indicating the values of R as .932 and R^2 as .869 respectively. The R value of .932 implies a very strong positive linear correlation between resources and the growth of wood – based MSEs in Nigeria. Similarly, the R^2, being the coefficient of determination of 0.869 implies the explanatory power of the independent variables. This means that about 89% of the variation in the growth of wood – based MSE is explained by resources.This result is in line with Barney (2001), who noted that sources of a sustained competitive advantage can be knowledge, learning, culture, teamwork and human capital and Priem (2001), who reported that resources are important antecedents of products and ultimately, firm performance. Access to appropriate resources is critical to growth of wood-based MSEs.

Table 1 Model of Growth of Wood – Based MSEs / Resources

Model Summary	
R	R^2
.932	.869

In addition, Table 2. Revealed the results of ANOVA test which indicates that resources have significant effect on the growth of wood – based MSEs. This table, shows that the sign value (P) is equal to .000, which is less than .05 alpha, demonstrating that the model is

statistically significant - F (1,298) = 1976.37, P<.01. This can be shown by linear regression model $Y = B_0 + B_2 X_2 E$, where X_2(Resources).

Table 2: ANOVA for Growth of Wood-Based MSEs / Resources

Model	Growth Square	df	Mean Square	f	Sign
Regression	72.979	1	72.979	1976.374	.000
Residual	11.004	298	.037		
Total	83.983	299			

a DV: Growth of Wood – Based SME
b. Predictors: (constant), Resources

Table 3. Model for Resources

Model	Coefficients		Sign
	B	Std Error	
1 (Constant)	.476	.024	.000
Resources	.225	.056	.000

Utilizing the summary presented in table 3, a linear regression model can be fitted thus: $Y = 0.476 + 0.225 X_2$(Resources)

Based on the results presented in Table 3, the Null hypothesis is thus rejected for the alternative. The conclusion reached is that resources play a significant role on the growth of wood – based MSEs in Nigeria. The study finding is equally corroborated by the human Capital Entrepreneurship Theory, which posits that: Underlying the human capital entrepreneurship theory are two factors, education and experience (Becker, 1975). The knowledge gained from education and experience represents a resource that is heterogeneously distributed across individuals are in effect central to understanding differences in opportunity identification and exploitation (Anderson & Miller, 2003, Gartner et al, 2005) Empirical studies show that human capital factors are positively related to becoming a nascent entrepreneur, Aldrich &Keister, 2003,Davidson & Honing,2003, Korunka et al, 2003), increase opportunity recognition and even entrepreneurial success (Anderson & Miller, 2003,Davidson &Honing,2003).

For testing hypothesis 2, a smiliar simple linear regression analysis was carried out in order to determine whether the independent variable, market can be relied on in sustaining the change in the dependent variable, growth of wood – based MSEs. The coefficient obtained indicates that the correlation coefficient (R) between the independent variable and growth of wood – based in Nigeria was .475 which is a positive correlation relationship. Table 4 shows a coefficient of determination (R^2) of .225 which means that this variable alone can explain up to 22.5% of the variations in the dependent variable, growth of wood – based SMEs in Nigeria. This result agrees with the position of Lintu (2006),noting that the forestry sector tends to be very much production and product oriented. Therefore, for it to get to the consumers there is the need for the application of marketing science which is the key to the future growth and development of the sector in

Nigeria. Empirical evidence equally suggests that market orientation is significantly associated to the overall growth performance of a firm (Jaworski & Kohli, 2003).

Table 4: Model of Wood – Based Growth/Markets

Model Summary	
R	R^2
.475	.225

In addition, an ANOVA test was performed on the variable, markets and the results are presented in Table 5. The table shows that the variable has a P value equal to .000, demonstrating that the model is statistically significant in sustaining the change on the dependent variable F (1,298), = 86.71, P<.001. This can be shown by a linear regression model $Y = B0 + B_3 X_3 + E$ where X_3 is the market. Based on the result presented in Table 4.18, the null hypothesis is thus rejected,

Table 5: ANOVA for Markets

Model	Sum of Square	df	Mean Square	f	Sign
Regression	18.928	1	18.928	86.705	.000
Residual	65.055	298	.218		
Total	83.983	299			

a Dependent Variable: Growth of Wood – Based MSEs

b. Predictors: (constant), Resources and the alternative is upheld. This implies that market plays a significant role in the growth of wood – based MSE in Nigeria.

Table 6: Model for Markets

	Coefficients		Sign
	B	Std Error	
1 (constant)	.775	.073	.000
Markets	.835	.090	.000

a. Dependent Variable

$Y = 0.775 + 0.835 X_3$(Markets)

Conclusion

The main focus in this study was to explore the influence of some selected determinants on the growth of wood – based of MSEs in Nigeria. Based on empirical studies, these determinants were expected to exert positive relation in the growth of wood – based MSEs in Nigeria. The output of the research findings revealed that there is a positive significant relation between the determinants, resources and markets with growth of wood – based MSEs.

The findings clearly demonstrated that resources when properly assembled and mobilized, coupled with sound marketing abilities of entrepreneurs influence the growth of wood – based MSEs.

Recommendations

Specifically, the study puts forward the following recommendations:

i) In view of the critical role of longevity and business location, entrepreneurs in wood-based MSEs must be well focused and exhibit endurance and secure advantageous location. These would eventually pay off in enterprise sustenance, profitability and growth.
ii) Wood-based entrepreneurs that are growth focused must plan to invest in human and material resources because this study has established that adequate resources play the most significant role in determining MSEs' growth.
iii) Entrepreneurs at the MSE level must acquire knowledge of the market and the environment in order to embark on products that are in high demand. Adequate knowledge and skills in product sales are of paramount importance and should therefore not be taken for granted.

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