

# FEASIBILITY STUDY AND PERFORMANCE OF SELECTED SMALL-SIZED ENTERPRISES IN NIGERIA

BY

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## **Abstract**

*Cassava farming industry is playing a very significant role in our economy today. The sustainability of the industry has equally become a thing of great concern by reasonable number of researchers all over the world and how the industry can have improved. Study has revealed that reasonable number of farmer has failed because they fail to carry out proper survey of the business before embarking on it. This study intends to ascertain whether there is relationship between feasibility study and cassava farming industry in Delta State with the aim of enhancing productivity. Two objectives and hypotheses were formulated respectively. A population of 75 farmers was selected across the state with 3 each from the 25 local governments that make up the state, and that has not put in less than 5 years in the cassava farming industry. Random sampling was adopted for the selection. Instruments used for data collection was a structured questionnaire. The questionnaire was checked for reliability using pilot survey method. 60 copies of questionnaire were administered and a response rate of 92% (55) was obtained. The hypotheses were tested using regression method, Pearson product moment correlation coefficient with the aid of Statistical Package for Social Sciences (SPSS) version 23. Statistical values of 0.755 and 0.773 for market/demand survey and environmental survey were obtained respectively at 5% (0.05) level of significance. Based on the analysis, there was significant relationship between dependent and independent variables. The study recommended among others that there should be sensitization and awareness campaign among cassava farmers on the need for feasibility study exercise before commencement of business operation.*

**Keywords:** Feasibility Study, Market/Demand Survey, Environmental Survey, Performance.

## **Introduction**

Small-sized enterprises have become the main stay of many economies all over the

world (Macaulay & Mfon, 2023). There is a very big concern by scholars on how best small-sized enterprises can do better in their different fields of endeavor. Little effort is needed by entrepreneurs to move to the next level of operation in terms of growth and expansion especially in the areas of forecasting and estimating the cost of any project to be carried out. It is fundamental for business organizations (private and public) to accept this fact that feasibility studies of any project are non-negotiable to avoid regret in the nearest future. For the success and survival of any business organizations in a market-oriented economy, the key agenda lies in the responsibility of a prospective entrepreneur to carry out a proper feasibility analysis prior to the commencement of the business operation (Emmanuel & Morgan, 2018). The role that feasibility studies play in business operations (services, production, and constructions, sales/marketing) and at all levels (locally and internationally) is very vital for the success of any business. Small sized organizations assume that this type of exercise is no necessary for small businesses except bigger industries.

The main objective of feasibility study is to evaluate three types of feasibility - technical, operational and economic feasibility (Momine & Sahader, 2016). All these variables - technical (technology, technical expert, engineering team expert, production team), Operational (specification, methods of operation, operation skills, timing), and Economical (prices, inflation influence, market situation, cost in economy at any point in time either positively or negatively).

The possibility of an entrepreneur to operate in isolation without environmental effect is a mirage. Planned and good feasibility study tells every SSEs business owners the true situation of the business environment through accurate information and records made available. According to Adams, Khan, and White (2009), the basic features in any feasibility study must be ensuring that we are working with accurate information, exact statement and the latest financial records; oversight of the kind of business to embark upon and the acceptable market for the business. This study intends to examine the role of feasibility study on the performance of SSEs in Nigeria. Arising from the above, the following are the specific objectives of the study:

1. To determine whether market/demand survey has positive influence on the performance of SSEs.
2. To ascertain whether environmental survey has positive influence on the performance of SSEs.

To achieve these objectives, hypotheses were formulated and stated in null form as follows;

Market/demand survey and environmental survey have no significant positive effect on the performance of SSEs.

## **Reviewed Literature**

### **Feasibility Study**

The act of evaluating the environment with the view of tracing the existing or emerging opportunities and threats and as well the viability of the intended business with the aim of convincing the investors that the perceived project is possible or not

(Ndebbo, 2007). A feasibility study is primarily concerned with a specific business type in a particular environment and location (Emmanuel & Morgan, 2018). The feasibility concept also anchored on the benefit and cost of the said project to the social and economic life of the citizenry (Emmanuel & Morgan, 2018). A feasibility survey educates a business man on how to start, and where to start, and what it takes for such business to survive in a location. The actual cost of the project, materials and human resources are also being put into consideration.

According to Kregeretal (2016), feasibility is a procedure to predict outcome of an investigation, examination or assessment of a planned scheme along with possible gain. The proper investigation and evaluation procedure of the proposed project is mainly identification of the possible problem, specification, expected performance and also the cost of each sub-system and selection of the best and efficient procedure (Momin & Sahader, 2017). The author further stated that with the help and support of feasibility study, project team members became focused (Momin & Sahader, 2017). There is no business that is risk free, no business that is challenge free and no business that is problem free in any business environment or location but the ability of the small-sized enterprise to carry out survey on the business gives insight on how these environmental issues that could hamper with the success of the transaction could be managed. Feasibility study should be continuous exercise because the situation of a project today might not be the same next year because of the technological and environmental changes. Cultural and market reactions must also be put into account for entrepreneur to have a good and reliable feasibility survey. A proper feasibility study takes into cognizant the following: executive summary, demand and market study, technical and financial or cash flow study (Olagunju, 2004). A proper plan is one of the essential criteria for proposed sequential operation and environment to deliver any product or service.

### **Market/Demand Survey**

This project demand is the project share of total market demand and these factors include price (a very critical factor), income population, advertising, expenditure and price of other goods (Ndebbo, 2007). The analysis of project demand is important since it forms the basis of sales forecast, cash flow forecast, and other things (Emmanuel & Morgan, 2018). When there is a wrong conception about the market situation, there will be wrong output that leads to wrong demand. Market/demand survey is very critical as far as the success of the organization is concerned. Every small-sized enterprise considers very seriously the demand analysis of the market. From the sectoral point of view, according to Nwafor (2007), the two categories are the consumer's demand and the producer's demand. The consumer's demand of the project output is determined by the amount of the output needed by buyers who make direct use of the product for consumption purposes, while producer's demand is a derived demand in the sense that it is demand expressed by the extent and levels of use to which the project output is to make another product.

This analysis comprises customers' attitude, demand situation, sales volume, type of

cash flow, volume of goods and services in the survey environment. Market/demand analysis has to do with both the measurement and forecasting of demand for goods and services, which forms an important aspect of feasibility analysis (Emmanuel & Morgan, 2018).

### **Environmental Survey**

The issue of the environmental variables must be considered while carrying out feasibility study on any project. The environment is like a seat every business rest upon. The environmental display to a very large extent is a determining factor if any business is to survive or not (Olagunju, 2004). The survey enables small-sized business owners to know the terrain very well, the likely barriers and challenges that the business may face e.g, cultural beliefs, norms, orientation, likes and dislikes practices and lifestyle of the environment. Favourable environment encourages organizational performance. Feasibility survey enables every organization to make adequate preparation before commencement of business activities. In other words, proactive operation is common with entrepreneurs that pay attention to feasibility of their environment because the challenge of the environment does not take them unaware (Kregeretal, 2016). Feasibility study of business environment is very crucial to the success of SSEs, hence it makes provision for comparison between environment A and environment B before final decisions on the project to embark upon and how to go about it, and when to start the project, the continuation and completion of the project (Momin & Sahader, 2017).

### **Small-Sized Enterprise (SSE)**

In a global context, general definition of small sized enterprise using size and scale of operation is not easy, but within the fixed coordinates of national boundaries, it might be relatively easier (Aborode, 2005). In line with the idea of Aborode (2005), and for the fact that there is no universally accepted definition of small-sized enterprise, we would like to explain the meaning of small sized enterprise based on individuals, groups and institution, and corporate organizations understanding of the concept.

- a. The Central Bank of Nigeria (CBN) credit guideline number 25 of 1999, defines a small scale enterprise as any business whose total investment excluding land and working capital that does not exceed five (5) million Naira.
- b. Carter and Jones (2006), quoting the European commission are of the view that all enterprises with not more than 50 employees are categorized as small-sized enterprises, while those with not more than 250 employees are categorized as medium –sized enterprises.
- c. The third national development plan (1975-1980) opines that small-sized enterprise is any business that employs not more than 10 people and whose investment on machinery and equipment does not exceed six hundred thousand naira. The small-sized enterprise means different thing to different people based on their experience and business environment predictions.

## Performance

Performance is the completion of a task assigned to an individual or a group of individuals to perform, or the energy afforded by an individual in performing the work required to be carried out mentally or intellectually (Onoriode, 2022). Akpotu & Lebari (2014) asserted that performance is the extent of success or failure of an individual in realizing the objectives required from him/her in work. According to Eniola (2017), state that performance connotes how companies react, understand and influence to certain environmental changes. In fact, Etim and Uford (2019) mention that it is commonly used at all levels of management to determine whether organizations are doing well or not and if the activities are according to set goals. Performance is more or less like a tool to determine whether organization is progressing or not (Uford & Joseph, 2019). The idea of organizational performance hanged on the position or promise that it is a combination of productive assets made up of human, physical and capital resources for the main reason of accomplishing the established objectives as a shared purpose (Barney, 2012).

## Methodology

Delta state is one of the major cassava producers in the country. This is the motivating factors why is used as a reference study. The study comprised three (3) selected farmers from each of the local government (25) that make up the state, which gave us total of 75 farmers in the state. We used farmers that are in the cassava farming business not less than 5 years because of experience. Random sampling technique was further adopted for the selection of the farmers. Instrument used for data collection was structured questionnaire and was directly administered to the respondents by the researchers. Questions were based on the feasibility variables (environmental and market/demand survey). The true situation report was given to the researchers as a result of their commitment. Correlation coefficient was used for the analysis using Pearson Product Moment Correlation Coefficient with the aid of Statistical Package for Social Science (SPSS) version 23.

## Results and Discussion

### Hypothesis One

Ho: Market/Demand survey does not positively influence performance SSEs

Hi: Market/Demand survey positively influence performance SSEs

### Model Summary<sup>b</sup>

Model	R	R Square	Adjusted Square	RStd. Error of the Estimate	Durbin-Watson
1	.755 <sup>a</sup>	.712	.912	.29380	.041

a. Predictors: (Constant), Market/Demand Survey

b. Dependent Variable: Performance (SSEs Performance)

### ANOVA<sup>a</sup>

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	958.105	1	958.105	2749.478	.000 <sup>b</sup>
	Residual	91.678	458	.244		
	Total	1069.783	459			



a. Dependent Variable: Performance (SSEs Performance)

b. Predictors: (Constant), Market/Demand Survey

#### Coefficients<sup>a</sup>

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.199	.040		5.019	.000
	Market/Demand Survey	1.135	.016	.755	68.916	.000

Dependent Variable: Performance (SSEs Performance)

R = 0.755

R<sup>2</sup> = 0.712

F = 1749.478

T = 68.916

DW = 0.041

#### Interpretation:

The regression sum of squares (958.105) is greater than the residual sum of squares (121.187), which indicates that more of the variation in the dependent variable is explained by the model. The significance value of the F statistics (0.000) is less than 0.05, which means that the variation explained by the model is not due to chance. R, the correlation coefficient which has a value of 0.755, indicates that there is positive relationship between market/demand survey and performance (SSEs performance). R square, the coefficient of determination, shows that 0.91.2% of the variation in performance (SSEs performance) is explained by the model. With the linear regression model, the error of estimate is low, with a value of about .51439. The Durbin Watson statistics of 0.041, which is not more than 2, indicates there is no autocorrelation. The market/demand survey coefficient of 0.755 indicates a positive significance between market/demand survey and performance (SSEs performance), which is statistically significant (with t = 68.916). Therefore, the null hypothesis should be rejected and the alternative hypothesis accordingly accepted. Thus market/demand survey positively influences performance (SSEs performance) in the enterprises under study.

#### Hypothesis Two

Ho: Environmental survey does not positively influence SSEs performance.

Hi: Environmental survey positively influences SSEs performance.

R = 0.773

R<sup>2</sup> = 0.747

#### Model Summary

Model	R	R Square	Adjusted Square	R Std. Error of the Estimate	Durbin-Watson
1	.773 <sup>a</sup>	.747	.747	.14111	.094

a. Predictors: (Constant), Environmental Survey

b. Dependent Variable: Performance (SSEs Performance)

**ANOVA<sup>a</sup>**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	751.853	3	217.284	1726.843	.000 <sup>b</sup>
	Residual	53.058	456	.116		
	Total	704.911	459			

a. Dependent Variable: Performance (SSEs Performance)

b. Predictors: (Constant), Environmental survey

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized T	Sig.
		B	Std. Error		
1	(Constant)	.093	.034	2.718	.007
	Environmental survey	.593	.036	.779	19.458

a. Dependent Variable: Performance (SSEs Performance)

F = 1726.843

T = (19.458; 3.579; 4.644)

DW = 0.094

**Interpretation:**

The regression sum of squares (751.853) is greater than the residual sum of squares (53.058), which indicates that more of the variation in the dependent variable is explained by the model. The significance value of the F statistics (0.000) is less than 0.05, which means that the variation explained by the model is not due to chance. R, the correlation coefficient which has a value of 0.773, indicates that there is positive relationship between environmental survey and performance (SSEs performance). R square, the coefficient of determination, shows that 0.94.7% of the variation in performance (SSEs performance) is explained by the model. With the linear regression model, the error of estimate is low, with a value of about .24104. The Durbin Watson statistics of 0.094, which is not more than 2, indicates there is no autocorrelation. The environmental survey coefficient of 0.773 indicates a positive significance between environmental survey and performance (SSEs performance), which is statistically significant (with  $t = 19.458; 3.579; 4.644$ ). Therefore, the null hypothesis should be rejected and the alternative hypothesis accordingly accepted. Thus, environmental survey positively influences performance (SSEs performance) in the organisations under study.

**Discussion of Results**

The test of hypothesis one by the use of simple regression analysis revealed that market/demand survey positively influence performance in the organizations under study. The market/demand survey coefficient of 0.755 indicates a positive significance between market/demand survey and performance, which is statistically significant (with  $t = 68.916$ ). This finding appears consistent with the results of Emmanuel & Morgan, (2018) who is of the view that market/demand survey is positively related to organizational performance; and that if there is a wrong conception about the market situation, there will be wrong output that leads to wrong

demand. Market/demand survey is very critical as far as the success of the organization is concerned. The test of hypothesis two revealed that environmental survey positively influence performance in the organizations under study. This finding appears consistent with the views of Ndebbo (2007) that evaluating the environment with the view of tracing the existing or emerging opportunities and threats and as well the viability of the intended business with the aim of convincing the investors that the perceived project is possible or not is very important.

### **Conclusion and Recommendations**

In line with the findings, the study concluded that there is positive significant relationship that exists between the dependent and independent variables. Furthermore, it also concluded that market/demand survey and environmental survey are significant as far as performance of small sized enterprises is concern. The role that feasibility study plays in business success especially among small-sized business owners cannot be overestimated in this modern time. Although many SSEs are yet to embrace the concept because they assume that is not necessary and that there is no need for the exercise because of time and cost involved. For full impact of feasibility study on SSEs, we recommend as follows:

1. There should be sensitization and awareness campaign on the need for feasibility study exercise among SSEs before commencement of any business operation because a good number of them are ignorance of what the exercise is all about.
2. While preparing for the survey small-sized enterprise must consider the market/demand situation of the location, analyze and evaluate the environmental situation of the business location and the records of the business environment should be consulted for directive into the future. Because is a prerequisite for success and surviving, and also for problem solving, the doctrine should be pass among SSEs and should be encouraged to accept it without negotiation.

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