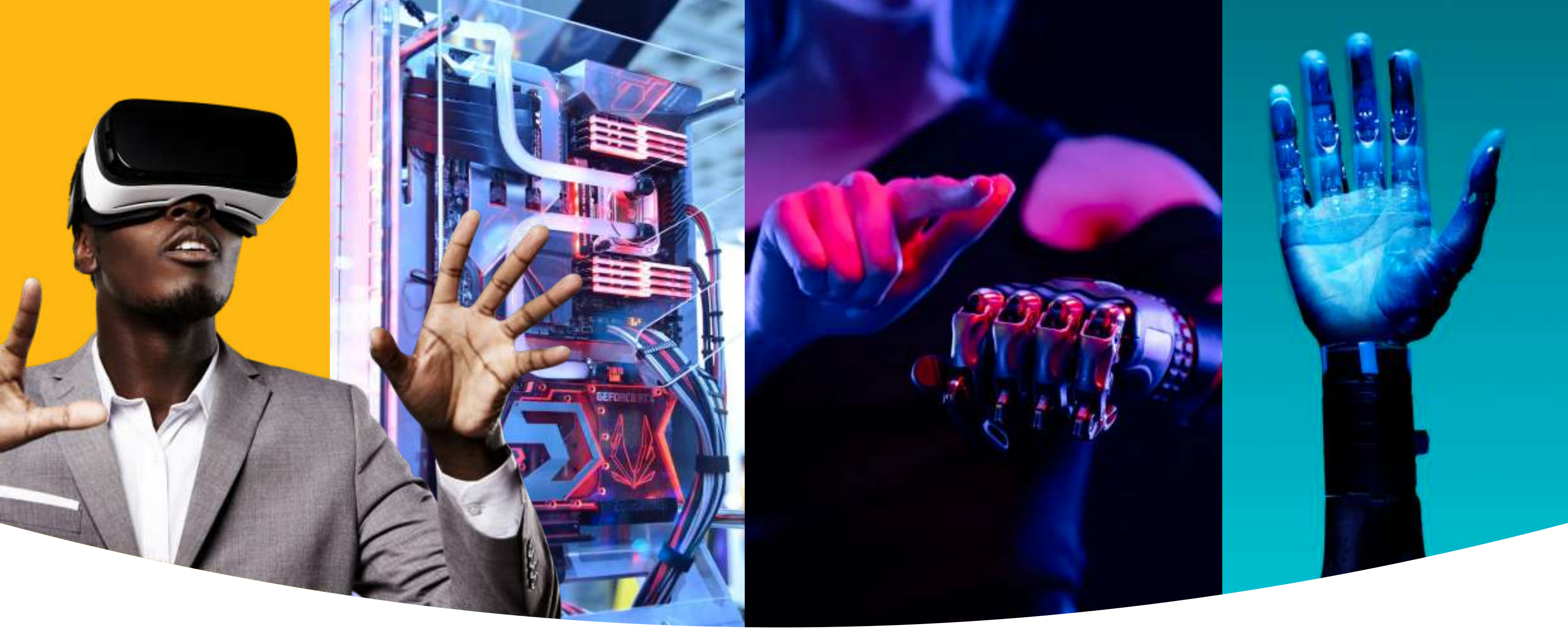

Advance Innovations, Development, and Challenges

of Artificial Intelligence (AI) for SMEs

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CHAPTERS IN THIS ISSUE

Chapter 1

Promoting Rural Entrepreneurship in the Digital Era

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Introduction

Access to broader markets and increased competitiveness are only two ways in which digital services can help rural entrepreneurs (Pazarbasioglu et al., 2020). Additionally, businesses relied heavily on digital services during the continuing Covid-19 outbreak, when transportation and personal contact were restricted. In spite of this, many rural Namibian business owners have lacked access to the digital services that would have otherwise bolstered their operations.

In order for all regions of Nigeria to benefit from the country's economic growth and raise the country's GDP per capita, it is now essential for policymakers to consider rural industrialisation (Adelowokan, 2019). Entrepreneurs in rural areas are predicted to fare better in the future decade if they adopt the idea of "industrializing" their businesses. Now more than ever, rural entrepreneurship is having a major effect on things like economic growth, employment, food security, and social stability. The likelihood of social unrest increases as more individuals are forced to relocate from rural to urban regions in search of work because of the difficulty of starting and maintaining their own companies. Especially in countries with substantial rural populations, it is crucial that scholars explore this issue and suggest solutions. Such difficulties for businesses in remote or rural places require forward-thinking corporate executives, keen political thinkers, better-educated professionals, and academics who can apply their ideas in novel ways.

2.0 A New Era of Rural Enterprise

Entrepreneurship in rural areas can be defined as businesses that are located outside of major metropolitan areas and that function in spite of the extreme difficulties and challenges posed by doing business in places like rural America's underdeveloped, remote regions, where most of the land is used for subsistence farming (Li et al., 2019). People tend to think of rural areas as distinct from both highly populated urban and suburban areas and undeveloped natural areas like woods and mountains. Businesses in rural areas can meet local demand for goods and services while saving money on labor by hiring people from within the community. Even though there isn't a single definition of entrepreneurship that everyone agrees on, it is known to be a part of a company's strategic position that includes being willing to take risks, being able to compete aggressively, and taking proactive steps and coming up with new products.

To put it another way, rural entrepreneurship is identical with rural industrialisation because it refers to the rise or formation of entrepreneurial activity in rural areas. Small-scale enterprises like those run by small dealers and craftspeople are typical of the informal sector of the economy, which is represented by rural entrepreneurship. When it comes to solving issues like poverty, rural-urban migration, economic inequality, and unemployment, rural entrepreneurship can be seen as a significant answer. Most rural entrepreneurs encounter the various hurdles given by the lack of primary facilities in these developing country areas. However, for those who make the journey from the countryside to the suburbs or the city, rural entrepreneurship presents a substantial potential. Rural entrepreneurs face challenges in establishing locally based industries due to a shortage of educated people, financial constraints, and limited technical and conceptual ability.

3.0 Entrepreneurship and the Rise of Digital Technologies in Rural Areas

Entrepreneurial principles that entrepreneurs rely on to succeed include autonomy, originality, decision-making, planning, action, and results. However, in order to increase rural people's economic engagement, rural entrepreneurship must be fostered further. More successful economic operations may only be realized through the digitalization of rural entrepreneurship, which may require a change in how rural entrepreneurs operate. The term "digitalization" refers to the processes involved in maintaining the infrastructure of digital technology, specifically the transformation of analog data into digital format and its subsequent use in various societal and institutional settings (Hetemi et al., 2020).

If rural entrepreneurs are to contribute to the growth of the country's economy, it is essential that their needs be understood and that digitalization strategies be put into place. Authorities should expand and capacitate the digitalization in rural contexts because there are so few such efforts at present and so few data on rural areas available in many nations. Promoting this kind of growth in rural areas needs the help of policymakers, government agencies, businesses with a stake in the matter, and rural entrepreneurs themselves.

For rural businesses to expand and remain competitive, they need access to digital tools. There is substantial evidence that, in many countries, improving entrepreneurial activities is seen as a strategy to boost national productivity and job creation, which in turn improves economic independence; and digitalization, is a highly effective strategic growth strategy for businesses in the world's emerging markets. Small and medium-sized enterprises (SMEs) are now seen as mechanisms for economic growth and equitable development, with the ability to create labor-intensive, capital-saving initiatives that guarantee the creation of many new jobs.

For low-income families, small enterprises are crucial to the advancement of women's self-esteem, the acquisition of marketable skills, and the improvement of the family's financial situation. By lowering the rate at which people leave the countryside for the city, raising the quality of life there, and boosting cultural tourism, small businesses play a crucial role in keeping the rural population from being forced to abandon their homes and towns. Given that enterprise and entrepreneurship are the primary drivers of economic growth in rural Nigeria, the future success of rural economies is intrinsically linked to the ability of rural entrepreneurs to innovate and identify new business opportunities that generate jobs and income in these areas, which in turn is tied to the persistence of the challenges facing traditional rural sectors. Small and medium-sized enterprise (SMME) development in rural areas has also emerged as a potent driver for societal and economic diversity in Nigeria (Ukwuoma, 2019).

4.0 Factors Pushing Towards Digitalization in Rural Entrepreneurship

4.1 The First Steps in Technological Development

For the sake of economic and social advancement as well as political and entrepreneurial development, governments should emphasize the construction of fiber optic technology, making broadband connectivity available to remote populations. The digitalization of rural business activities would be made possible by bringing fiber-optic connectivity to all rural houses, which would also improve intra-household communication (Barbut, 2019). Strategic private sector partnership alliances are believed to be being enabled by the public sector and governments of both developed and developing countries, leading to the digitalization of all rural areas.

4.2 Considerations on Society and the Economy

Entrepreneurial actions and business processes are profoundly affected by one's social and economic circumstances. Land, labor, capital, and entrepreneurialism all serve as elements of production, with economic growth influenced by both resource growth and the rate of technical change. Researchers looking into the impacts of these factors on economic growth have largely concluded that a rise in entrepreneurial activity is to blame. Because entrepreneurs create new ways of accomplishing old goals, such as the inventions that drive technical advancement, they play a crucial role in the economic development of every country. Entrepreneurs who are willing to take chances on new ideas and who take the time to manage and coordinate all of their company's resources are what really drive economic growth, not an increase in the quantity of other inputs.

4.3 Average Literacy Rates

Training aspiring business owners comprises instilling a sense of independence and fostering a can-do mentality through the introduction of novel approaches to business and the encouragement of novel mindsets and approaches to problem solving. Economists agree that one of the biggest problems with economic growth in low-income countries is the lack of trained entrepreneurs who can bring together and coordinate all of the key production inputs (Oliinyk et al., 2021).

4.4 Access to the Political System

Government policies that assist SME initiatives, such as legislation that allows them to function efficiently and decrease administrative expenses, are important because of the significance of

SMEs to a country's economy (Doran et al., 2018). Therefore, governments need to implement policies that help small and medium-sized enterprises (SMEs) in rural areas. Many of Africa's developing and poorer nations still haven't crafted SME laws that cater to the unique challenges faced by small, locally owned enterprises in rural areas. Lacking a proper legal framework and hampered by bureaucratic processes and other impediments like truly effective administrative procedures, including access to relevant government agencies, government initiatives that promote and support SMEs in their efforts to improve their development and reduce poverty have a hard time succeeding. There are three main types of government policy that have been shown to offer possible political risks to businesses, and each one is intrinsically tied to the government's attitude toward business and the operational flexibility allowed to corporations. Among these are operational limitations, currency regulations, and employment policies that may need regionally shared ownership, in addition to requirements for individual products. Because of this, governments should make business policies that make sure entrepreneurs in rural areas can keep going without being slowed down by rules that aren't necessary.

5.0. The Rise of Digital Technology and the Challenges Facing Startups in Rural Areas

Obstacles to rural entrepreneurship include a lack of capital, inadequate infrastructure (such as internet access, power, and tools), limited access to customers (due to market size or location), inadequate infrastructure (such as transportation), and bribery Small and medium-sized enterprises (SMMEs) located in rural areas may confront formidable development obstacles due to inadequate infrastructure, limited access to technology, and an absence of internet connectivity and passable roads (Saxena, 2012; Okeke & Nwankwo, 2017).). The effectiveness and efficiency of SMEs in developing nations is most affected by the rate at which technology is diffused in many rural communities. More investment is needed to ensure that rural areas with fewer people are successfully digitized and positioned to reach worldwide markets, even in cases where it is considered that access to cutting-edge technology is a crucial driver of rural company expansion. Small businesses can't compete without technology because it lets them get into bigger markets, connect to global supply chains, keep track of customers in a cost-effective way, and improve internal processes.

5.1 The Importance of Investment in Rural Infrastructure to the Growth of SMEs

Small and medium-sized enterprises (SMEs) in developing nations are affected by the diffusion rate of technology, which is seen as a key factor in the growth of businesses in rural areas. Small business owners and managers should view technology as an indispensable resource since it opens up massive new markets, facilitates integration with global supply chains, provides more efficient customer tracking at lower costs, and boosts the efficiency of internal processes. Information and communication technology (ICT) has the potential to promote economic growth and social welfare in many nations, including the alleviation of poverty and the expansion of the small and medium-sized enterprise (SME) sector. There is still a need for both infrastructure (social, economic, ICT, and other enabling infrastructures) and SMME development (agricultural processing, village markets, and finance/credit facilities). Poor infrastructure, such as roads and technology, has been identified as a major barrier to SME development and growth (Bahrini & Qaffas, 2019; Haftu).

Expanding access to information and communication technologies (ICT) is a crucial part of enhancing the standard of living, fostering self-determination, and fostering economic growth in rural areas, all of which require improvements to the underlying infrastructure. But small and medium-sized enterprises (SMEs) are often situated far from commercial areas, which can have a direct detrimental impact on any infrastructural shortages, making it not economically viable for them to incur major infrastructure costs. Therefore, inadequate infrastructure components, including power supply, transportation, industrial estates, and telecommunications, are a key impediment to effective SME start-ups in rural locations.

5.2 Human Resources in the Rural SME Sector

Human capital is a critical internal factor in business success and expansion. The term "human capital" is used in the context of business startups and expansion to describe an entrepreneur's personal qualities that contribute to the success of their ventures. As a result of its direct effect on SME performance, human capital is an essential element for the growth and survival of businesses, including the competitiveness of new ventures (El Shoubaki, A., Laguir, I., & Den Besten, 2020). Most small and medium-sized businesses (SMEs) still have a negative view of training, so they don't do much to improve their human resources.

Human capital is also widely recognized as an important driver of SME performance because it equips business owners and managers with the knowledge and skills they need to effectively navigate the challenges presented by both internal and external forces impacting their company. Thus, it is crucial to examine how training and human capital development management affect the expansion and sustainability of SMEs in rural areas. Human capital helps with modernization, building up capabilities, and scaling up. This makes it the most important factor in determining economic output today, even for small businesses.

6.0 Institutional Barriers Hinder Rural Business Growth.

High financing costs, complex tax systems, and heavy bureaucracy are just a few of Nigeria's institutional restrictions that contribute to the country's stagnant entrepreneurial growth. Environmental legislation, inefficient supply chain networking, greater local and worldwide market competitiveness, volatile domestic market conditions, capital limitations, and sustainable growth are just some of the difficulties that small and medium-sized enterprises (SMEs) confront as a result. The growth and survival of rural SMEs are significantly impacted by issues related to government-imposed regulatory frameworks, as compared to their metropolitan counterparts. Despite the fact that many urban SMEs voluntarily comply with government norms and processes, rural entrepreneurs have shown an amazing capacity to start, expand, compete, and thrive in companies for extended periods of time. In developing countries like Nigeria, many rural SMMEs don't have enough collateral to qualify for bank loans. This makes it hard for SMME agribusinesses to stay in business and grow because they don't have enough collateral and institutional support (Ayoade, 2019; Igbokwe-Ibeto 2020; Nabena, 2022).

Entrepreneurship necessitates a setting where those with an innovative idea can launch a business, run it successfully, and wind it down if necessary, all within the bounds of the law. This includes disclosure, licensing, and registration requirements, as well as the safeguarding of tangible and intangible assets. Supporting public policy and growth over the long term requires an atmosphere that encourages people to take chances and try new things in business while reducing administrative costs to a minimum.

7.0 Conclusion

New technologies, such as social media and social networking, have seen explosive growth in both the economic and social spheres since the widespread use of the Internet. It has been noted, however, that many rural businesses are still not utilizing modern technologies to advertise their wares. As a result, it's crucial that we fully see the value of digitalizing rural entrepreneurship and actively support its growth, as it will serve as a powerful promotional weapon in the process of building our brands. The idea of digitalization will enhance and bring new changing trends to emerging markets, including rural industries; it will also speed up product development and diversification, and it will encourage idea generation via social media platforms like Facebook, company emails, company Tweets, and Instagram.

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Chapter 2

Challenges of Artificial Intelligence Adoption in SMEs

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Introduction

In recent years, small and medium-sized enterprises have faced a variety of challenges, including those of innovation and technology adoption. The changing landscape for technology adoption has a strong influence on many entrepreneurs and business owners, particularly in decision making on business strategy. The evolving trend in technology adoption, in terms of artificial intelligence, robotics, block chain, and cloud computing, has attracted the serious attention of small and medium-sized enterprises (SMEs) across the world. The rapid growth of artificial intelligence (AI) is becoming helpful to the development of SMEs. AI has the potential to transform all industries for the better.

However, SMEs are not fully aware of the enormous potential of AI, or do not have the necessary resources to implement corresponding AI projects. AI is rarely used by SMEs in many countries, including those in the industrialized nations (Szedlak, et al., 2020). This is largely attributed to various reasons that make companies hesitant about adoption of AI. In particular, SMEs are concerned with developing and deploying their own applications, the process of which is often very expensive, lengthy, and comes with a high risk of failure. In 2020, a study by Deloitte on AI in SMEs in Germany indicated that 59 percent of the 307 executives interviewed from medium-sized companies believe that the relevance of AI will grow significantly in the future, whereas 34 percent attribute little importance to AI. This has further confirmed that AI in SMEs is still at its early stage of development, even in Germany.

For a long time, SMEs have been recognized as a major engine of economic growth and the main driving force of employment. The COVID-19 crises precipitated the need to change business models to meet the prevailing pandemic control policy of social distance and lockdowns. The policy enabled consumers to switch to online consumption, and organizations to keep records of customers using online services. This provides fertile ground for digital adoption, including AI by businesses. The AI can study and analyze all activities performed by consumers online. For example, it can help small and medium-sized retail organizations customize products for consumers and analyze data on a large scale in digital marketing to improve efficiency, achieve competition and growth (Kumar & Kalse, 2021).

Artificial Intelligence

The fourth industrial revolution, also known as Industry 4.0 (I4.0), has brought about the transformation of manufacturing and services through digitization, irrespective of the size, sector, and location of businesses. In particular, the phenomenal adoption of the artificial intelligence (AI) across businesses around the world is incredible, although the SMEs are still struggling to understand the implications of AI technology in the advancement of their businesses and the requirements to introduce the technology.

The concept of AI has existed for more than six decades, even though did not take firmer root until 2012, when the development of neural networks and fast computer services led to the breakthrough of the technology. In 1955, John McCarthy and his fellow researchers characterized artificial intelligence as "making a machine behaves in ways that would be called intelligent if a human were so behaving". Broadly, the term "AI" is used to describe any computer system with the ability to learn. However, it should be noted that AI does not represent "an attempt to copy human intelligence or human behaviour and try to optimise it; simply, it is a reasonable attempt to further improve processes with regards to effectiveness and efficiency by using 'modern', state-of-the-art technologies" (Bunte, Richter, & Diovisalvi, 2021).

There is no common definition of AI, even though various definitions are expressed based on divergent perspectives – research or commercial. Artificial intelligence is defined as a branch of computer science that refers to "the ability of a digital computer or computer-controlled robot to perform tasks commonly associated with intelligent beings". It is about computer systems "endowed with the intellectual processes characteristic of humans, such as the ability to reason, discover meaning, generalize, or learn from past experience". Elaine Rich defines AI as "the study of how to make computers do things at which, at the moment, people are better". Hence, AI is any task performed programme or machine, which otherwise needs to apply intelligence to accomplish it (Harkut, Kasat, & Harku, 2019). It involves making machines demonstrate intelligence, especially visual perception, speech recognition, decision-making, and translation between languages, like human beings.

Indeed, any data processing technology can be called AI (McCarthy, 2007; Poole & Mackworth, 2010). AI is also defined as an advanced prediction technology, including but not limited to machine learning (ML) and deep learning (DL), natural language processing (NLP), and machine vision (Sousa, et al., 2019; Dwivedi, et al., 2021; Hansen, et al., 2021). MathWorks describes DL as an ML technique that teaches computers to do what comes naturally to human: attempts to mimic the human brain. DL brings AI closer to the goal of enabling machines to think and work as human as possible (Harkut, et al., 2019). AI is the simulation of human intelligence processes by machines, which comprises learning, reasoning, planning, self-correction, problem solving, knowledge representation, perception, motion, manipulation, and creativity. Both machine learning and deep learning are being used to achieve business goals.

According to Jörg Bienert, AI systems have been integrated into speech recognition, translation programs, logistics optimization, or to control the movement sequences of robots. Indeed, even smaller companies use AI solutions based on their needs. AI integration is no longer perceived as“witchcraft”. The use of AI has gone beyond large businesses as it can also make a contribution to optimizing production and services for small and medium-sized enterprises (SMEs).

Artificial intelligence is having an impact on how we work, live, and play. And with that, AI offers new opportunities for businesses to adopt and use AI technology to increase their productivity and competitiveness, and generate jobs. Indeed, AI technology has been in use by large businesses like Google, Facebook, Bumble, Netflix, and Amazon, and now small organizations too have begun to harness this resource to boost their production and operation activities to compete and grow in the current scenario (Kumar & Kalse, 2021). Even though the adoption rate in SMEs sector is still very low, for example, only 5 percent in Europe (Delponte, 2018).

Small and Medium-sized Enterprises

Small and medium-sized enterprises (SMEs) are very varied in nature. The definition of SMEs varies by country and is usually based on the number of employees, and the value of sales and/or value of assets (OECD, 2004). SME's operate in a wide range of business activities, including artisan, agriculture and agro-processing, furniture making, manufacturing, software engineering and development, and restaurant services.

Because of their small size, SMEs face some inherent constraints. These constraints include non-competitive real exchange rates, limited access to finance, cumbersome bureaucratic procedures in setting up, operating and growing a business, a poor state of infrastructure; and a lack of effective institutional structures. The removal of the identified constraints would have a great positive effect on the growth of SMEs.

The fourth industrial revolution, or I4.0, has ushered in new opportunities as well as challenges for SMEs. Among the opportunities are the adoption of Artificial Intelligence and Robotics by SMEs, which come with huge challenges. Indeed, only a few SMEs around the world have been able to reap the benefits of AI, and they are frequently under pressure to adopt AI technology in order to compete in the fourth industrial revolution.

Why is AI important for SMEs?

AI plays a leading role in the digital technology transformation, and acts as a new production revolution that is radically transforming business practices and conditions across industries around the world. AI has impacted on the increasing innovations in products, services, processes and business models. Indeed, AI is the "greatest economic opportunity of our lifetime" (IBM, 2020).

There are numerous benefits of AI for SMEs that are gradually adopting modern technology with an increasingly decreasing dependence on employees into the future. Hanna Kleinings, in her essay on *8 Applications of Artificial Intelligence in Business*, gave an overview of current uses of AI in business, which include automation, data analytics, and natural language processing (NLP).

- *Automation* provides a technological solution to repetitive activities by freeing employees' from performing repetitive work to focus on higher value work.
- *Data analytics* enables companies to gain insights that were previously inaccessible by discovering new patterns and correlations in data.
- *Natural Language Processing (NLP)* empowers search engines to be smarter, chatbots to be more helpful, and boosts accessibility for those with disabilities, such as hearing impairments.

The essay also specified other uses of AI in business that includes: Data transferring, cross-referencing, and file updates; Predicting consumer behavior and product suggestions; Fraud detection; Advertising and marketing messages that are tailored to the individual; Customer service using a telephone or Chabot/voicebot.

AI technology had been deployed to support service delivery during the Covid-19 pandemic period. It made it possible for businesses to work remotely, along with ensuring that the demands of customers are met without any delays.

Challenges of AI Adoption in SMEs

Despite the huge interest in adopting AI technology, the adoption rate and the level of AI expertise, especially in SMEs is low. The most critical barriers to AI adoption, particularly in SMEs, are lack of strategy, lack of competence, lack of a governance model for implementation and lack of constrained end-to-end AI solutions (McKinsey, 2018). Typically, SMEs may lack the necessary strategies, knowledge, and resources to use AI technology (Lu, et al., 2022).

Shemmy Majewski enumerated ten major common challenges to AI adoption. This is a lack of understanding of the need for AI, lack of appropriate data, lack of skill sets, difficulty finding good vendors to work with, difficulties identifying appropriate business cases, lack of an appropriate AI team that can explain how a solution works, using different AI teams that work in isolation on the same technologies, management fears having to overhaul legacy systems, some solutions are complex to integrate, and regulation is often the biggest hurdle of all (Majewski, 2021). Although the effects of these challenges to companies depend on their individual peculiarities, there is a need for all companies to engage in AI adoption to understand the challenges and explore solutions to them.

SMEs must appreciate and understand the challenges of AI adoption, primarily by addressing the significant challenges and developing internal capabilities if they want to implement and adopt AI based solutions. From an intensive review complemented with face-to-face interviews, Bettoni et al (2021) documented that five key barriers prevent companies from the adoption of AI. These are lack of data, lack of AI lifecycle assessment methods, lack of customized solutions, under-skilled employees, and complexity in using solutions.

- ***Lack of data:*** - It is apparent that companies, especially SMEs, do not generate adequate data to feed AI, which normally needs huge amounts of data on continuous basis to enable algorithms to discover the desired insights, leading the affected company to resolve problems. Thus, companies must design and implement a robust system of automating data collection if at all they are willing to adopt AI.

- ***Lack of AI lifecycle assessment methods:*** - companies often perceived that the cost of AI solutions is too high. This is more so, because of the lack of clear methods or tools to determine the cost/ advantage ratio and the return on investment, which makes definition of investment risks complex.
- ***Lack of customized solutions:*** - this has to do with the uniqueness of companies, which posits the challenge of securing personalized AI solutions that can solve their problems at an affordable price. The available AI systems in the market, or those offered by software vendors may not necessarily meet the requirements of companies, and may incur a high cost of over required AI systems provision.
- ***Under-skilled employees:*** - most employees are not fit for the AI transformation due largely to a lack of the required digital skills and the ability to learn new skills sets for AI usage. The implementation of AI technology will no doubt require specialized digital skills, which could empower employees to complement AI solutions.
- ***Complexity in using solutions:*** - AI technology is complex and complicated. Most companies need simple systems that can be deployed and used quickly by their employees. An easy-to-use system facilitates companies to achieve clear and expected results.

According to the OECD, the adoption of digital tools requires a continuous advice, support, and guidance from reliable sources to cement the transition, address risks, and exploit the potential of the new tools. Further to the need to "access the right advice and inspiration", other structural barriers to digital adoption include internal skills gap, financing gap and infrastructure gap (OECD, 2021).

Lu et al., (2022) reviewed and summarized the challenges of AI transformation for SMEs based on the Technology, Organization, and Environment (TOE) framework as shown in the table below. The table summarized challenges of AI transformation for SMEs based on the review of previous studies, including Sun and Medaglia (2019), Kamalaldin, et al. (2020), Moeuf, et al. (2020), Dwivedi, et al. (2021), Kumar and Kalse (2021), Ulrich and Frank (2021), Rodrigues, et al. (2021) and Chen, et al. (2021).

Table: Challenges of AI transformation for SMEs

Area	Challenges
Organization Readiness	(1) Manpower: enterprise leaders (managers) lack the knowledge and transformation consciousness of applying AI; Enterprises lack experts in the field of AI; Employees lack the ability of AI.
	(2) Financial resources: digital paradox or digital trap – enterprises face economic challenges of high income, high input cost and low actual return.
	(3) Material resources: poor infrastructure support and data acquisition ability of enterprises.
Technology Challenges	(1) Complexity: practicability, ease of use and application cost.
	(2) Compatibility: data quality, transparency, data standard and data structure.
Environmental Threats	(1) Cooperation of employees, customers, and other stakeholders: form a good data use ecosystem.
	(2) Ethics and trust risk: moral problems, trust problems; Legal issues; User privacy issues, etc.
Adopted from Lu et al., 2022	

1. Organization Readiness

This has to do with preparedness to adopt AI technology in terms of human, financial, and material resources, which remain a daunting challenge to SMEs in adopting AI. SMEs need to develop the required capabilities to use AI technologies in optimizing operations.

- ***Human resources****:* Most SMEs lack the right human resources or talent to embrace AI technologies in their domain. The alarming lack of AI knowledge and professional skills is a major challenge for the implementation of AI in most SMEs. Since AI algorithm solutions require clear human interpretation, demonstration, and action to create valuable results, SME human resources need to be knowledgeable in the operations of AI technology for sustainable development. More so, SMEs leadership lacks the basic knowledge of AI and the advantages of adoption of the AI technology as well as have unrealistic expectations for AI technology. Hence, SMEs must address the strategic challenges related to talent shortages and skill gaps in the AI environment. Indeed, the apparent lack of a clear understanding of the capabilities and basic procedures required by organizations to obtain the potential of AI hampers the drive for AI adoption by SMEs. Another challenge relates to hiring experienced AI professionals, and talent retention in SMEs. This is because SMEs are less financially attractive employers, and hence are losing the competition over the most talented ICT experts to large companies, and it is also difficult to retain talent to competitors.

- ***Financial Aspects:*** This has a serious impact on the ability of SMEs to implement AI projects in their businesses. Most often the cost of implementation of AI technology projects tends to be prohibitive, particularly when compared with the financial returns to SMEs. If care is not taken, the implementation of AI projects in SMEs may likely produce the so-called "digital paradox", due to the rising cost, where the increase of digital service revenue cannot bring greater profits on organization (Lu et al., 2022). Generally, adoption of industrial 4.0 technologies such as autonomous robots and network physical systems are not feasible for SMEs because of the high cost (Sjödin cited in Lu et al., 2022). SMEs need to be worried about any tendency to fall into digital traps in their efforts to adopt AI technology.

- ***Material Resources***: This deals with the issue of the required infrastructure for the successful implementation of AI projects, especially in SMEs. According to Lu et al. (2022), the construction of new infrastructure such as the industrial internet is the key to the digital upgrading transformation of SMEs. As successful implementation of AI technology needs quality data to provide accurate outcomes, it is important that an SME is capable of generating high-quality data in order to make AI adoption meaningful. This is necessary because a considerable number of SMEs currently lack the high-quality infrastructure to support the adoption of AI and/or are unable to obtain a large amount of data or obtain low-quality data.

2. Technological Challenges

In the adoption of AI technology, SMEs need to consider the five attributes of the diffusion innovation theory: the relative advantage, compatibility, complexity, testability, and observability of technology, which characterize innovations that are likely to succeed over those that, do not have them. Relevance and complexity, which along with compatibility, are important factors determining the successful adoption of AI.

- ***Relative advantage*** is the degree to which an innovation appears to be better than any other alternatives the potential adopter might have, measured in terms of economics, convenience, satisfaction, and social prestige. It relates to the financial return on investment.
- ***Technology complexity*** refers to the degree to which an innovation is perceived as being relatively difficult to understand or use. So, it is about how difficult it is for adopters to learn to use an innovation. The more complex an innovation, the more difficult it will be for potential adopters to incorporate it into their existing processes and available infrastructure. People are less likely to adopt hard-to-use or complex products. Therefore, in adopting AI, SMEs need to take cognizance of the Technology Acceptance Theory (TAM) and the ease of use of the technology. This is because the complexity of AI technologies, such as deep learning, is not acceptable and far too complex for most SMEs (Lu et al., 2022). Hence, complexity is about the ease of use of the product or AI technology.
- ***Technology Compatibility*** is the degree to which an innovation is perceived as being consistent with the existing values, past experiences, and needs of potential adopters. It deals with how a technology is assimilated and integrated within an organization's existing processes and available infrastructure. The implementation of AI depends on the size and quality of data in an organization, whereas AI applications face a variety of challenges, which include an insufficient size of data availability, data collection standards, format, integration, continuity, transparency, repeatability, quantity, quality of data input, and dimensional obstacles (Dwivedi et al., 2021, cited in Lu 2022). Although the data challenges

are more obvious to SMEs, it is debatable whether different algorithms for an SME can solve problems based on different organizations or industries (Lu et al., 2022).

- ***Testability (Trialability)*** is the degree to which an innovation can be experienced firsthand on a limited basis.
- ***Observability*** *is* the degree in which the innovation or its results can be seen by others likely to adopt it.

In addition to the five major attributes of diffusion innovation theory, other studies have identified three other attributes: image, result demonstration, and voluntariness (Moore & Benbasat, 1991).

- ***Image*** refers to the degree to which it is important to be seen.
- ***Result Demonstration*** is the degree to which an innovation is perceived as providing tangible evidence of its benefits.
- ***Voluntariness*** refers to the degree to which use of an innovation is entirely voluntarily.

3. Environmental Threats

SMEs are confronted by various environmental threats that have profound impacts on the generalisation or expansion of AI services for SMEs. Environmental threats may arise from a lack of cooperation by the relevant stakeholders and ethics and trust risk problems.

- ***Cooperation of stakeholders:*** The adoption of any technology requires the buy-in and cooperation of many stakeholders, such as employees and customers, who are expected to generate high quality data for digital service delivery. Even though bringing the stakeholders together is often a daunting task, a shared ecosystem of digitization can affect the business model of any single organization (Lu et al., 2022). Hence, SMEs need to understand and benefit from the available support in the environment, either from government or other sources. For example, the government can facilitate the growth of SMEs by playing a key role in improving the existing legal and regulatory systems, raising awareness of digital transformation, providing technical and financial support, strengthening data communication infrastructure (Chen, et al., 2021). Similarly, in terms of technology and data communication infrastructure, the government may intervene and provide financial support. Notwithstanding rationale for government interventions, from a policy point of view, it may be a serious challenge due to other competing demands.
- ***Ethics and trust risk:*** This involves issues surrounding moral and trust problems, legal issues, user privacy issues, and the like. The collection and management of large data sets derived from AI technology raises ethical issues related to governance, quality, security, standards, privacy, and data ownership, as well as moral and trust risks. SMEs must be diligent and compliant with ethical requirements. Nonetheless, data collection based on protecting user privacy may limit the development of AI within SMEs.

Conclusion

A considerable number of SMEs fail to successfully integrate AI capabilities into their business models due to a lack of readiness by the organization, which includes the readiness in human, financial, and material resources. So, it is better for SME to delay adopting AI technology until they understand how it will be used.

Despite the huge challenges of AI adoption in SMEs, it is important that entrepreneurs and business owners have every confidence that they can implement AI in their businesses. Having understood the potential challenges of AI adoption, SMEs need to recognize that a successful AI adoption relies on investment, stakeholder support, and robust workflows.

Although it has been well acknowledged that the use of AI can provide a better alternative to the traditional systems, the real problem is the narrow knowledge of AI among people. Indeed, with the exception of technology enthusiasts, students, and researchers only a limited number of people are aware of the potential of AI. SMEs have a long way to go on AI technology adoption. Therefore, it is obvious that the government along with other stakeholders, needs to be committed to ensuring that SMEs have the knowledge, tools, talent, and support to harness AI's potential.

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Chapter 3

Strategic Planning in Small and Medium Enterprises (SMEs)

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Introduction

The high level of competition characterized by the changing nature of the business environment has called for the need for strategic planning among Small and Medium Scale Enterprises (SMEs). Strategic planning is a mechanism that facilitates the achievement of SMEs vision. Typically, it is designed by top management and implemented by lower management through policies, procedures and programmes. It achieves three major objectives. Initially, during the planning phase, it is possible to comprehend the SMEs objectives. Secondly, strategic planning entails the development of a thorough, step-by-step plan for achieving the stated objectives. Finally, strategic planning's major objective is establishing priorities and providing future business direction (Koteen, 1997; Donkor, Donkor & Kwarteng, 2018).

SMEs are a crucial component of economic growth in nations around the globe. Although SMEs contribute considerably to economic growth, they are subject to poor performance and eventual failure. This is associated with the large firm's presence and the business environment's dynamic nature. Among the difficulties the sector faces are a dearth of skilled labour, a proliferation of levies, and a high cost of doing business (Baba & Audu, 2021). Consequently, SMEs must be successful; the high failure rate of SMEs increases the urgency of strategic planning. Hence, Strategic planning in small enterprises is essential for determining the SMEs future position and planning. It is a tool utilized by small and medium-sized enterprises to acquire a competitive advantage. In addition, it aids SMEs in making effective decisions and strategies by keeping them apprised of possibilities and dangers in an ever-changing business climate.

Therefore, this chapter provides a synthesis of strategic planning in SMEs to guide the current and future SMEs owners to harness its importance. More importantly, the chapter identifies SWOT analysis as an essential tool for environmental scanning for SMEs to understand the prevailing business environment.

Definition of SMEs

The term SME's universally stands for Small and Medium Enterprises or Small and Medium-sized Enterprises. Like most concepts in Management Sciences, there is no consensus on the definition of SMEs. This is because the definition differs widely in regions depending on the phase of economic development and the prevailing social conditions. Several definitions of the term SMEs vary from country to country. For example, a firm that can be termed micro or small in an economically advanced country like Japan, Germany and the United States, given their high capital intensity and advanced technology may be classified as medium or even large in a developing country like Nigeria. Definitions also change over time, owing to changes in price levels, advances in technology or other considerations. Even in the same country, different institutions may adopt different definitions depending on their policy framework (Bukar & Mohammed, 2021).

The commonly used criteria at the International level to define SMEs are the number of employees, total net assets, sales and investment level. In Malaysia, the definition of SMEs is based on two criteria: the number of people the business employs and the revenue it makes. In short, a business can be called an SME if it meets one of the two criteria. Within SMES itself, there are also terms used to describe if an SME is a micro enterprise, small or medium enterprise, all of which depend on the mentioned criteria. In South Africa, SME is any business with fewer than 200 employees, where fewer than fifty workers are deemed small, and between 50 and 200, medium sized (Sandada, 2015).

Small business is operated and managed by individuals or group of persons with low capital, low sales and small number of employees on the business's payroll. This type of business is established, funded and managed by interested small scale business proprietors. In Nigeria, small businesses are mostly traded along the streets of towns and villages, while some are operated at designated shops and malls.

However, with the introduction of the National Policy on SMEs in Nigeria, the definition of what constitutes micro, small and medium enterprises has been addressed. The definition receives a grouping focused around double criteria, assets and employment (except for land and buildings). Micro enterprises are those businesses capable of providing employment for less than ten (10) employees and have an asset of less than N5 Million except land and building. Small enterprises are those businesses capable of employing 10 to 49 employees and have an asset of an amount equal to N5 million to N49.9 million with the exception of land and building while Medium enterprises are those businesses capable of employing 50 to 199 employees and have an asset of an amount equal to N50 million to N499.9 million with the exception of land and building.

SMEs are the driving force for economic growth and development. They serve as a key factor in promoting private sector partnership between states and nations of the world. SMEs are responsible for providing goods and services, creating employment, poverty alleviation, skill acquisition, providing local contents and achieving self-independence. Considering SMEs' importance in Nigeria, their performance and survival will be of great interest to the country. Despite their contributions to the economy, high rate of SMEs failure makes need for strategic planning more urgent.

Definition of Strategic Planning

Strategic planning is the process of determining the primary objectives of the entrepreneurship and then adopting an alternative course of action and allocating the needed resources to achieve the business objectives. Henderson & Hines (2019) define strategic planning as establishing and setting a direction for corporate activities by analyzing present and future goals. Similarly, Huang (2005) defines strategic planning as a sophisticated and participatory management strategy involving scanning the environment and forming mission, vision, and strategies to improve the organization's performance and, consequently, its market competitiveness. Also, strategic planning is the process through which an organization defines its vision and strategies and allocates its human capital and other assets to achieve this strategy (Allison & Kaye, 2011)

From the preceding, it can be deduced that strategic planning in SMEs entails establishing a quantifiable business objective, developing strategies to achieve the stated objectives, allocating the necessary resources to implement the course of action, and monitoring and evaluating the course of action. According to Glaister, Dincer, Tatoglu, and Demirbag (2006), the most important aspects of strategic planning include the formulation of SMEs mission statement, the establishment of its objectives, the development and implementation of its strategies, and the monitoring and control of the implementation of those strategies.

Steps involved in Strategic Planning in SMEs

i. **Formulation of objectives:** relates to the specific performance goals the SMEs expect to achieve. The business's overarching objective is how the SME will achieve its purpose. The mission statement explains the purpose and primary objectives of the business. Good examples of business objectives include launching a new product, brand, or capturing a new market segment and many others.

ii. **Developing a strategy to attain the specified goals:** a strategy is a plan, course of action, or set of decision rules that create a pattern or a common thread. Additionally, a strategy can be considered a thoroughly crafted plan for reaching SMEs objectives. It describes the means through which the entrepreneur intends to achieve objectives. The most suitable strategy can be selected from several alternatives based on the strengths, weaknesses, and opportunities accessible to the SME. The SWOT analysis is one of the most prominent methods the entrepreneur can utilise in developing realistic strategies.

iii. **Allocation of resources:** Allocation of resources entails assigning and managing the appropriate resources to accomplish the strategy that supports SMEs objectives. Physical resources, human resources, intellectual resources, and monetary resources are required at this level.

iv. **Strategy Implementation:** Choosing a set of complementary strategies to obtain a competitive advantage and allocating the required resources to implement the strategy. Strategy implementation is the process by which SMEs turn their chosen strategy into action plans and actions that will drive the SME on the path outlined in the strategy to achieve its strategic goals. According to Wheelen and Hunger (2012), strategies and policies are implemented by creating programs, budgets, and procedures. Strategy implementation is an integral part of the strategic management process. It is viewed as the process that transforms the formulated strategy into a series of actions and results to ensure that the business's vision, mission, strategy, and strategic objectives are accomplished as intended (Thompson, 2001).

V. **Strategy evaluation and Control:** Once the strategy has been implemented, it is vital to measure and evaluate the outcome to keep the plan on track. Evaluation and control is the monitoring of SMEs operations and performance outcomes so that actual performance can be compared to desired performance (David, 2011; Wheelen & Hunger, 2012). David (2011) proposed three fundamental procedures for evaluating strategies:

(a) Examining the foundations of the SMEs strategy (b) Comparing expected and an actual result (c) Taking corrective actions to ensure performance conforms to plans.

SWOT Analysis.

SWOT Analysis: SWOT is an abbreviation for strengths, weaknesses, opportunities, and threats. Is an organized way of assessing a business's strengths and weaknesses, opportunities and threats in the external environment that confronts or will confront the SMEs. What makes SWOT particularly powerful is that, with little thought, it can help SMEs uncover opportunities they are well placed to take advantage of. And by understanding the weaknesses of your business, you can manage to eliminate threats that would otherwise catch you unaware.

Strength: Strengths describe what an organization excels at and what separates it from the competition, valuable organizational resources or competitive capability or achievement that gives the business a market advantage. Examples of strengths are a strong employee attitude, excellent customer service and leadership in product innovation and technology usage.
Weakness: refers to something or company lacks or does poorly (compared with others) or a condition that puts it at a disadvantage. Examples of SMEs weaknesses are; lack of involvement from top management in developing a new service and lack of quantitative goals.
Opportunity: refers to the chance offered by the external environment to improve the SMEs situations significantly. Opportunities can come from such things as: changes in technology and markets on both a broad and narrow scale, changes in government policy related to your field and changes in social patterns, population profiles, lifestyle changes etc. a useful approach for looking at opportunities is to look at your strengths and ask yourself whether these open up any opportunities
Threats are challenges posed by an unfavorable trend or development in the external environment or elements of the external environment that may endanger an SMEs competitive advantage. For example, rising cost of materials, tight labour supply, increasing competition, change in consumer taste, etc.

Strength and weaknesses are often internal to the SMEs. Opportunities and threats often relate to external factors. For this reason, the SWOT analysis is sometimes called Internal-External analysis and the SWOT Matrix is sometimes called an Internal External Matrix Analysis tool. Thus, the SWOT helps SMEs focus on their strengths, minimise threats, and take advantage of opportunities available. Some of the key areas to consider when identifying and evaluating strengths, Weaknesses, Opportunities and Threats are listed below in the example of SWOT analysis in figure 1 below:

	POSITIVE	NEGATIVE
INTERNAL	STRENTH • Technological skills • Leading brand • Distribution channel • Customer relationship and loyalty. • Product quality • Clear goal	WEAKNESSE • Absence of important skills. • Weak brand • Poor access to distribution • Low customer retention • Lack of quantitative goal
EXTERNAL	OPPORTUNITIES • Changing customer taste • Technological absence • Change in government policy • Lower taxes • Changes in population age structure • New distribution channel	THREATS • Changes in customer taste • Technological advances • Changes in government policy • Taxes increase • Changes in population structure. • New distribution channel.

Figure 1: SWOT Matrix

Conclusion

This chapter provides a synthesis of strategic planning in SMEs to guide the current and future SMEs owners to harness it importance. This initiative considered most importantly the concept of strategic planning and SMEs and procedures in strategic planning in SMEs to include formulation of objectives, developing appropriate strategy, resource allocation, strategy implementation and evaluation and control. This chapter is recommended for use as reference material for current and prospective SME investors to bring benefits such as clear business direction, efficient use of business resources, a way of measuring progress and more effective decision-making through strategic planning.

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Chapter 4

The Interplay between Small and Medium Size Enterprises and Poverty Reduction

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Introduction

Poverty is a phenomenon whereby individuals are incapable of meeting their essential economic standard of living and have less access to economic opportunities (Zafar et al., 2018). Therefore, poverty may come about due to unforeseen circumstances such as natural disasters or structural adjustment policies to mitigate joblessness rates (Zafar et al., 2018). Poverty reduction is a key agenda item of the Sustainable Development Goals (SDGs), and as such, it is the focus of government and stakeholders (Abisuga-oyekunle et al., 2019; Nursini, 2020). Poverty reduction is one of the key agenda of Sustainable development goals (SDGs), hence, the focal point of government and stakeholders (Abisuga-oyekunle et al., 2019; Nursini, 2020). It is observable that poverty reduction anywhere in the world can contribute hugely the betterment of humankind and the economic growth of the nation (Beck et al., 2014; Geremewe, 2018). This requires industrialization where SMEs will be encouraged as a means to help spur socio economic well-being and economic prosperity, which will in turn decrease poverty in the country (Geremewe, 2018).

Similarly, SMEs generate employment at a low capital cost in many countries where unemployment and poverty are prevalent (Racheal & Muognu, 2018; SMEDAN, 2017). Likewise SMEs generates employment at low capital cost in many nations where joblessness and poverty are evident (Racheal & Muognu, 2018; SMEDAN, 2017). Universally, it has been acknowledged that SME expansion enhances employment more than bigger firms due to the fact that they are labour intensive, which ultimately lessens the gap between rich and poor (Abor &

Quartey, 2010; Zafar et al., 2018). In addition to employment generation and the alleviation of poverty, SME drives innovation, wealth creation, and a reduction in income inequality (Racheal & Muognu, 2018). In low-income nations, SMEs are the means through which poverty is alleviated massively (Zafar et al., 2018). It was equally established that a rise in production activity, i.e., GDP by 1 percent, decreased joblessness by 0.16 percent (Abdul-khaliq et al., 2014). Therefore, SMEs have the potential to triumph in both rural and urban parts, consequently, perform a valuable function in ensuring an even distribution of economic opportunity due to their labour intensive nature, warranting income stability and employment (Abor & Quartey, 2010). For this reason, the streamlining of SMEs facilitates the growth of economies in the long run because these firms augment domestic market efficiency and exploit their scarce resources productively (Abor & Quartey, 2010). Consequently, SMEs may serve as a poverty reduction mechanism (Beck et al., 2014). In order to do this, this study tries to figure out how SMEs and the reduction of poverty are related.

The Role of International Organization in Reducing Poverty and Inequality

According to the United Nations, a substantial percentage of global inhabitants live in abject poverty (UNDP, 2022). One of the sustainable development goals of the United Nations by 2030 is global action to end poverty by policy formulators everywhere. This goal is the focus of attention for both the government and several stakeholders (Nursini, 2020). Promoting inclusive economic growth is the means through which poverty can be lowered, and this can only be attained through the value adding activities of small and medium enterprises (UNDP, 2022). UNDP (2021) report established that, out of 5.9 billion inhabitants residing in 109 nations investigated, 1.3 billion live in severe multidimensional penury. The principal objective of the UN global community is to promote and support economic growth and decent employment to ensure that poverty is ended in all dimensions by the year 2030 (UNDP, 2021). Promoting economic growth is indispensable because people can be employed, and the salary or wage gain can be used for self-support and families (UNDP, 2022). Similarly, the World Bank and other international agencies have provided support to SMEs in developing countries in order to speed up the development process and to mitigate poverty (Abisuga-oyekunle et al., 2019). Consequently, to drive the development process and to reduce poverty, the World Bank and other international agencies have offered direct assistance to small and medium- size enterprises (SMEs) in developing countries.

The Role of SMEs in Poverty Reduction

The indispensable role played by SMEs in the global economy cannot be underrated. One of the strategic efforts that can help assuage poverty across the globe is by empowering SMEs, as they contribute extensively to the country's socio-economic growth (Oyelana & Adu, 2015). According to the World Bank (2022), the SME sector is critical in most economies as it represents the preponderance of value adding activities globally. When the sector is developed, it can absorb additional labour, boost income, and stimulate economic growth to decrease the number of people living in penury and improve their socioeconomic status (Elijah & Usaini, 2020; Geremewe, 2018). Therefore, SMEs significantly contribute towards employment creation and universal economic development. Additionally, the report established that SMEs make up 90 percent of businesses and over 50 percent of jobs worldwide. In emerging markets, SMEs contributions to gross domestic product are up 40 percent. These figures will be greater when informal SMEs are taken into cognizance. SMEs contribute significantly in terms of job creation to the national economies globally. They also have role to play in actualizing SDGs objectives such as decent jobs for all, income inequality reduction, stimulating innovation as well as fostering sustainable industrialization (OECD, 2017).

Similarly, SMEs do not require much to be established, the financial commitment is relatively lower and they less and make available the commodities to satisfy the domestic demands as well as export earnings (Manzoor et al., 2019). Thus, world World Bank (2022) estimated that by the year 2030, 600 million jobs will be required to absorb the rising global labour, which makes the development of SME sector a top priority for lots of governments around the globe. Therefore, when there is conducive context and healthy competition, SMEs have the potential to assuage joblessness and add value (OECD, 2017).

Universal Perspective of SMEs

It is an established fact that small and medium-sized enterprises serve as a catalyst for revivifying and fostering the country's economy. Apart from assisting in poverty and unemployment alleviation, they are a fundamental engine for the universal economy (Manzoor et al., 2019). Even though, studies such as that of Gebremariam et al. (2004) demonstrated an inverse nexus between small business activation and the incidence of poverty in Virginia. A study conducted by Nursini (2020) reveals that SMEs contribute substantially towards poverty alleviation in Indonesia. These firms also reduce the percentage of poor firms as well as the severity index. In another development, Racheal and Muognu (2018) investigated the role played by Nigerian SMEs vis-à-vis poverty eradication and discovered that in terms of job creation opportunities and utilisation of local content, the contribution of SMEs is significant.

Using multiple linear regression, Sanusi and Hamza (2017) examined the effect of SMEs on the economic development of the following Asian countries; Oman, Saudi Arabia, Qatar, India, Thailand, China, United Arab Emirates, Cambodia, Myanmar, Republic of Korea, Mongolia, Malaysia, Singapore, Philippines, Indonesia, Vietnam, and Kazakhstan 2008-2015. Their results suggest that SMEs have positively and significantly influenced unemployment. Additionally, using time series data between 1987-2017, Elijah and Usaini (2020), established that a link was found between small businesses and poverty reduction in North-Western Nigeria.

Similarly, in Ethiopia, Geremewe (2018), concluded that amidst the incessant challenges bewildering the SME sector, they aid tremendously in the amilioration of poverty. In their panel data analysis of the role of SMEs in poverty reduction in the SAARC region, Manzoor et al. (2020) identified SME growth as one of the main factors in the alleviation of poverty in the region. Using secondary data, Zafar et al. (2018) analysed the role of SMEs in poverty eradication in Pakistan for the period of 2001 to 2017. Their findings indicate that through the jobs created by SMEs, poverty was alleviated in the country. Also, human capital considerably mitigates poverty in Pakistan. Likewise, Abisuga-oyekunle et al. (2019) and Oyelana and Adu (2015) demonstrate that in developing nations, specifically, in the African setting, SMEs are essential contributors to employment creation and poverty reduction. In the same vein, it was found that entrepreneurship education, access to funds affect the entrepreneurial performance of SMEs and assuage poverty (Maziriri & Chivandi, 2020).

Therefore, these findings clearly imply that without the establishment of small-scale enterprises, it will be challenging for a nation, specifically developing or underdeveloped to realise feasible economic growth or poverty subtraction (Geremewe, 2018). Based on the findings presented above, governments and other policymakers, particularly in developing economies where poverty is more prevalent, have a responsibility to stimulate SME because they play a significant role in poverty reduction. Based on the findings reported above, government and other policy makers particularly in developing economies where presence of poverty is more pronounced have the duty to stimulate SME because they play an immense role in poverty reduction. Therefore, the SME sub-sector helps in augmenting economic prosperity, which in turn decreases poverty in a society. The scarcity of employment opportunities is central to the high poverty levels, which a strong and viable SME sub-sector has the potential to curtail (SMEDAN, 2021). As a result, awareness of the attributes of poverty and the influence of small and medium businesses on the economic growth of the domestic economy is imperative in designing specific policies geared towards their development (Gebremariam et al., 2004). With the development and implementation of an appropriate strategy, SMEs will grow to be large-scale capital intensive (SMEDAN, 2017).

Conclusions

Understanding the association between SMEs and poverty alleviation has been the central point of interest among scholars, and there have been several efforts to establish an empirical link between SMEs' activities and poverty reduction (Gebremariam et al., 2004). To this effect, SMEs play a notable role in the economic growth of both developed and developing nations. Poverty is more common in developing economies compared to developed nations, and SMEs in the former countries play a part in actualizing sustainable development goals (SDGs) through the creation of job opportunities for different segments of society; skills development, promoting a viable private sector; fostering innovation; and entrepreneurial development; thereby reducing income inequality among others (Elijah & Usaini, 2020; Manzoor et al., 2019). SME are among the essential forces that spur a nation's financial and social growth and are the key source of reducing the burden of poverty in developing economies, which suggests the need to pay attention to these firms (Elijah & Usaini, 2020). Thus, extreme multi-dimensional poverty can be abated through appropriate policies and strategies such as training, incentives and finance from the government, which will ultimately strengthen the sector and diversify the economy. To buttress this, Maziriri and Chivandi (2020) illustrate that the higher the level of access to credit facilities, the greater the rate of poverty is declining. Hence, the government should focus on the development of SMEs and pilot them on how best to harmonize the development of SME so as to realize poverty alleviation (Abisuga-oyekunle et al., 2019). Consequently, the current editorial added to the existing knowledge by reviewing the role of SMEs in poverty reduction.

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Chapter 5

Micro, Small and Medium Scale Enterprises (MSMEs) and Poverty Alleviation in Nigeria

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Introduction

The most common business all over the world are the small businesses. So many people love to be in business for many reasons but not all people have the capacity for large scale business. Most of the big businesses we see around also started small and the small businesses always aspire to grow big. This explains the reasons why there will always be small businesses in every economy no matter how developed or under-develop (Ali & Abdulganiyu, 2021). In Nigeria, the small businesses were categorized into Small and Medium Enterprises (SMEs). However, most recent categorization has been including the Micro businesses who are often smaller than the usual small businesses. Thus, the recent use of the term – MSMEs.

The Concept of Micro, Small and Medium Enterprises (MSMEs)

There is no any universal agreement as to what constitute SMEs (Mohammed, Izah, Rahama, Aminu; 2015). Different countries classify their industries or enterprises based on the criteria they adjudged appropriate, with minor or major dissimilarities and similarities, some of the commonly used criteria for what constitute SMEs are the total net assets, number of employees, sales and investment level (Kimambo, 2015). World Bank (2016) opined that medium enterprises are those enterprises that have at most three hundred (300) employees with an annual turnover not exceeding fifteen (15) million USD. Further to the above, there is distinction between small enterprises that have fewer than fifty (50) staff members and up to three (3) million USD turnover while micro-enterprises have up to ten (10) staff members and one hundred (100,000) USD turnover.

Small scale business, small scale industries and small scale entrepreneurship are used interchangeably to mean a small scale industry firm. In Nigeria and worldwide, there are no agreed definitions of small businesses. A lot of authors, scholars, and schools have diverse ideas as to the differences in capital outlay, number of employees, turnover, capital investment, available plant and machinery, market share and the level of development, these features equally vary from one country to the other (Eze, 2012).

To show the variance in the definitions of SMEs according to institutions, National Economic

Reconstruction Fund (NERFUND) and World Bank Sponsored Small Scale Enterprises Scheme (2013) define small business as enterprises whose fixed assets (excluding land) plus cost of investment do not exceed Ten Million Naira (N10,000,000).

The Central Bank of Nigeria (2017) defines small scale enterprise (for Commercial Merchant Bank Loan), as one whose capital investment (including land and working capital) does not exceed 50,000,000 Naira or whose turnover does not exceed 250,000,000 Naira annually. Nigeria Bank for Commerce and Industry (NBCI) defines small business as a firm whose assets (including working capital but excluding land) does not exceed 7,000,000 Naira.

The legal definition of small business or a small-scale enterprise varies by industry and country. Small business sometimes called Small-scale enterprise is a business that employs a small number of workers and does not have a high volume of sales. Such enterprises are generally privately owned and operated as sole proprietorships, partnerships, cooperatives or corporation.

It can also be defined as an independently owned and operated company or enterprise that is limited in size and in revenue depending on the industry. A local bakery that employs about ten people and a manufacturing industry that employs less than five hundred people are examples of small businesses (Oseni & Oseni, 2015).

Micro, Small and medium-sized enterprises (MSMEs) are non-subsidiary, independent firms which employ less than a given number of employees. This number varies across countries. The most frequent upper limit designating an MSME is 250 employees, as in the European Union. However, some countries set the limit at 200 employees, while the United States considers MSMEs to include firms with fewer than 500 employees (Arua and Uzuegbu, 2014). MSMEs include sole proprietorship, family businesses, cottage industries, supermarkets, joint ventures and artisans. They may be organized or non-organized, formal or informal sector businesses that are modern or traditional (Mohammed, Izah, Rahama, Aminu; 2015).

The definitions of micro-business, small business, and medium business depend on the country and who is defining the terms. In Nigeria, Micro Small and Medium Enterprises (MSMEs) are generally referred to as enterprises with up to 250 employees (Bank of Industry, 2019). The definitions of small and medium enterprises are as follows: –

- Micro Enterprises: between 1 and 9 employees.
- Small Enterprises: between 10 and 49 employees.

- Medium Enterprises: between 50 and 249 employees.

Aminu (2011) distinguishes between Micro Business, Small Business and Medium Business as follows:

Micro Business

Not more than 10 to 30 workers and not more than N10million working capital.

Small Business

Not fewer than 31 to 70 employees with working capital from N10million to N100million.

Medium Business

71 to 100 workers and capital between N100milion to N300million.

Characteristics of Small Business

The characteristics of small business from the definitions given above can be noted to be:

i. Small management body
ii. Small capitalization
iii. Small Market share
iv. Employ Small number of people
v. Ownership and Control are merged.

Importance of MSMEs

The role of small and medium enterprises play in the development of country is very important. SMEs have greatly contributed to the Nigerian development in terms of employment, growth and development, and marketing of goods and services. A great percentage of all registered companies in Nigeria are constituted by small scale industries and they have been in existence for a long time (Eze, 2012). MSMEs are also said to be responsible for driving innovation and competition in many economic sectors.

Around the world, a lot has been said about MSMEs. Also there has been various subject of discussions, seminars, and workshops both locally and internationally about MSMEs. Some government have specifically formulated policies to aid the empowering, growth, development and performance of MSMEs, while some have assisted through loans and fiscal incentives (Ogundele, 2017). Micro, small and medium enterprises (MSMEs) play a big role in the Nigerian economy and economies around the globe. MSMEs outnumber large companies by a wide margin and also employ many more people. SMEs are important for economic and social reasons, given the sector's role in employment (Ali & Abdulganiyu, 2021). Most economies, particularly those of developing countries like Nigeria, march on the shoulders of small and medium-sized businesses. This is because MSMEs are characterized by dynamism, innovations, efficiency, and their small size allows for a faster decision-making process. SMEs are believed to be the engine room for the development of any economy because they form the bulk of business activities in a growing economy like that of Nigeria.

Small and Medium Scale Enterprises (MSMEs) form the bulk of the businesses in Nigeria. The attraction to the owners includes being less capital intensive and flexibility in filling the need in niche markets. Their contribution to the growth of the Nigerian economy cannot be understated as they drive the economic and industrial transformation of the country.

According to Central Bank of Nigeria (2017), SMEs are very important economic catalyst in developing and industrialized countries, in developed countries 98% or more than belong to the Small and Medium scale sector. In Japan, 80% of industrial labour force is employed by small firms, 50% in Germany and 46% in USA are employed by smaller businesses.

Developing countries can conquer poverty and inequality by democratizing, deregulating, and liberalizing the integration of global economy. Recent studies have shown that SMEs contribute to over 55% of GDP and over 65% of total employment in high income countries. SMEs and informal enterprises also account for over 60% of GDP and over 70% of total employment in middle income countries (Udo, Inyang & Oguzie, 2017).

A lot of people rely on the small and medium enterprises either directly or indirectly. Social income distribution, employment and tax revenue, adequate utilization of resources and stable family income are some of the significant effects SMEs have (Udo et al, 2017).

The importance of SMEs in an economy can thus be summarized as follows:

1) Promotion of indigenous entrepreneurship
2) Creation of employment for about 50% of Nigerian labour force
3) Provide the large scale businesses with raw material
4) Utilize local materials
5) Promotion of local technology
6) Bridge market gaps
7) Contribute greatly to GDP.
8) Provision of industrial training for younger generation.

MSMEs in Nigeria

According to Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) (2019), Nigeria has over 37.07 million micro, small and medium-scale enterprises, MSMEs, and they account for more than 84 percent of total jobs in the country. The ministry also claimed that the MSME enterprises in Nigeria also account for about 48.5 percent of the gross domestic product, GDP, as well as about 7.27 percent of goods and services exported out of the country. Based on the total numbers of MSMEs in Nigeria, Micro Enterprises account for the bulk with 36,994,578 enterprises (about 99.8 percent), while small enterprises took 68,168, and medium enterprises 4,670. Lagos, Oyo and Kano State are the top three states in Nigeria with the highest number of MSMEs in Nigeria.

Challenges Facing MSMEs in Nigeria

Notwithstanding the acknowledged role of the small and medium scale enterprises, a number of factors limit their growth and ability to expand to meet the growing needs of the Nigerian populace. The Nigerian landmass is endowed with agricultural, mineral and aquaculture resources that could be explored for employment, wealth creation and national development through MSMEs. One of the major challenges confronting the MSMEs has been lack of basic infrastructures (power and roads) and avoidable finance. It is indisputable that with the low level of technological advancement, the Nigerian economy cannot make any successful economic break through and achieve inclusive economic growth without full exploration of the many benefits of MSMEs (Oseni & Oseni, 2015). Other factors (Ali & Abdulganiyu, 2021) that post challenges to MSMEs in Nigeria are:

1. Limited availability of funding from financial institutional and the government.
2. High Cost of Credit facilities inclusive of interest rates and maintenance costs and the demand for duly registered collateral obligations.
3. Inconsistency in government policies and bureaucratic bottlenecks experienced in the administration of incentives and support facilities from all levels of government.
4. Multiple taxes as a result of levies and other tax expectations from both the State and Local Government Areas.
5. Lack of and/or limited infrastructures like power supply, good roads, transportation system.
6. Unavailability of local raw material.
7. High cost of procuring machinery.
8. Import Liberalization.
9. Export constraints.
10. High level of competition
11. Lack of effective management
12. Resistance to change
13. Improper channels of distribution
14. Poor value orientation

Concept of Poverty

Poverty is caused as a result of Lack of technical knowledge, inadequate productive resources mainly capital and land. Other causes are geographical and occupational factors. Some occurrences that can cause poverty include drought, flood, war, famine, etc. Others include location, family background, societal, population, norms and cultural values, mismanagement of public resources, deprivation, exploitation, market imperfection, and little technological development and the vision and mission of government (Okuneye et al; 2014).

There can also be some external factors such as political and international influences on forms of assistance, ban or restriction on the products of the countries or communities. These rub on poverty incidences and their alleviation. Poverty is caused by acts of violence motivated politically. Poverty results from a lack of resources below some level necessary for a minimally decent life (or for the satisfaction of basic needs), where that level is define in terms of the resources required to avoid harm (Lee, 2016). On the other hand, Irobi (2018) identified the causes of poverty to be political instability, national disasters, corruption, socio-economic disparities, lack of access to education, lack of infrastructure and resources or finance to establish a business.

Effects of Poverty

Poverty generally leads to misbehavior, corruption, underdevelopment and crimes (Adedimeji, 2019). Most crimes in the underdeveloped nations are babies of poverty and ignorance. Poverty leads to death and shorter life span. Child trafficking, drug trafficking, prostitution, armed robbery, insecurity, terrorism, banditry, election rigging and thuggery are most time necessitated by poverty (Nurzini, 2020). Poverty also breeds so many threats against innocent children. The worsening economic situation of parents takes their toll on children too as they suffer materially and psycho-emotionally. Children also suffer from poverty, and they are often the innocent victims of rapid changes in the family, school, and government. Marital breakups around the world have also meant that increasing number of children live with their mothers who in most cases are poor. Nations that are stricken with poverty are identified with high level of illiteracy, underdevelopment and civil wars.

MSMES and Poverty Alleviation in Nigeria

Theoretically, the relationship between MSMEs and poverty reduction can be analyzed via economic growth trends and the absorption of labor. The relationship suggests that the growth of MSMEs positively impacts the income of MSMEs actors so that it contributes to the reduction of poor people (Adeyemi and Lanrewaju 2014). Meanwhile, the indirect relationship means MSMEs can contribute to the reduction of poverty through job openings and economic growth. The more employment created or absorbed in the sectors of MSMEs, the fewer people under the poverty line. As each laborer receives a salary, there is a good chance for them to shift status from poor to not-poor, and for the average monthly expenses of poor people to approach the poverty line or at least minimize the disparity of expenses between them.

Small and Medium Scale Enterprises (SMEs) are recognized globally as the engine for growth of modern economies and it provide employment to a large portion of the population or citizens in a given economy than large enterprises and hence contribute to reducing poverty in the country. The realization of the roles play by SMEs in overcoming unemployment rate and hence poverty reduction has been an age of long phenomenon in Nigeria, but the right and actual policies and incentives coupled with the business environment have continued to hinder the pivotal or significant roles SMEs play in addressing Nigeria's economic problems (Oba & Onuoha, 2013). Oba and Onuoha (2013) state that issues relating to the development of MSMEs have become essential for the growth and development of the most third world nations. It has been clear that they are no nation that ever develops without appreciable inputs from the MSMEs segment of their economy. MSMEs in Nigeria have performed below expectation at a destitute result (Ihua, 2009). SMEs poor performance has added to the high rate of unemployment, poverty, and the low standard of living in the country. Though SMEs provide seventy percent (70%) industrial employment and sixty percent (60%) of agricultural sector employment, and it only account for ten (10%) – fifteen percent (15%) of the total industrial output with a capacity utilization of over thirty percent (30%). Inadequate funds have further aggravated the start-off operations of many business endeavors (Oba & Onuoha, 2013).

The Micro, Small and Medium scale Enterprises (MSMEs) are essential in creation of jobs, eradication of poverty and attainment of economic that would be materially and financially beneficial to a larger portion of the citizenry if any economy (Oseni & Oseni, 2015). According to Singh and Janor,2013), growth of SMEs can reduce poverty through acceleration of economic growth, removal of biases against labour-intensive production, creation of employment opportunities for the low-skilled workers and formation of linkages with small suppliers. MSMEs have become one of the important development strategies and play a big role in the mitigation of poverty (Nursini, 2020).

Conclusion

An effective strategy to solve poverty problems in Nigeria is for the government, stakeholders and populace to give MSMEs the cogent attention it deserves towards the development of the economy. MSMEs create employments and develop local technologies. They improve the Nation's per capita income and the GDP. MSMEs owners are steps far away from extreme poverty and wretchedness that provoke crimes and social vices. Although policies and programs to alleviate poverty have been initiated by Nigerian government over the years, much is still desired to promote MSMEs empowerment, solve problems and challenges facing MSMEs actors to improve their performances and tackle extreme poverty in the land.

Recommendation

For the MSMEs to perform their functions in alleviating poverty and develop Nigerian economy, it is recommended that:

i. Government and stakeholders in business policy should give proper attentions to MSMEs through the development of the informal sector.
ii. Multiple taxation should be discouraged; tax holidays and rebates should be given to MSMEs start-ups to motivate MSMEs operators.
iii. Entrepreneurship education should be part of the national curriculum to create enthusiasm for MSMEs and self-independence among the youth and Nigerian populace. This will reduce unemployment and alleviate poverty.
iv. There is need for value orientation, entrepreneurship and industrial training for students and youths to promote the ideals and values of MSMEs.
v. The use of Microfinance Banks to disburse loans and attainable payback mechanisms for small businesses.

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Chapter 6

Islamic Microfinance's Importance in Post-COVID-19 Small and Medium Enterprise Business Recovery

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Introduction

The COVID-19 pandemic has brought an unprecedented challenge to nations, but the speed at which it spread is a pointer that it may change the world like never before, as the single most effective instrument of the century. Researchers continue to support its effects, pointing out that the world has not seen such devastation since the Great Depression of the 1930s and the First and Second World Wars.It has posed a microeconomic problem for real economies (Haraguchi, 2020) by directly affecting production and creating supply chain and market disruption (Bachman, 2020), while its high uncertainty makes it difficult to formulate an appropriate macroeconomic policy response (McKibbin, 2020). COVID-19 has claimed over 4 million lives and infected over 200 million people worldwide, shank the global economy by 4.4% in 2020, which led the vast majority of nations into recession (Kamaldeep, 2020).

Most enterprises have difficulty operating under this new normal, most notably small and medium-sized enterprises (SMEs). In fact, SMEs, with their limited ability to counterattack the risks, are facing difficulties in survival (Al-Fadly, 2020; Bularafa and Adamu, 2021). As the spread of the COVID-19 pandemic continues and the increasing interdependence of the global economy creates business uncertainty, predicting the future seems an impossible task. For the recovery effort to work, people from different areas of finance have had to work together.

Islamic microfinance is a model used in Muslim countries to improve living conditions by providing entrepreneurial expertise. This model presents a wider dimension to cover consumption and literacy needs, income generation, saving culture, protection against uncertain future events, and risk sharing in business ownership (Usman et al., 2016). Islamic microfinance is a market niche that has evolved to provide financial mediation with an emphasis on ethical and moral values in business. The provisions of Islamic law (Shariah) prohibiting interest, speculation, and uncertainty in business transactions are the key issues that distinguish Islamic microfinance from conventional microfinance. The COVID-19 pandemic has taught the world not to ignore any possible solution.

Therefore, the objective of this study is to explore the relevance of Islamic microfinance products in the search for a viable post-COVID-19 SME recovery strategy.

The COVID-19 pandemic has created huge damage to the world economy. Businesses ranging from local shops to multinational companies have been affected as a result of various restrictions. This has made a study on SMEs much more necessary because of their centrality in the economy. Notably, developing countries like Nigeria have suffered disproportionately due to the socio-economic fallout from the pandemic, whose populations are already living in poverty, many of which rely on daily work for sustenance. The lockdown measure imposed in Nigeria has affected the purchasing rate of consumers from 59.2% to 41.1% from January 2020 to June 2020 (Central Bank of Nigeria, 2020), deepening unemployment from 23.1% to 33.5% in 2019 and 2020, respectively, which put the population of unemployed at around 39.5 million people (National Bureau of Statistics, 2020). In addition, the poverty rate has increased during the lockdown period by 8.7%, i.e., from 43.5% to 52.2%, which indicates 17 million more people falling below the poverty line (Bularafa and Adamu, 2021). These macroeconomic indices have had a dire consequence for the survival of SMEs.

The difficulties that SMEs face stem from the fact that COVID-19 has progressed from a health crisis to an economic crisis, as preventive measures to control COVID-19 have devastated small businesses in unprecedented ways (Al-Fadly, 2020).Lack of funds and liquidity makes them unable to service their clientele, pay salaries to their employees and be compliant with their commitments to their suppliers (Kamaldeep, 2020). SMEs that are trying to survive both the crises with fewer resources, collapsing demand as the supply chains are broken, and new work conditions that necessitate a reduced workforce (Al-Fadly, 2020; Syriopoulos, 2020). This resulted in significant downsizing, with consequences for public finances due to lower tax revenues.According to Bularafa and Adamu (2021), SMEs cannot endure this devastation due to cash flow problems, and many are faced with the risk of total closure. Worse still, the few that may remain are unlikely to cope with the "new normality" that requires changes in business and infrastructure management (Caballero-Morales, 2021).

Al-Fadly (2020) argued that several government actions are needed to support surviving and revived businesses, specifically, in the form of stimulus funds, moratoriums, extended loans, and waivers of interest. The government, through the Central Bank of Nigeria (CBN), set up a plan to reinvigorate the economy. This is achieved through lending programs to small farmers and industrial processors in key agricultural sectors and a N3.5 trillion stimulus package to households, businesses, manufacturers, and healthcare providers. Besides this, the Nigerian Private Sector Coalition Against COVID-19 raised a sum of N15.325 billion to give back to society at the time of need (Okwumba, 2020). However, the impending situation requires that SMEs be given specific bailout packages. This is necessary because the fragility of SMEs requires the extraordinary support of the state, to guarantee the continuity of productive activity as well as the maintenance of jobs. Kamaldeep (2020) insists that to revive the condition of SMEs, it is necessary to re-build their liquidity in order to restore their short-term solvency. Moreso, Cowling et al. (2020) found that only 39% of businesses were strengthening their cash balances leading up to COVID-19, which suggests that 61% of businesses may have run out of cash, including 8.6% that had no retained earnings whatsoever. They said that small and medium-sized businesses (SMEs) need to save money just in case bad things happen.

As a result, interest on all Central Bank of Nigeria intervention facilities was reduced from 9% to 5% per annum for 1 year, and a N50 billion targeted credit facility for households and SMEs that have been particularly hard hit by COVID-19 (Eranga, 2020; Kusamotu and Kusamotu, n.d.). Furthermore, a specific small business/MSME Survival Fund through the Federal Ministry of Industry, Trade and Investment to the tune of N75 billion was established (Okeowo et al., 2021).

Nevertheless, this perspective of SME COVID-19 palliatives is centered on the importance of financial intervention (resources). This notion is essentially drawn from the Welfarism concept that assumes that "resource" is the key to improving economic status. This is so because welfare theory is concerned with the derivation of a social welfare function to rank economically feasible allocations of resources in society. However, Amartya Sen (1993) argued that it is inadequate to consider only materialistic factors in evaluating economic deprivations. Although it is important to note that financial palliatives are essential for SMEs to recover their productive capacity, Needless to say, any recovery strategy needs to be comprehensive to cover other financial components, which include saving, insurance, and risk sharing. Saving would enable the SMEs to rebuild asset accumulation for future expansion. Assets are the stock of wealth that represents the long-term effects of income flows and expenditures, a necessary and sufficient condition for growth and development (Kalu and Nenbee, 2013). Ownership of an asset is an important achievement towards economic viability and self-reliance in handling key issues with respect to risks (Prabhakar et al., 2015; Salma, 2004). Similarly, insurance encourages mutual cooperation and protection against unexpected adverse events and helps achieve sustainable development (Haryadi, 2006). The notion of sharing impending risks that eventually will secure SMEs must be seen as an important component of any recovery strategy. Furthermore, risk sharing and equitable return distribution would instill a greater sense of discipline, necessitating greater transparency from all stakeholders and a more rigorous evaluation of financing that reduces volatility in fund management.The development of productivity and industrial expertise will be required for sustainable economic growth capable of securing SME's.

The concerns highlighted above have necessitated a study to address the gap in understanding a viable post COVID-19 SME recovery in a comprehensive way. While it is important for the government to provide safety nets and financial palliatives, it is equally essential to see how such intervention can translate into a sustainable improvement. In order to address the question of whether financial intervention improves SME recovery, this study examined the relevance of Islamic microfinance products in achieving this noble goal.

Islamic Micro-finance Products

Figure 1 below presents the Islamic microfinance products as: Zakat and Awqaf; micro-credit; micro-saving; micro-insurance; and micro-equity.

According to Khan (2007), in Islamic countries, the philanthropic avenues in the form of Zakat and Awqaf are particularly essential to generating predictable and stable resources that could be channeled towards economic and human development. Zakat is one of the five pillars of Islam that is used as a distributive instrument to achieve economic as well as social goals (M. Akram and Afzal, 2014). Awqaf (plural of Waqf) is a perpetual charity that is created as a trust for the benefit of certain philanthropic purposes (Hassan and Ashraf, 2010). The impact of Zakat could be viewed in terms of consumption and investment variables, and the more Zakat is disbursed, the more it increases the amount of aggregate consumption in the economy (Raditya Sukmana, 2010). According to Obaidullah (2008), Zakat and Sadaqa are suitable to take care of the consumption needs of the extremely poor and the destitute, while Awqaf is ideal for the creation and preservation of assets that can build capacity and provide technical assistance for skill improvement and the development of enterprises. This suggests that the scope of lending services must address not only production and income-generating activities but also consumption needs such as health, education, and social obligations (Dusuki, 2008).

Micro-credit services are the driving force of SME development in society. It refers to the small amounts of non-interest credit given to the poor as economic empowerment to build microenterprises (Rahman and Dean, 2013; Omar et al., 2012). Flexible loan disbursement and repayment facilitates service delivery, time responsiveness, and providing adequate information. The terms of service are important determinants for improving the loan recipient's business performance.

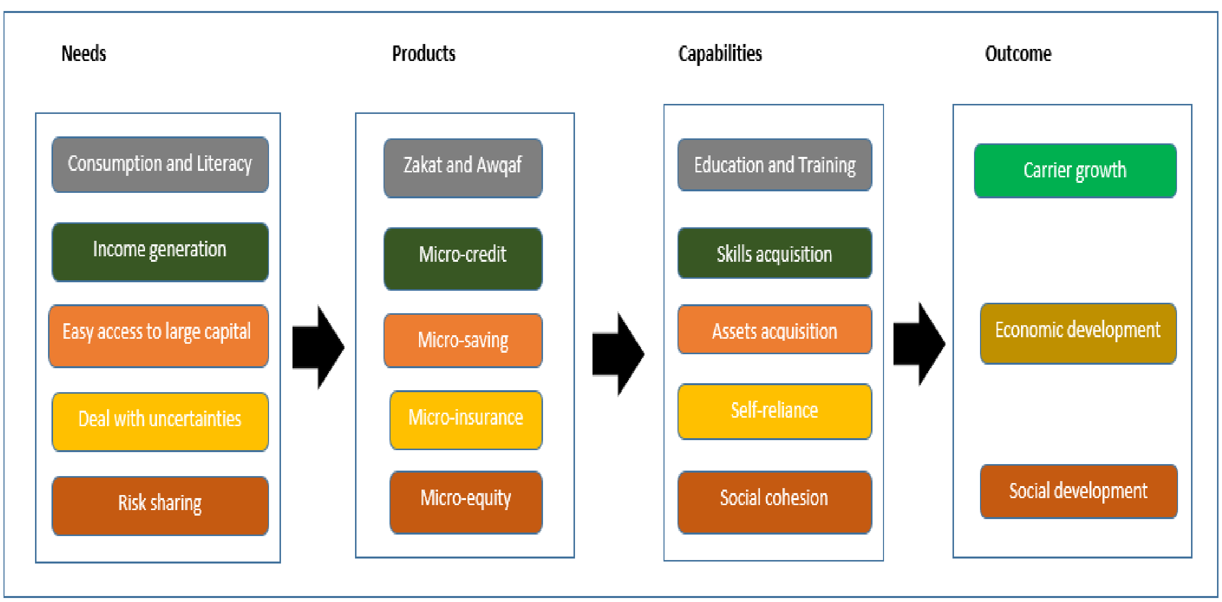

Figure 1: Islamic microfinance products

Source: Adopted from Usman, Tasmin and Zatul (2016)

Micro-saving is a product that takes the form of mandatory and voluntary savings. Low-income households can instill the savings habit in order to achieve long-term goals such as starting a business, home ownership, education, and having a secure retirement (FSBP, 2011).This is important because capital accumulation is a necessary and sufficient condition for growth and development (Kalu and Nenbee, 2013). Micro-saving is a prelude towards asset accumulation and is a relevant instrument towards future wellbeing (Fiorillo et al., 2014).

Micro-insurance in particular offers the opportunity to be more proactive in managing risk by reducing the chance of a loss resulting from unanticipated risk events. It offers to protect assets and lives against insurable risks of disasters such as the COVID-19 pandemic. Micro-insurance products such as Tabarru (donation) and Ta'awun (cooperation) Tabarru'means participants mutually agree to donate an amount of money into a fund to provide financial assistance to any member of the group suffering a loss. Ta'awun is described as a way for people to work together to protect and guarantee each other and share risks as a group.

Micro-equity comprises the Musharaka and Mudaraba products. In Musharaka, parties contribute capital to run a business that gives them the right (to co-manage), but not the obligation to manage the business. Profits and losses are shared in accordance with pre-negotiated rules (Mirakhor and Zaidi, 2007). Mudaraba is a partnership between two people: Rabbul-mal, the capital supplier, and Mudarabir, the business manager.Profits are shared in line with a predetermined agreement, while financial losses are borne by the investor (Gafoor, 2001). This confirms the uniqueness of these factors of production in terms of capital and skills towards a productive enterprise and the extent to which both need to be managed in order to ensure the desired result (Bidabad and Allahyarifard, 2009). Profit and loss sharing is conceived to ensure that optimal efficiency is achieved since profitability is the basic motive of the investment (Rachmawati and Syamsulhakim, 2004).

Therefore, Islamic microfinance products are built in such a way to capture various components of finance and investment.

Relevance of Islamic Microfinance to Small and Medium Enterprises' Recovery

Islamic microfinance is built on the ideals of achieving greater well-being through human development. The main focus of its strategy is to enable income generation, build assets and get protection from unforeseen risks. The major distinction between Islamic and conventional microfinance is that, while the conventional is profit-oriented and charges interest, the Islamic is welfare-oriented and prohibits interest. It is built upon the concept of Islamic social justice, which opposes exploitation but encourages charity to the less privileged in society. This particular point has made Islamic microfinance relevant to any business recovery effort. Islamic microfinance considers business needs necessary for development, such as consumption and literacy, skills acquisition, asset acquisition, self-reliance, and social cohesion. In consideration of these needs, certain products are designed to address them, as in Figure 1 above.

Both Zakat and Awqaf are instruments of wealth transfer that played a significant role in socio-economic development in early Muslim societies. Zakat recipients are identified based on their personal needs as specified in the Quran, whereas Awqaf funds can generate a return that helps society improve its productive capacities.Studies on Zakat have maintained that this institution is regaining its socio-economic relevance not only to alleviate poverty and correct inequalities but also to achieve other goals of the Islamic economic system. Integrating Zakat and Waqf with Islamic microfinance could assist in reducing the cost of capital in operations of Islamic microfinance and ensure utilization of the combined resources. It will also provide the society with a source of funding necessary for creating community assets, productive capacity building, wealth creation, and knowledge and skills that will improve SMEs' technical standing.The objective of Zakat is to uplift the less privileged, and that could be achieved by managing the Zakat fund as a productive venture for the benefit of society.

In a study by Yumna and Clarke (n.d.) to investigate the impact of Zakat-based microfinance, they found that interest-free loans enhance the income and expenditure of clients in Indonesia. The sample for the study consisted of 153 clients and 82 non-clients and employed ordinary least square to compare the welfare of the client and non-client groups. It was discovered that Zakat-based microfinance resulted in significantly higher annual income per capita for non-clients, but no impact on monthly expenditure was observed.In another study by Nurzaman (2011), a comprehensive measure to find out the impact of productive-based Zakat in improving the welfare of Zakat recipients was conducted by multiple regression simulations. The study population was defined as a group who has received finance from the 19 Zakat institutions in Jakarta, Indonesia for at least 6 months. Multiple regression simulations were performed to see whether Zakat has an effect on the Human Development Index (HDI) and or on its components. It was found that the average HDI of Zakat recipients is lower than the average HDI both in Jakarta and at the national level. This implies that the impact of Zakat on the welfare of the recipients is not very high or that it will take some time to feel its effect. Developing human capabilities by improving education and training can ensure right functioning and enable freedom of choice for entrepreneurs. Higher productivity is expected when there is a critical mass of skilled and knowledge-based workers. This would position SMEs to perform their role towards a developed country because, at its instance, innovation and creative manpower are obtained.

Beyond education and training, micro-credit is a prelude to the entrepreneurial skills necessary for the development of micro businesses. The Islamic microfinance drive is seen to bring improvements in skills development, better provision of physical capital, and wider access to micro-credit for entrepreneurs. An increase in the income level of micro-credit recipients has been the yardstick for measuring the successes of poverty reduction and other recovery strategies.

Micro-saving is equally important in enhancing the capability of entrepreneurs because it reduces reliance on loans, helps the client cope with shocks of uncertainty, reduces the cost of lending and enhances future growth. Micro-saving as a recovery strategy was adopted in the Philippines during its disaster. According to Fiorillo et al. (2014), the micro-saving programs of the Philippines have been successfully applied and adapted as strategies for slum upgrading in India, Kenya, and South Africa. Similarly, Latifee (2003) has reported that Grameen bank clients were better-off with micro-saving both during and after the devastating 1998 floods in Bangladesh. This was because of the fall-back arrangement in terms of savings, institutional back-up, and peer support. He added that the crisis management capacity of Grameen borrowers was found to be higher than others because the clients were able to go for rehabilitation immediately after the floodwater receded. Cabraal (2010) added that the clients felt empowered as a direct result of their ability to save.

Micro-insurance plays an important role in social cohesion among the less privileged and troubled SMEs. Tabarru (donation) and Ta'awun (cooperation) are important factors to effectively dealing with unforeseen future uncertainties. The cooperation among members will go a long way in subsidizing other members and will also serve the social cohesion role in society. An integral part of any strategy to uplift the afflicted group is to build trust and networks among them. They should be encouraged to make donations to distressed members to enhance their capability to handle unforeseen calamities. These mutual donations can address unexpected shocks and minimize the tendency to go back to the initial cycle of poverty.

Micro-equity is a partnership that shares profit and losses and is a less popular product of Islamic microfinance. According to researchers (Aziz Pahlavi and Gintzburger, 2009; Bidabad and Allahyarifard, 2009; Kahf, 2007), the equity-sharing approach is unique and will have a greater impact on development because of the following points:

- Venture capital market for long-term growth.
- Project financing of long-term risky ventures that ensure socio-economic development
- Economic empowerment, self-employment for micro entrepreneurs
- Risk management
- Linkage between the real and financial sectors of the economy.

Practitioners may have found profit and loss sharing inadequate, either because they are not willing to take as much risk as they should or because of the agency problems it presents. The ownership structure in the productive sector facilitates a functional distribution of income among all the factors of production. It also employs a higher number of people, and that contributes to the economic development of society.

Therefore, the potential of Islamic microfinance as a post-COVID-19 SME recovery strategy has been unraveled. There is evidence to suggest that Islamic microfinance has the service menu to meet the devastation caused by the COVID-19 pandemic. When these services are tailored towards this project, we expect to see positive results that would restore SMEs to their rightful position as industrial movers of the economy.

Conclusion

COVID-19 has affected businesses in an unprecedented way and has forced many small and medium-sized enterprises to close. SMEs are regarded as an important mover of economic development and hence require support for their recovery. Islamic microfinance products such as Zakat and Waqf, interest-free micro-credit, micro-saving, micro-insurance, and micro-equity are found to be necessary services for reviving small and medium enterprises. For any post-COVID-19 recovery, small and medium enterprises must be supported to generate income, acquire assets, get protection against uncertainties, and share business risk.

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Chapter 7

Small and Medium Enterprises (SMEs) Operations in Gombe State

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Introduction

Gombe State is endowed with abundant natural resources, among which are arable land, mineral resource, human resource etc. This inspires the locals to engage in small and medium enterprises (SMEs) activities or operations, making the State the commercial centre or hub of the Northeast. Thus, this chapter examines the operations of small and medium scale enterprises in Gombe State. The chapter is organized thus; introduction, brief history of Gombe State, nature/ dimension and of SMEs, sources of SMEs capital, potentials of SMEs, government support to SMEs, challenges faced by SMEs, solutions to the challenges of SMEs and conclusion.

Brief History of Gombe State

In order to have good understanding of SMEs operation in Gombe State, it is important to have a brief history of Gombe State. The state is one of the thirty six (36) states in Nigeria. It was created on 1st October, 1996 and was curved out of Bauchi State by the then Military Head of State General Sani Abacha with her headquarters in Gombe. It is one of the six states that form the North-Eastern region of Nigeria (Adamawa, Bauchi, Borno, Gombe Taraba and Yobe). It shares a border with Adamawa to the southeast, Bauchi to the west, Borno to the northeast, Taraba to the south and Yobe to the north. The state has eleven local government areas namely; Akko, Balanga, Billiri, Dukku, Funaaye, Gombe, Kaltungo, Kwami, Nafada, Shongom and Yamaltu-Deba. The major ethnic groups in the state are; Fulani, Hausa, Kanuri, Tangale, Tera, and Waja. In addition to these, the state has many minority groups such as; Awak, Bolawa, Cham, Dadiya, Kamo, Lunguda, Tula, etc. It has an estimated population of over 3.5 million as at 2020. The major economic activities in the state are farming (farm product) and livestock herding and rearing as well as SMEs.

Meaning and Nature/Dimension of SMEs

SMEs had attracted several definition by different scholars and policy makers in Nigeria, for example, CBN (2017) define SME as any business entity that has no less than five million naira (N5, 000, 000) to more than five hundred million naira (N500, 000, 000) and whose workers size range from eleven (11) to two hundred (200) employees. Furthermore, SMEs can be defined as those enterprises that have total assets (excluding land and building) of fifty million naira (N50, 000, 000) but not exceeding five hundred five million naira (N500, 000, 000) with total labour force of between fifty (50) to two hundred (200) workers, (MSMEs Survey, 2010). SMEs are also seen as industries with workers that range from eleven to three hundred (11-300) and total cost that range from fifty million to five hundred million naira (N50, 000, 000-N500, 000, 000) including working capital but excluding cost of land, (Udechukwu,2003).

Although the above definitions are champion by different scholars, however they are depicting the same thing. This is based on the capital base and number of employees, employed by such SMEs. So base on the above definitions couple with what is on the ground and the economic environment, SMEs can be defined as any business entity that has capital base that range from ten million naira to five hundred million naira (N10, 000, 000 – 500, 000, 000) with total number of employees that range from nine to two hundred and fifty (9- 250).

In simple terms nature means a certain feature or structure that a thing or an entity possesses. On the contrary dimension refers to one of the perspectives or viewpoints from which a thing or an entity can be looked at. Therefore, nature and dimension were used in this context as one concept and are therefore used interchangeably.

Majority of the SMEs were owned and managed by sole proprietors. By sole proprietors it means that the SMEs in Gombe State are owned and managed by single persons. However, this signifies that a death of a SME owner in Gombe State implies the end or closure of the SME. The heirs or those that will inherit the SME may not have the zeal to sustain the SME. This also shows that the prospect of the SMEs in Gombe State is not bright enough, hence the need to enlighten both the existing and potential SMEs to incorporate other members for the sake of continuity. Also most of the SMEs in Gombe State source their capital from personal savings with few from family and friends. This has led to little capital base, which means that the SME will be insolvent or cannot operate as at when due. Little capital base also is caused by the fact that most of the SMEs have no access to or awareness of how to access capital from microfinance or conventional/mainstream banks. This arises also as a result of the fact that most of the bank loans require a lot of formalities and paper work, which hinder. So, efforts are needed to educate and enlighten SMEs owners on how to access capital from banks.

Moreover, majority of the SMEs in Gombe State serve as source of employment to and empowerment for the locals. For example, several studies reveal that about fifty percent (50%) of the total employment and empowerment in Nigeria are from SMEs. Similarly, SMEs in Gombe State account for eleven to twenty (11-20) employees each. This suggests that SMEs in Gombe State help in job creation and as such play a role in improving the standard of living of the people. Furthermore, SMEs in Gombe State trigger economic growth and development through GDP boost. This is achieved through employment, because employment of individuals means a

GDP increase. Plus, most of the SMEs owners in Gombe State are not formally trained, and as a result, they find it difficult to have proper record keeping. The few that are formally trained are not up to thirty percent (30%). This has prevented the smooth operation of SMEs in Gombe State, which need more encouragement and support to acquire more formal education and up skilling.

Lastly, most of the SMEs in Gombe State are skills oriented and source their raw material from farm produce (Babayo, 2022). This implies that majority of SMEs in Gombe State are run by technical skills such as carpentering, shoemaking, tailoring, blacksmithing, barbing and saloon, bag making, rice milling, groundnut milling, poultry farming, fish farming, rice irrigation farming, tomato irrigation farming, maize milling, etc. Based on the nature of SMEs in Gombe State presented above, it can be concluded that the dimension of SMEs is more of economic growth drive. It fosters income increase, employment generation, self reliance, revenue generation, improvement of standard of living, and the like.

Sources of SMEs Capital

While a source is how something from another is obtained, capital in this context means the amount of money used to purchase the basic equipments, rent and run the daily activities of a business. So, sources of SME capital implies the process and procedures SMEs in the state obtain their start up and expansion capital. As acknowledged earlier, the large chunk of SMEs in Gombe State are owned and managed by single individuals. Equally, majority of them source their personal savings and lack adequate formal education. So, also the mode of sourcing their capital is not the same and easy as of those big industries. In sum, the following form the available sources of capital by SMEs; personal savings, friends and relatives, retain earnings, trade credit, financial institutions, shares, government grants, etc.

Personal Savings: Personal savings refers to the amount of money SME owner accrues and saves in order to start up or expand the SME. Although sourcing capital from this source might be inadequate, most of the SMEs in the state rely and depend on it.

Friends and Relatives: Another source of capital for SMEs in the state is friends and relatives or family members. This is the next source of capital that is available for SMEs in the state apart from personal savings. Here the SME owner funds his business from the loans and or gifts he gets from family and friends.

Retain Earnings: This source of capital exist only when the business is in existence. This is where the business retains the earned profit and ploughs it back to business so as to complement the existing capital.

Trade Credit: This source of capital also exists when the business is in existence. This is where the SME owner and supplier or dealer would enter into agreement, where the dealer (creditor) will supply goods on credit to the SME with promise to pay him after making sales. This can be done on weekly or monthly basis depending on the nature of agreement.

Financial Institutions: Another very important source of SMEs capital is financial institutions. This is the process whereby SMEs gets loans for his business from special banks like BOI, conventional banks, microfinance banks and other financial houses. This source requires the applicant to meet certain criteria before accessing the loan.

Share Capitals: This is another source of capital; however, it is restricted to companies that are incorporated. Shares can be ordinary or preference, such companies are allowed by law to float the shares in the capital market at N1 or N2. For instance, if a company issues 1 billion shares at N1 each, it means if they are all subscribed by the customers, the company has N1 billion capitals.

Government Grants: Sometimes, government, in an effort to boost business activities in an economy, provides grants and interventions. These grants and interventions serve as sources of capital to both potential and existing SMEs. Certainly, other sources may exist or prevail, but these are considered common.

Potentials and Prospects of SMEs

The potentials of an entity are the capability of that entity's dream or objectives to become reality. However, the prospect of an entity is the projection that the entity will record more success in future. That is the benefits that will happen and be recorded by the entity. So, in this section, the focus is on the objectives and goals or dreams of SMEs in Gombe State that will become reality, or benefits that will be recorded. Although the potentials and prospects of SMEs in Gombe State are many, the following will be part of it; job creation/employment generation, income generation, revenue generation, provision of goods and services, quality goods and services, source of raw materials, improvement of standard of living and balance of trade.

Job Creation: One of the most potentials and prospects of SMEs in Gombe State is job creation or employment generation. This is because most of the SMEs in the state are skill-oriented and employ up to fifty two point six percent (52.6 %) (CBN, 2019). This indicates that the more SMEs keep in growing the more job creation will increase and grow. So, more effort should place by government through provision of enabling environment and financial support.

Income Generation: Since job will be created by SMEs, the employed individuals will generate income. Increase in income generation lead to poverty reduction which in turn leads to economic growth.

Revenue Generation: As SMEs continue to grow and operate, both the employees and SMEs will be paying and remitting certain percentage of amount as tax to the government. That amount or tax paid to the government is revenue.

Provision of Good and Services: The SMEs are responsible for providing good and services, through transforming them into semi-finished or finished products. So, the potentials and prospects of such SMEs in the state will be providing goods and services for consumption.

Encourage Competition: The more SMEs remain in operation in the state, the more competition will emerge. This is because many SMEs may engage in transforming same product or service which leads to competition. The emergence of competition triggers SMEs to produce and provide quality goods and services.

Improvement of Standard of Living: Increase in income generation as well as provision of quality goods and services by SMEs in Gombe State will improve standard of living of the citizenry. Furthermore, increase in revenue generation by government is a potential and prospect for SMEs to improve the standard of living.

Source of Raw of Material: The SMEs are responsible for transforming the goods and services into semi-finished or finished products. Therefore, the semi-finished or finished goods and services will serve as raw materials to manufacturing company. This implies that the semi-finished or finished products of SMEs in Gombe State will be a source of raw materials to manufacturing company.

Balance of Trade: This is the difference that exists between a country's export and import in value over a period of time. A country is said to have a deficit balance of trade if it imports more and have a surplus balance of trade if it exports more. Therefore, as SMEs keep on providing and transforming goods and services they will enhance balance of trade.

Government Support to SMEs

The importance of SMEs to economic growth cannot be overemphasized. This is because SMEs play a very significant role in employment generation, income generation, revenue generation etc. However, SMEs may not remain as the driving force of economic growth if they are not supported. Henceforth, successive governments in Nigeria at different levels have set up several programmes aimed at supporting SMEs. For example, Bank of Industries (BOI) was established by the Federal Government to assist and support the existing and new industries and SMEs among all tiers of government in Nigeria. Economic Sustainability Plan (ESP) was the other programme or scheme by the Federal Government aimed at supporting SMEs in Nigeria. The major objective of the scheme was to help in boosting economic activities through job creation among our teaming youth. Recently, the incident of COVID-19 has led the Federal Government of Nigeria in collaboration with World Bank to initiate a programme Nigerian Government COVID-19 Action Recovery Economic Stimulus (NG-CARES). The sole objective of the programme was to assist and support individual households and SMEs who suffered from COVID-19 with grants so as to recover.

Similarly, Gombe State government was not left behind, because since the creation of the state in 1996, successive governments also have come out with different policies and schemes with the sole thrust of supporting SMEs. For instance, among the latest ones was in 2018 when Gombe State Government received two billion naira (N2, 000, 000, 000,) from Central Bank of Nigeria (CBN) meant to support SMEs in the state so as to boost economic activities. In order to make the dream a reality the state government established microfinance bank in each of the eleven (11) local government areas in the state. The main objective of this effort was to support and promote SMEs operation in the rural areas.

Moreover, in its effort to support both micro enterprises and SMEs in 2013 the state government established the first Industrial Cluster along Nasarawa quarters in Gombe metropolis so as to promote economic activities through employment generation. In the early stage, the cluster consisted of mainly groundnut oil and rice millers. The state government went ahead to serve as guarantor and facilitate soft loans from Bank of Industry to enable them purchase machinery, among others. This development has helped in the revival of several SMEs, and also saved them from total collapse and closure in the state. This trend keeps on going by successive governments year by year.

In 2021, the Bank of Industry state Manager in Gombe revealed that, more than thirty thousand (30 000) Micro, Small and Medium Enterprises (MSMEs) received and got payment support from the bank so as to help them remain in business despite the COVID-19 pandemic. The Nigerian Tribune newspaper has quoted the manger saying this at his office in Gombe State;

> *"Apart from the large enterprises and other special divisions in our Head Office, the BOI state offices are basically involved in the support of MSMEs, especially start-up companies. We also support existing companies that want to expand their capacity, extend their technology and rehabilitate their businesses,"*

This was achieved through the quick intervention of both the Federal and the State Governments. This was attested by the Chairman of the Gombe State Groundnut Oil Millers Association, by appreciating the giant strength of BOI and both the Federal and the State Governments in boosting small and medium scale enterprises. He further revealed that over seven hundred (700) milling machines used by the members of the association were procured by the BOI.

Furthermore, Gombe State Government in collaboration with the Federal Government scheme, Economic Sustainability Plan (ESP) has received one billion and two hundred million (N1, 200, 000, 000) to support MSMEs in the state. The Guardian newspaper has quoted the Vice President saying this in Gombe State;

> *"MSMEs in Gombe state has been supported by the Federal Government with almost N1.2 billion under the ESP. There is more to come, the Federal Government will provide more support; additional businesses and employees, we are told, are undergoing verifications to be shortlisted for payment."*

Equally in 2020, as part of measures designed to reduce the harsh negative impact of COVID-19 on small scale businesses, the state government launched a five hundred million naira (N500, 000,000) SMEs intervention programme. The programme was designed to support SMEs against the COVID-19 business hardship. Similarly, the state government is training two hundred (200) SMEs owners across the state on perfect ways of Procurement Process during Emergency. The training emerges as a result of the new procurement law that comes into effect in the state. The law was also amended and adopted so as to assist the SMEs to partake and participate in procurement activities during emergency. The main goal of the training is to keep the SMEs owners on alert and abreast on the new law requirements available that provide and give exclusive rights to contracts below fifty million naira (N50, 000, 000).

As stated earlier, successive governments in the state played a very significant role supporting business activities. So, the current administration upon inception in 2019 has also established the second Industrial Cluster, with the name Buhari Indusrial Cluster at Dadinkowa in Yamaltu Deba Local Government Area. Although it was not meant for SMEs alone, emphasis and provision are made for SMEs so as to boost the economic activities. Recently, on 29th July, 2022, the state government in collaboration with the federal government NG-CARES has launched the Gombe State COVID -19 Action Recovery Economic Stimulus (Go-CARES) in Kuri of Yamaltu Deba Local Government Area. The programme was initiated with the intention to support and assist households and SMEs that have suffered from the menace of COVID -19 with grants so as to boost the SMEs performance. The programme will spend eight billion and five hundred million naira (N8.5b). However, this year the programme targeted two hundred and eighty eight thousand, and seven hundred households and SMEs (288,000) that would benefit from one billion and five hundred million naira (N1.5m).

Despite these efforts by the State Government in supporting and promoting SMEs in Gombe State, the performance of such SMEs is relatively low and unimpressive. The unimpressive performance can be seen as many of such SMEs witnessing closure and total collapse. Although effort had been made to mitigate the impact of COVID-19 to the SMEs in the state, through provision of financial support and soft loans, the result is negative. Perhaps, there are other macroeconomic variables such inflation, unemployment, interest rate, cost of capital, etc, that are not functioning well. The malfunction of such macroeconomic variables called for more support and effort from the State Government on SMEs.

Challenges Faced by SMEs

Businesses do not operate in a vacuum; they have to relate within the environment which in they operate. In the course of operations they face numerous challenges, among which are; lack of capital, access to capital, prompt release of the capital, infrastructure, managerial skills and record keeping, technology, tax, insecurity and pandemic, raw material, market, etc.

Lack of Capital: There is no any business entity that can survive without capital. This is because capital is the backbone of any SMEs. Furthermore, production or operation may not be feasible in the SMEs without capital. So, capital has become a major challenge or problem to both existing and starts up SMEs in the state. For example, over ninety five percent (95%) of such SMEs sourced their capital from their personal savings. The personal savings may not be enough to support the daily operation of the SMEs. This led to inadequate capital that definitely affects the smooth operation and performance of the SMEs. Low performance by SMEs suggest business failure if care is not taken.

Access to Capital: Another major challenge of SMEs owners in the state is access to capital. Since majority of the SMEs owners lack adequate formal education, accessing such capital from financial institutions is not easy because it requires a lot of paper work.

Prompt Release of the Capital: Most of the time, the few SMEs owners that have got access to financial institutions for capital, the prompt release of such capital is a problem. The delays in the release of capital by banking institutions have created a fear among SMEs owners to the extent that they not patronize such institutions.

Infrastructure: One of the serious challenges of SMEs in Gombe State is poor and lack of or inadequate infrastructure. Infrastructure like power supply, water supply and tarred road are major hindering SMEs performance in the state. For example, lack of or shortage of power supply affects the operation of such SMEs to the extent that they stop operation for many days or weeks. Those that managed to keep on operation everyday rely solely on generator as source of power supply thereby making the cost of operation very high.

Managerial Skills and Record Keeping: As presented before, most of the SMEs owners in the state do not have adequate formal education, so also the managerial skills and record keeping. So, managerial skills in this context entail technical skills relating to planning, organizing, staffing, directing and controlling the SMEs. However, recordkeeping or accounting skills implies skills related to how to source capital and keep up to date record of all the transaction related to the SME. This has created serious problem to the SMEs survival in the state, which in the main time lead to collapse and closure.

Technology: One of the most difficult challenges facing SMEs in Gombe State is lack of adequate modern technology. For example, most of the SMEs rely on local machine or equipment that cannot compete with the modern ones. In most cases they have to imitate modern machine and produced it locally. Similarly, access to the recent equipment is not easy, rather a time they rely on obsolete. For instance, modern rice processing machine that processed tons of rice in day may not be the same with the local made which took two to three days before drying and processing.

Taxes: Another challenge faced by SMEs in Gombe State is the issue of tax which is not stable. Successive governments always come with different taxing policy and system which in turn affects the performance of SMEs. For instance, most often SMEs pay multiple taxes before processing or transforming a product. This occurred where SMEs owner purchase raw material will pay tax and after transforming it will pay tax and so on. Excessive or multiple taxes force a serious challenge to SMEs because it affects its returns.

Insecurity and Pandemic: Another problem or challenge that is confronting SMEs in Gombe State is insecurity. This insecurity comprises boko haram, banditry, kidnapping, kalare, political thuggry, etc. It is almost a decade that North-East is suffering and battling with the issue of boko haram insurgency. The insecurity (boko haram, banditry, kidnapping, kalare, political thuggry, etc.) has cripple business activities in Gombe State and the entire north eastern region. This can be seen through imposing curfew and restricting movement from place to place. Similarly, the recent pandemic, COVID-19 has posed a challenge to the SMEs in the state too. This has been seen through curfew, lockdown and restriction in movement which lead to ban of importation of raw material.

Raw Material: Raw material is another problem that is bedeviling the SMEs in Gombe State. This is because majority of the SMEs rely on raw material for production or transformation. So, inadequate raw materials mean that such SMEs may not operate up to expectation. Apparently the SMEs in the state are experiencing the shortage and inadequacy of raw materials arising from drought, insecurity, government policy and among others.

Market and Competition: Market and competition are other challenges that are confronting and affecting the performance of SMEs in the state. Most of the SMEs in the state produced local goods and services that rely on domestic market. The reason is because the SMEs cannot compete favourable with similar goods produced outside country. This is based on the fact that most of the state SMEs competitors have advanced technology which enables them to have large economic scale. Lack of advanced technology has made it very difficult for the state SMEs to more market especially outside the country and compete favourable.

Although the above mentioned are considered as the major challenges facing SMEs in Gombe state, however, others may exist. Perhaps, they are viewed as the major, because if they properly addressed, SMEs would perform beyond expectation.

Solutions to the Challenges of SMEs

It is generally agreed and accepted that whenever there is challenge or problem, there is must be a solution. So, it is very significant to note that, the challenges can be addressed and solve through the following solution; provision of capital, provision of basic infrastructure, special training for SMEs owners, supporting innovation and creativity, adequate security, Reduction of taxes, provision of enabling environment so as to support SMEs, etc.

***Provision of Capital*:** In order to address the issue of inadequate capital, access to capital and prompt release of capital, both federal and state government should create and establish special banks or grants meant for SMEs capital. Such banks should make the access to the capital very easy and known or familiar to both potential and existing SMEs. Equally, they should ensure prompt released of the capital when accessed by the SME owner. That is much paper work and bureaucratic procedures should be avoided as most of such SMEs owners were filled discouraged with much paper work.

Provision of Basic Infrastructure: With respect to inadequate or lack of basic infrastructure such as power supply, tap water and good network road affecting SMEs in the state, government at all levels should provide the basic infrastructure as such basic infrastructure play a very significant role in improving the performance of SMEs. For instance, adequate power supply would make the SMEs to operate without obstruction. However, inadequate power supply would trigger the SMEs to rely on generators thereby making cost of operation very high. Adequate water supply will also reduce the cost of operation by the SMEs, as shortage of water supply will incurred more cost. Similarly, good network road will facilitate ease transportation of the SMEs products and raw materials as well as minimizing cost of transportation.

Training of SMEs Owners: Frequent and subsequent organization and facilitation of training, seminars and workshop for potential and existing SMEs owner in the state wis ll help to boost the performance of SMEs. Such training, seminar and workshop would cover the most paramount areas like managerial and record keeping, as majority of the SMEs owners lack formal education. The few of them with formal education might not specialize in business oriented area. Managerial and record keeping skills would allow the SMEs owner to recognize how to manage his workers. Equally, he will be able keep proper record of the daily transaction of the SMEs.

Support of Innovation and Creativity: Another solution to the challenges that become a bottleneck to the smooth operation of SMEs in Gombe state is to allow and support innovation and creativity. While innovation is the process whereby SMEs introduce new ideas, devices or method of doing things, however, creativity is the ability of the SMEs to make new things and think of new ideas. So, both innovation and creativity of SMEs owners were supported will allow them accept and adopt the new advance technology and method of doing things. It will also ginger the SMEs to generate new ideas of operation.

Provision of Adequate Security: Insecurity and pandemics have been identified as a serious challenge confronting the SMEs operation and performance in Gombe State. However, if adequate security measures were put in place would enable the SMEs to perform beyond expectation. Similarly, if proper measures such as environmental sanitation and provision of vaccines and immunization were observed will stimulate the SMEs. This is because adequate security will not disrupt or interrupt the daily operation of the SMEs.

Reduction of Tax: Multiple taxes were considered as the major problem affecting SMEs in Gombe state. However, if taxes were reducing to the bearable minimum or tax free policy was imposing on SMEs will boost their morale. Tax exemption or reduction on SMEs will reduced the cost of operation thereby increasing their profit.

Provision of Enabling Environment: It entails all the state government policy or programmes/schemes that help the SMEs to operate smoothly and very well. It implies provision and making all other solution presented available.

Conclusion

In conclusion, SMEs are in existence and operation in the state, and they are as old as Gombe State itself. Most of the SMEs in the state are owned and managed by single individuals, and help in job creation. The main source of capital for such SMEs is through personal savings. They have brighter future and capable of leading to economic growth and development through job creation, revenue generation, improving standard of living, etc. Successive government in the state had made effort on supporting and promoting SMEs, through provision of soft loans and grants, however, more support and intervention is needed. Despite the support made by the state government, the SMEs are still faced with numerous challenges arising from inadequate capital, insecurity, lack of adequate power supply, etc. Therefore adequate measures should put in place by the state government to address such challenges.

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Chapter 8

Strategic Planning and Entrepreneurial Success

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Introduction

Strategic planning is an effort to foresee potential problems and, as a result, take complexity and environmental dynamics into account. This necessitates creating alternate future configurations and scenarios. Despite the fact that the future cannot be predicted, by properly aligning the business, it is possible to plan for it and/or other "futures."Planning, as opposed to strategic management, focuses on extrapolating current trends into the future rather than developing strategic goals and visions. Therefore, strategic planning offers policies and plans for achieving particular objectives and visions. It shows the basic parameters and the range of possible business activities. This makes it an important tool for strategic management as a whole (Rue and Ibrahim, 1998).

It's critical to stress that strategic planning is a continuous process, not a single meeting. It takes time, effort, and constant evaluation. If given the right attention, it can put any business—small, medium-sized, or even large corporations—on the right course.

The creation of a unified, forward-looking vision by strategic planning can help a corporation and its important stakeholders align, which is a considerable advantage. All employees can have a stronger sense of responsibility if they know what the company's goals are, how and why they were chosen, and what they can do to help achieve those goals.

A business's performance metrics, such as growth in sales or revenue, a rise in market share, and returns on investment, among others, are generally used to gauge the success of an entrepreneur. The nexus should logically imply that strategic thinking is necessary in order to achieve both success indicators. In other words, strategic thinking is a must for successful entrepreneurship.

Types of Strategic Thinking

According to Berry (1998), there are five different styles of planning that range in depth:

i. Simple financial plans

A financial plan provides a detailed description of the existing financial situation, the financial objectives, and any plans made to achieve those objectives.

The comprehensive business plan for the company typically includes the financial plan for the company. The financial plan, on the other hand, is a self-supporting document created to guide and support the business's operations. In it, it explains what the company can afford, how it can afford to accomplish it, and what the predicted earnings are. A strong business plan might mean the difference between an entrepreneur or business owner carrying the company and the company carrying the owner for a small firm.

ii. Planning based on forecasts

Using information from the past and present, forecasting is the activity of speculating on what will occur in the future. In essence, it is a decision-making tool that, by looking at historical data and trends, aids organizations in minimizing the effects of future uncertainty. Planning is therefore a response to goals and projections in this situation. Making projections fit the anticipated goals includes planning the relevant measures that must be taken. Forecasting can be helpful in many different ways for a business, so it should be a key part of how the management makes decisions.

iii. Externally focused planning

Planning that is externally focused is utilized to look for untapped or developing market prospects. Managers analyze and contrast the product offerings of their own companies with those of their rivals from the perspective of an objective observer. In other words, the business owner starts to think strategically.

iv. Pro-active planning of the corporate future

Taking the initiative to plan ahead, schedule significant events, and get ready for success is known as proactive planning. Proactive planning typically improves business or department efficiency and guards against extremely expensive events. In order to accomplish this, an entrepreneur or decision-maker must actively participate in the five essential steps of proactive planning, which are predict, prevent, plan, participate, and perform.

v. Strategic planning as a systematic instrument of strategic management:

This necessitates that the principal decision-maker, entrepreneur, or business owner outline the organization's aims and objectives. Part of the process is figuring out how long it will take to reach these goals so that the organization can reach its stated vision.

Entrepreneurship and Entrepreneurial Success

According to Hans (2010), when Karl Vesper established an interest group under the Business Policy and Strategy division of the Academy of Management in 1974, entrepreneurship was just becoming a recognized academic discipline. Five years later, David Birch (1979) stated that small businesses produced 90% of all new jobs, highlighting entrepreneurship as the key to the economy's expansion. In 1987, Sascha and Ilkka (Sascha & Ilkka, 2009) say, the Academy of Management made a separate division for entrepreneurship.

Today, entrepreneurship is recognized as one of the key economic drivers in every modern civilization (Carree & Thurik, 2000). It is also seen as a means of coping with the current competitive environment and its rapid pace of change (Hitt & Reed, 2000).

According to Stevenson and Jarillo (1990), entrepreneurship entails much more than just starting a new business.It can also happen in well-established businesses where innovation and renewal are top priorities.

Entrepreneurial success

Entrepreneurial success may be difficult to explain. To put it another way, existing justifications have mainly concentrated on firm-level conceptualizations of entrepreneurial success, such as growth in sales and growth in profits, among other things (Achtenhagen, Naldi, & Melin, 2010). There is little research on what success means to entrepreneurs (Fisher, Maritz & Lobo, 2014; Wach, Stephan & Gorgievski, 2016). When examining what success means to particular entrepreneurs, research has primarily focused on identifying the most prevalent factors they use to define success, such as personal fulfilment and money creation, and then analyzing how much weight different entrepreneurs give to these criteria (Wach et al., 2016). Given this mindset, entrepreneurial success should instead be viewed or given a more comprehensive approach to include the individual entrepreneur's unique understanding and appraisal of the accomplishment of standards that are personally important to him/her as well as those which relate to firm-level conceptualization.

Entrepreneurial Success Factors

What are the main success factors that enable an entrepreneur to achieve business success?

This has been the focus of extensive research and analysis by numerous institutions and professions. It's probable that we can't hope to find someone who possesses every quality necessary to succeed as an entrepreneur. But putting together the most important parts could help make and run a successful business.

1. **Enthusiastic about entrepreneurship**

Don't do anything if you don't love it. In my opinion, it really is that easy. In order to grow their enterprises, entrepreneurs typically work long hours and make sacrifices. Only when one is passionate about the endeavor will this occur; then putting in long hours won't feel like a sacrifice. You won't be driven to continue working when you're overwhelmed and exhausted if you're not passionate about what you do.

2. **Willingness to take action**

For a present or "would-be" entrepreneur, the readiness to act entrepreneurially is a crucial component. If one is unwilling to take decisive action, all other essential elements for entrepreneurial success are unnecessary. One cannot expect to succeed as an entrepreneur or business owner without taking action, as action is something that can lead you to success.

3. **Entrepreneurial knowledge**

Knowledge is power, as is commonly said. Because of this, an entrepreneur or would-be entrepreneur needs to possess superior entrepreneurial knowledge regarding particular business difficulties for the business they have started or are considering starting. Knowledge will boost the company's potential energy and significantly contribute to the venture's success; thus, it is crucial to understand this. Therefore, a businessperson or future businessperson should be open to learning new things and trying new ideas.

4. **Inventiveness in business**

Being original means being inventive. One will get closer to success in business with the power of invention and ongoing improvement. This is so that creativity can boost a company's potential energy and open up a wide range of opportunities for it.

5. **Entrepreneurial abilities**

Every firm and entrepreneur will require a unique set of entrepreneurial talents, some of which may be essential to the company's success. This is due to the fact that knowledge alone is insufficient. To put what they have learnt into practice, one must have the essential abilities**.**

6. **Business intelligence**

An entrepreneur must be intelligent to handle all potential circumstances and find solutions to the most challenging issues that will be a constant in business life. A person's intelligence will also make the company stand out because it will be hard for competitors to copy.

7. **Perseverance**

Simply said, persistence is the inability to give up on anything, particularly if it is important. Persistence is defined as doing something despite difficulty or a delay in success. So, most businesses have trouble getting started, and it's only when someone is persistent that it's easier to give up and bring a business to a quick end.

8. **The ability to collaborate.**

This is true for entrepreneurs, because no one can do anything alone. To succeed as an entrepreneur, one must develop the ability to work well in a group.

9. **Calculated risk-taking.**

A calculated risk is a thoroughly thought-out choice that exposes a person to a level of financial and personal danger that is balanced by a plausible chance of reward. Although risk-takers tend to be recognized as entrepreneurs, it is highly recommended that taking risks be carefully considered. Every business startup involves some level of risk. Therefore, it is advisable to take the time to conduct the proper research and look for knowledgeable advice from individuals with more expertise before taking any particular risks.

10. **Self-confidence**

An attitude about one's capabilities and abilities is known as self-confidence. It is a fundamental and crucial component of success for business owners. Nobody will start a business if they lack confidence, especially when it comes to launching and running the firm.

Entrepreneurial Achievement

All organizations, especially massive corporations, must contend with the limitations of time, money, and resources. A business owner can use strategic thinking to decide how to use these scarce resources most effectively and efficiently to move the company closer to its goals. In order to help the endeavor flourish in the long run, it is beneficial for management, or the primary decision-maker, to concentrate on markets that are most likely to succeed.

All businesses are impacted by change. This implies that those who are strategic thinkers or business owners must always look out for hints as to what will happen next. The purchasing power of any business and its consumers is impacted by changes in the local and national economies. Unexpected price increases in inventories or materials are possible. Handling shocks or change, as they are most likely to occur, won't be too tough if one is sufficiently strategic in their thoughts.

Conclusion

Planning strategically requires initiative and reflection. It is valuable to everyone on earth and is especially crucial for entrepreneurs who want to succeed. Strategic planning gives business owners the confidence to move forward even in an environment that is dynamic, competitive, and always changing. This will lead to entrepreneurial success for the organization in the long run.

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Chapter 9

COVID-19 Pandemic Teleworking: Implications, Challenges, Opportunities and Future Directions

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Introduction

In December 2019, the world witness unprecedented health crisis that has strongly affected human existence. This health crisis started in Wuhan (China).On December 2019, the World Health Organization (W.H.O) received report of pneumonia cases of unknown causes in Hubei province of China. The Chinese Authorities subsequently identified a novel strain of Coronavirus (SARS COV-2) as the causative agent (W.H.O 2019). Sequel to the advice, the W.H.O. declared the COVID-19 on 30th January 2020 and characterized it as a pandemic. On 11th March 2020, the outbreak was reported in Africa February, 2020 in Egypt. Over 2.6 million confirmed cases and over 186,000 death have been recorded globally (Gilbert et al., 2020). Given the rapid spread of the COVID-19 virus most government in different nation have implemented several non-pharmaceutical measures intended to reduce its spread (Brodeur et al., 2020). These measures to curtail further spread of the virus trigger Furloughs and Layoffs (Brodeur et al., 2020). Nigeria's first case was confirmed in Lagos State on 27 February 2020. Index case was a 44-years old man, an Italian citizen who returned from Milan, Italy, on 24th February 2020 (N.C.D.C, 2020). Following this case, 216 people were identified as contacts to be followed up. Of these, 45 travelled out of Nigeria and one of the remaining 176 contacts was confirmed to be positive for COVID-19 on 9th March, 2020 (N.C.D.C, 2020). The unfortunate pandemic of the coronavirus has resulted to countess question and much uncertainty. Organizations had to introduce various measures to keep their workers engaged, and this led to the introduction of the practice of teleworking. The concept of Working From Home (W.F.H) is not new. Since 1970s the concept of teleworking or telecommuting has been around as a way to establish more flexibility in organization. The implementation of WFH raises some question among scholars in organization psychology. Many scholars agree that employees work setting; stress and Morales are vital as teleworking can supports employees during the time of uncertainty and insecurity (Randa and Abrar, 2020, Kumar, Aggarwal and Yeap, 2021). Understanding how work setting functions is an essential element for acknowledging performance appraisal techniques; (Syrek, Kuhnel, Vahe-Hinz and De-Bloom, 2021) including managing employees in organization, the role of leadership. The essential element here is how work setting, discomfort and technology impacts employees performance while the employees engage in WFH. Working from home was a matter of privilege offered by corporate organizations, as it promotes flexibility and discretion on employees parts. Notwithstanding, it has now become the new normal, the forthwith shift to working from home has also become a novel context to most professionals (Kumar et al, 2021; Omofowa et al., 2021). Thus, a lot of discomfort has come into existence, no proper equipment and resources to WFH, possibly affecting job performance, distress and diminishing life satisfaction. However, changing the organizational context and interaction between employers and employees influence work-setting, social interaction, loyalty, employees morale and stress (Vasic, 2020, Kumar et al, 2021, Randa and Abrar, 2020, Hamouch, 2021, Daraba et al., 2021, Omofowa et al., 2021). In terms of supporting teleworking, work-setting is one of the most effective job resources for employees, a medium for assessing employees performance and ensuring continuity in productive activities in organizations (Dingel & Neiman, 2020, Dirani et al., 2020, Rysavy & Michalak, 2020, Mustajab et al., 2020). Several lines of studies suggest that COVID-19 pandemic was positively associated with stress or work overload (Orun et al, 2021), family distraction, occupational discomfort (Kumar et al, 2021), work overload, underpayment, fear of job in (security) delay payment (Orun et al, 2021). Teleworking seems to be a reliable medium for maintaining and cultivating employees psychological resources and performance during COVID-19 pandemic crises. There is a growing body of literature that recognizes the importance of teleworking. Several lines of evidence suggest that in order to ensure the achievement of the organizational goals in a time of crisis, teleworking and strategic agility is required (Liu et al., 2020). Business Continuity, Gounhchas, 2020, a number of studies have also postulated that COVID-19 pandemic had asymmetric impact on industries (Giuppori & Landais, 2020). Some industries were experiencing a sharp decline in their business (Glupponi & Landais, 2020) leading some of them to temporarily close their shops, (Bartik, et al., 2020), whereas other industries have seen their business flourishing during this pandemic (Giupponi & Landais, 2020). Therefore, the repercussion of COVID-19 on teleworking and employees performance has presented several challenges, to employees performance in different direction for organizations. These studies indicate a relationship between COVID-19 and teleworking in which employee status are associated with performance improvement, continuity due to the outbreak (Blustein et al., 2020). Teleworking employees performance, business continuity, employees welfare, and work-setting appears to be closely linked with COVID-19 pandemic. Historically, research investigating the association between teleworking and COVID-19 states and employees has focused much on government regulations, world health policy or health practitioners guidance on work conditions. Although there is unambiguous evidence stating that the challenge of employees and implication was consistent across different cultures when it came to managing the spread (Marlow, 2020; Saiidi, 2020; Ajisegiri et al., 2020, Republic of Rwanda, 2020; Bick et al., 2020, Hong-Kong Special Administration Region Government HKSAR Government, 2020; Berhinger et al., 2020). WFH is currently as an alternative working to minimize the risk of COVID-19 infection. However, Working from Home is not new and has been brought to the attention of several schools of thought for many years. Having possibly first been described by some scholars such as (Felstead et al., 1985). In addition, the Working from Home concept was initially mentioned by Niles (1988) dating back to 1973, known as telecommuting or telework. WFH has been defined in various terms over the past four decades namely; remote work, flexible workplace, telework, telecommuting, e-working. These refer to work flexibility at home, by using technology executed work duties (Gajendran et al., 2019). Grgendran & Harrison (2007) describe telecommuting as an alternative work arrangement in which employees perform task elsewhere that is normally done in primary or central workplace, for at least some portion of their work schedule, using electronic media to interact with others inside and outside the organization. A recent study by Dingel & Nelman (2020) uncovered that 37% of the job could be completed at home during COVID-19 pandemic in US. Such as financial work, business management, professional and scientific services, some jobs especially those related to healthcare, farming and hospitality cannot be performed at home, although the acceptance of teleworking has gained acceptance during COVID-19 pandemic, scholars argue regarding its fitness. Teleworking before and during COVID-19 pandemic have beneficial effect on employees, employers and other areas of the organization. Past studies have shown various multifaceted advantages of teleworking for organization (Perez-Perez et al., 2003), cost saving such as electricity bills, phone and internet bills, salary, cleaning and security staff cost (Radcliffe, 2010; De Graaf & Rietueld, 2007), increase employees autonomy and planning skills (Morgan, 2004, Harpaz, 2002), reduce turnover and absenteeism (Mello, 2007; Robertson, et al., 2003), increase job engagement, support employees in terms of flexible time to complete work and save money for commuting to work (Collins & Moschler, 2009; Delanoeije & Verbruggen, 2020; Grant Wallace & Spurgeon, 2013; Purwanto et al., 2020). Conversely, telework is not an exception, the drawback of working from home, include professional isolation, blurred line between work and family, distraction, employees bearing the costs related to working from home (Ammons & Markham, 2004; Gajendrah & Harrison, 2007; Fonner & Rolof, 2010), employees paying electricity and internet cost (Purwanto et al, 2020) inadequate professional touch and communication problems leading to reduction in productivity (Collins & Moschler, 2009) blurred boundaries between work and family life leading to overwork and distractions by the presence of young children or family members while working at home (Grant et al, 2019, Kazekami, 2020; Eddleston & Mulki, 2017). Studies have shown that e-workers are more efficient and productive while working from home and it improves work life balance (Grant et al, 2013, Grant et al., 2019). Working from Home is also positively associated with family-life satisfaction (Arntz et al., 2019; Virick et al., 2019). Kazekami (2020) studied the productivity of employees in Japan and discovered that telework increase life satisfaction. Working from Home has become a policy priority for most governments to cope with the pandemic. In this regard, the policies must be made keeping in mind that practicality for both employees, employers and the organization, as that will be some consequences for these groups in one way or another. While these practices are now widespread, there is no uniformity in applications varying between countries not only in terms of the intensity of their adoption and practices, but also in terms of applications. Post pandemic recovery must address the interruption in workplaces, which have given rise to numerous experimentation with remote work, flexible work arrangement and new relationship to centralized working environment, arguably, researchers have been debating on whether coronavirus disease is a unique devastation or whether the world is undergoing a sweeping disruption that will give rise to a new normal, with researchers and government speculating about a complete series of different new normal future state of the world. Such changes brings up a discussion on what the new normal would be like and what can be foreseen in the post-pandemic world, particularly in the world of work. Therefore, this paper looks at how coronavirus diseases have impacted work and the resultant effect on the employees and work life balance currently and in the future. The goal of this paper is twofold, the paper attempts to clarify how coronavirus disease has been a mechanism for change in how work is conducted, the intention is to examine both positive and negative impact of coronavirus diseases on teleworking, second, the paper map forward an image of the post-coronavirus disease “NEW NORMAL”, this likely composition of the future of workplace practices and what work life balance might look like highlighting the possible trend and direction. These trend can be classified into three categories; Acceleration, Normalization and Remodelling. Acceleration represent those development that were already existing in that workplace but were thrust onto a higher trajectory because of the unique condition of the pandemic, normalization represents the widespread acceptance and adoption of those practices that were once considered to be exclusive preserved of a few or considered to be novel and rarely used. Remodeling refers to a modification or alteration of the existing pre-covid set up in line with the changes ushered in by the pandemic. The paper is structured in the following manner, it begins with a description of the changes catalyzed by the pandemic in workplace, with respect to teleworking and employees, it then forecast five key trends for these, this is followed by conclusion.

Coronavirus Disease as a Catalyst for Teleworking Sustainability

Many policy changes have been initiated to cope with challenges that accompanied COVID-19 pandemic, scholar have welcome the changes in workplaces, others regard it as emergency induced changes. The ongoing pandemic has become an unexpected catalyst for remote work and forced a reconsideration of work in terms of the designated workplace location and workplace practices (Raten, 2020; Savic, 2020). It is worth pointing out that many workers had never worked from home before, although there was a slow but gradual increase in the number of remote worker before the pandemic, workplace practices fundamentally changed because of the coronavirus disease, work from home has become common place and meeting virtually is increasingly mainstream. Conversely, during the severe acute respiratory syndrome (SARS) home working was not an option for most workers, more so, majority of the workers did not have access to essential devices and equipment to carry out their work at home. However, this is quite different from the current situation, with technology now providing option for work practices. In the midst of the ongoing coronavirus disease pandemic such work arrangement were adjusted based on the severity of the epidemic situation (Uyas & Butakhieo, 2021) even during and after the pandemic, companies are still pondering the workplace practices that best suit the, and there is no doubt that the lively debate on remote working will continue. Yet the trial run of teleworking has shed more light on the future of the workplace ranging from the telework capacity to public attitude towards teleworking. All this is owing to the pandemic as an impetus for a massive and unprecedented change.

Occupational Setting and Teleworking during Coronavirus Pandemic Disease

Occupation vary in their potential to telework, the actual occupational use of telework before the crisis also varied substantially, grouping occupations by skill content, teleworking is common among high skilled occupation e.g. managers and professionals, suggesting that many occupation prone to be done remotely for now require high skills indeed, cognitive and non-cognitive skills receive the highest returns in digital-intensive industries. teleworking has lowest among low and medium skilled workers, comprising occupations with many tasks requiring a physical presence e.g. personal care workers, production workers, yet among selected medium and low-skilled occupation telework was relatively frequent, notably, market-oriented skilled agricultural workers or street vendors, which may reflect a high share of self-employed doing telework. Nonetheless, the overall high share of telework in high skilled relative to medium and low skilled occupation suggest that, in the absence of targeted measures to reduce gaps in the ability to telework, more widespread telework could exacerbate disparities in working condition in the long-run. The general pattern of actual telework across occupation roughly fits the rankings by scope of occupation to telework during the crises, such as those reported by Dingel & Neiman (2020) consistent with evidence that some occupation are intensive in tasks that are particularly prone to telework. However, it is important to note that the suitability of an occupation to be performed through telework during the crisis is more stringent than the requirement to perform some of the task through telework; as occupations comprise a range of different tasks, some of which can be done remotely and some which may require or benefit from physical presence; many occupation that cannot entirely be done through telework and nonetheless fit for regular or occasional telework e.g. staff or teachers may spend some days with face to face contact with customers and students while doing administrative tasks at home, researchers who need to conduct experiment can write papers from home. In addition to difference in telework across countries, sector and occupations, also differences across firms may indicate which factors are conducive to telework in ways that can affect productivity. Some evidence on the characteristics of firms using telework can be gained from the use of trust-base working time arrangements. This can be seen as a prerequisite for telework. Trust-based working implies giving up control over working time and accessing employees performance solely based on their output (Viete & Erdsiek, 2018) firms using trust-based working may therefore be more likely to use telework. Trust base working is more common among large firms compare to small firms, productivity, workforce composition industry use of Advanced Management Practices and firm age indicate the characteristics difference and usage. In addition to productivity and size, the firm workforce composition is also linked with the use of trust based working, firms with younger and more skilled workers and managers are more likely to use trust based workings. Similarly, highly skilled managers may be more prone to allow trust based workers, as they are better able to implement it successfully. The fact that trust based working, is less common among firms with high share of older workers may reflect their reluctance to deviate from traditional working models or that older workers are less likely to possess the information and communication technology skill necessary for telework, it may also reflect differences in preferences as competing tasks and demands for better work life balance may be particularly pressing among young and middle aged workers.

Work Life Balance and Teleworking Settings during Coronavirus Pandemic Disease

There is lack of consistency in the literature with regard to the analysis of the impact of working from home on work life balance (Palumbo, 2020) the main advantage of remote working are indicated as the possibility of better management of responsibilities and easier avoidance of role conflict through increased plasticity of the home environment. Whereas analysis of the negative consequences of working from home on work life balance, indicate empirical data suggesting that remote working reduces satisfaction with work life balance. Remote working can contribute to work life balance disturbance by prolonging actual working hours and overlapping domestic and professional duties. It may also lead to increased conflict between work and non-work roles and as a consequence, negatively impacted on work life balance. It is important to determine what factors shape work life balance. Another negative factor associated with the use of remote working is the difficulty in adapting employees to the culture of the organization and their socialization and control practices (Popovici & Popovici, 2020). This requires supervisor to develop innovative solution which enable employees not to be deprive of their autonomy. The literature points to several factors that enable the satisfaction of work life balance of employees. The first is organizational factors, this is the supervisor care, support and appreciation and freedom of employees to self-manage their work without control and supervision. The second is individual factors; factors relating to the increased perception of work importance as well as involvement in family life are important predictors of work life balance, also, people with higher level of self-efficiency also tend to be more satisfied with work life balance. In view of the widespread use of remote working, it is necessary to enable employees who work from home due to COVID-19 pandemic to maintain a satisfactory work life balance. Therefore the role of organizational factor determining work life balance is increasing. It is up to the employer to provide instrument to improve the maintenance of work life balance, since it strengthening measure make it possible to maintain employees sense of wellbeing in situations of social isolation and remote working.

Productivity and Teleworking during Coronavirus Pandemic Disease

Teleworking can improve or hamper firm performance, with its overall effect depending on two man channels; a direct channel affect firm performance through changing the efficiency, motivation and knowledge creation of the workforce; an indirect channel is for telework to facilitate cost reduction that free up resources for productivity enhancing innovation and reorganization. The functioning of either channel presupposes an appropriate information and communication technology. Teleworking can improve firm performance by raising employees satisfaction and efficiency e.g. through better work balance, less commuting or fewer distractions leading to more focused work or less absenteeism. It is also possible that teleworking decrease workers satisfaction e.g. due to solitude hidden overtime and fusing of private and work life or an inappropriate working environment at home. Existing evidence supports the nations that teleworking can raise workers efficiency, in the context of telework, showing stronger product innovation intensities (Godart et al., 2017), higher productivity (Beckman, 2016) and more intensive workers effort (Beckman et al., 2017). Teleworking can also improve firm performance through facilitating cost reductions, teleworking can directly lower capital cost by reducing office space and equipment required by the company. Labour cost can be reduce as telework enlarges the pool of workers firm can choose from, increasing the skill supply and improving the match between jobs and hires, e.g. by employing high skilled workers who, for personal reasons are tied to a specific location (Clancy, 2020). A complete shift to remote working implies a substantial reduction in trade cost, broadening firm ability to draw on the global talent base, firm offering telework may also attract workers at lower wages. Contrarily, workers efficiency may also decrease with telework, telework reduces the number of in-person interactions, which impairs communication, knowledge flow and managerial oversight. A wide range of evidence supports the notion that personal meetings allows for more effective communication than more remote forms such as emails, chat or phone calls. For instance, personal communication has been shown to be more convincing, to attract more attention, or to better allow observing social clues (Battiston et al., 2017) beside it implications for the internal workings of the firms, less frequent personal communication can also have negative implication for its engagement with key stakeholders. Finally, teleworking can hinder managerial oversight and aggravate principal agent problems e.g. shirking (Bonet & Salvadora, 2017). Teleworking requires a change from assessing performance in terms of inputs to outputs which implies giving up some control over workers and in principle, provides workers with more opportunities to slack, however, digitalization may also lead to more data on workers performances becoming available to managers, which may ultimately provide more information for efficient monitoring of workers than is generally available in a traditional office environment. For firm level productivity to increase with telework, it is therefore crucial that workers satisfaction increase enough to offset the potentially negative effects of communication, knowledge flows and managerial oversight.

Discussion and Conclusion

This study explores how the coronavirus disease has disrupted the workplace practices on both skilled and unskilled labour, the structure of teleworking was mapped and then presented in five conceptual clusters; which are coronavirus disease as a catalyst for change, challenges of teleworking during and after coronavirus pandemic disease, occupational settings and teleworking, the impact of work life balance on teleworking setting, the impact of productivity and teleworking. The future of teleworking and how the NEW NORMAL would look like in the post pandemic. As evident, the pandemic has created a health crisis and work place displacement. These either accelerate the pace of development or contribute to a remodeling of the pre-pandemic workplace, work world and or have contributed to the normalization of what were considered to be experimental and novel ways of works. In seeking a possible working solution during this difficult times, various work procedures and these habits have been followed, there has been a wide variation in their use, professional and skilled workers have the privilege of working in a safe and protected environment. While the unskilled workers engage in brave challenges and work under high risk. Professional, skilled workers were forced to work from home as an emergency response to the pandemic. In doing this, they were remodeling pre-pandemic work practices alongside normalization of new ways in post pandemic. Employers have experimented on the feasibility of new work lifestyle on cost reduction which have become a conflict between employers and employees. On the whole, hybrid working and staying flexible is likely to be the NEW NORMAL in the post Covid period. In this case, business worldwide will need to proactively craft a long-term remote or hybrid work strategy based on their peculiarity. Similarly government need to revisit the current employment policies to have strict and proper employment laws in place and assures fair employees treatment. In light of the aforementioned changes, the development of future work life balance policies must include a clear direction such as; Customization of working hours under teleworking, Ensure trust and support for teleworking employees, Periodic visit to office, Equal pay and equal rights to all employees, Policy makers should consider teleworking arrangement. Teleworking during the pandemic showed that some employees encountered an imbalance due to hybrid digital working within 24 hours without recourse to weekends, holidays, making them uncomfortable. In Contrast, some were able to enhance their work life balance through flexible working hours and catering for young children, elderly parents. Coronavirus disease pandemic has demanded adjustment how work place productivity should be better defined by the managers so that employees can choose to work within or outside the formal work environment without negative repercussion in post pandemic. Although remote working is an important trend in the post pandemic world, many crucial issues need to be resolved, such as the wellbeing of teleworking employees, national laws remote working laws are needed to be enacted if not available, cyber security monitoring. In summary, relevant parties at all level of society must work together to create a more sustainable model for NEW NORMAL work practices. Nevertheless, the pandemic has reawakened countless speculations, assumptions and debates on what the Next World would look like, coronavirus disease has given rise to Transformation, Interruption, Endurance, Ambiguity, and Connection between workplace disruption and pathway to a NEW NORMAL.

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Chapter 10

A Theoretical Analysis of Gombe State's Efforts to Achieve and Maintain Financial Management and Accounting Excellence

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Introduction

There should be a fervent desire and a great quest by all modern governments to operate at the ideal level of public sector accounting and financial management. Quickly, this is the point at which professional accountants and financial management experts in public practice are qualified, competent, skillful, and experienced with adequate capacity, and they handle all vagaries that accrue to them in the course of their practice at the least cost possible, without any compromise on quality. At this point, international best practices are used by professional accountants in public practice and financial management experts at a low cost.

It must be said that though this point is cherished by all, it is hardly attainable because most often, international best practices are equally costly to procure due to the quality of expertise and experience involved. That should not be above any state government in Nigeria, though. Light-bearers in every endeavor often have to pay a little higher for their desires and ambitions in various forms of costs—not only in monetary terms. Given the precarious financial position of the federation in Nigeria, where the federating states have to be gathered at the center to share financial resources accumulated by the central government, it follows that if the central government business is poorly managed by any government, then the states will be very poor. The present government has had to borrow and share resources with states as a sign of its failure to successfully harness revenue and manage the resources at the center well, and the consequences have been a national debt that has spiraled out of control. This is dire, and experts should be asking how their state governments can perform credibly well and escape the trap of debt.

The motivation for this study comes from the fact that there are hardly any studies carried out on the theoretical models of public sector accounting and financial management reforms in sub-Saharan Africa, wherein is found Nigeria and its Gombe state of particular interest. Wherever in this zone these reforms have been tried, they have stumbled and failed. Thus, the challenge that motivates the study is how to get state governments in Nigeria to apply theoretical models to attain and sustain excellence in that sector of the state. This study investigates the utility of reform by implementing accrual accounting in an environment where competition and market forces are limited or non-existent.

Desk research methodology is used in this study where existing historical material on successful improvements and developments in public sector accounting and financial management of leading countries and of models of change management are collected and analyzed for the benefit of Gombe state public sector accounting and financial change managers to harness and deploy in the Gombe State sector.

The case of Leading Countries in Turning Theory to Practice (Lessons of History)

New Zealand

The country of New Zealand has pioneered a lot of developments in public sector accounting and financial management more than any other. The series of developments in New Zealand have indeed been viewed as being outstanding and having a significant change that includes a number of innovations in public sector accounting around the world. The records of Chapman (1990) show that the new requirements are described as the "best in the world" by the fact that they pioneered i) the adoption of accrual accounting and ii) the reporting on the performance of public sector entities and departments. In Nigeria, apart from mere attempts by the professional bodies to introduce accrual accounting in the public sector, there has not been any significant effort from the governments to adopt it, not to talk of performance reporting, which has been left to political propaganda. iii) New Zealand has since moved to mandate and apply more external reporting enshrined in the nation’s laws, such as the Public Finance Act 1989, the Local Government Amendment Act No. 2 1989, the Education Act 1989, and others (Sears, 1990; Pallot, 1991; and Hay, 1991). In practice, they have even now superseded these statutory requirements!

The new approach requires government entities to publish an annual plan, setting out their objectives for the year. In the case of local authorities, a draft of the annual plan must be available for public submissions. (This aspect of the reforms is attracting considerable public interest. It is reported that in one city, 300 submissions were received for its 1990 annual plan (Tisdall, 1991). Government departments are under compulsion to publish audited half-year reports in addition to annual plans and annual reports. Thus, there is a stream of two or three external reports made available. The new approach, with its emphasis on a published annual plan and subsequent adoption of a revised plan and budget, also eliminates the issue of whether to publish initial or revised budgetary information (Miah, 1991, p. 90). In addition, the reporting requirements are even now modified, especially with regard to the Statement of Resources, which describes an entity's resources in physical terms. This is no longer required. Instead, all assets are required to be reported, using accrual accounting, on the Statement of Financial Position (balance sheet). The importance of this change is that it brings the accounting requirements for public sector entities closer to those that apply in the private sector and it further extends the use of accrual accounting in the New Zealand public sector (Hay, 1992). The concept of "community assets," included in the Statement of Public Sector Accounting Concepts (NZSA, 1987), has also been excluded from the new requirements. The new legislation also requires additional statements of contingent liabilities and unappropriated expenditure, together with "such other statements as are necessary to fairly reflect the financial operations and financial position". There is no doubt that these are ground-breaking and world-class innovations in public sector accounting and greatly improve the financial accountability of governments. But it speaks volumes to see that this was in 1991 in New Zealand, and more than thirty (30) years on, Nigeria and most African countries are yet to start the adoption of these innovations!

As it stands, one can conveniently describe public sector accounting and financial management in Nigeria and a number of sub-Saharan African countries as "mediocre" and their accountability as "inadequate". These and other developing nations have lagged behind in the international spread of the New Public Management (Hood, 1990; and Boston, 1991). These are also largely undemocratic governments led by despotic regimes that undertake elections as rituals but hardly ever make systemic changes towards greater accountability. Reform and modernization are incompatible with this anathema.

The "user-needs model," which New Zealand has adopted, is the way of modern countries. It has changed accounting because it is the focus of the new ethics by IFAC (International Federation of Accountants), which says that accounting services should be managed for the public (accountability) and not for individuals or supper lords. A distinguishing mark of the accountancy profession is its acceptance of the responsibility to act in the public interest. Therefore, a professional accountant's responsibility is not exclusively to satisfy the needs of an individual client or employer. In acting in the public interest, a professional accountant should observe and comply with the ethical requirements of this code (IFAC, 2022). However, Miah's statement (1991, p. 95) that "the SPSAC is based on the information needs of the public sector users" goes too far. In fact, the statement (NZSA, 1987) says: The goals of external financial reporting by public-sector entities are to give information that can be used for:

i) Determining accountability; and

(ii) Making economic decisions.

"User needs" or "decision-usefulness" approaches to accounting standards have shown that there are peculiarities too distinct and which complicate general-purpose accounting statements. Therefore, the recognition remains that approaches to public sector accounting and financial management should just focus on providing accountability as the objective of financial reporting (Gray, 1983; Gray et al., 1987; and Van Peursem, 1990). This is important and statutory changes in the statutes at the state and federal levels, as well as in corporate governance rules and professional standards, should reflect this.

The United States

Maybe it all started in the USA. On the adoption of accrual accounting, Miah (1991) says that the shift from cash to accrual accounting by public sector service entities is not a new development in the USA because there were already requirements for United States Federal agencies adopted in 1956 to that effect. However, many years later, many US federal agencies had not yet made the change to accrual accounting (Anthony and Herzlinger, 1975). More recently, the weaknesses in accountability and control that are caused by an accounting system in the US Federal Government that focuses on cash, not assets, were criticized by the US Comptroller General (Bowsher, 1986). In addition, according to Tierney (1990), although accrual accounting has been required by law since 1950, Congress "did not define the term, never supported the concept, and seldom provided the money or people to implement the systems required by its laws" (Tierney, 1990, p. 4). This is why the USA can't be given credit for the new trend in accounting and money management in the public sector.

So clearly, for forty (40) years, the United States, despite legislation, never mustered the political will to commence accrual accounting till New Zealand woke the world up. The New Zealand requirements require public sector entities to prepare financial statements on an accrual basis, as is used in the private sector. Fixed assets are included, and depreciation is calculated; loans and other assets are included in the statements of financial position, and so are liabilities. These requirements have been strengthened in the Public Finance Act 1989 and other legislation with the abandonment of the Statement of Resources and the related concept of "community assets". But the USA, none the less, has caught up with New Zealand and has stayed together as leading proponents of the new system of public accountability, almost from the beginning.

Australia

McDonald (1990) says that the circumstances that brought about the reform process in Australia were the increasing economic difficulties faced by Australia since the late 1970s and the realization by the then newly elected Hawke Labor Government in March 1983 that macroeconomic policy solutions and fundamental changes at the microeconomic level were essential if Australia was to continue to be a modern and developed nation into the next century. A high standard of living could be built upon heavy reliance on the production of agricultural staples and on a seemingly endless demand for minerals by the world. This was Australia, but it sounds like many African countries, including Nigeria. Failure to prepare against declining terms of trade for these outputs and possible eventual international recessions (as happened in the early 1980s), coupled with a lack of attention to structural deficiencies, combined to bring about the most serious economic situation in Australia since the Second World War. Since the world is more advanced now, these disasters can be either natural or caused by people. However, it is the job of responsible governments to think about them as a way to be ready.

A number of reforms were then embarked upon in international trade and current account imbalance corrections and public sector spending restraints. So, for a government that was elected on a platform that made reforming government administration, financial management, and budgets a top priority, reforms were made and redesigned to fix problems like;

The government is setting about doing more with less through a concerted attempt to change the philosophy of public sector management. This was a drastic move away from the "compliance-with-rules" process of government accounting and financial management, which merely sought control and limited departmental use of resources rather than focusing on results. The deficiencies of this traditional approach commonly encountered include:

The increase needs to consider the purpose or objective of spending;

The shift in accountability to focus on the outcomes of expenditure;

Concentrating on analyzing changes from previous periods rather than just making projections and planning ahead; and

We are building a capability for determining the full cost of specific programs.

The government dubbed their reform the Financial Management Improvement Program (FMIP), and the results were spectacular in four (4) years, when a government that had a current account deficit of more than $A14.8 billion, or 6.3 percent of GDP, in 1985/1986 registered a surplus of $A5.5 billion, or 1.7 percent of GDP, in 1988/89 (McDonald, 1990). The government went further by embracing a competitive policy called the National Competition Policy, which advocated that to become more economic, efficient, and effective, public sector organizations should operate on the same commercial principles as the private sector. In this regard, the policy required Australian governments to ensure competitive neutrality by eliminating resource allocation distortions arising out of government ownership, such as tax exemptions, regulatory advantages, discounted interest rates on loans, and cross-subsidization. As a result of the additional financial information that was needed because of the commercial orientation, governments in Australia introduced a commercial accounting system through the adoption of accrual-based accounting, budgeting, and reporting practices. These practices were started in organisations that provided business-like services and were in competition with private providers. At a later stage, Australian governments started to introduce the practices into the whole public sector. This has made it possible to include full cost information in reports and use full cost when setting prices. This has made the accounting information available more complete.

These new accrual-based practices also provided better measurement of revenues (in addition to cost), greater focus on outputs rather than inputs, more efficient and effective use of resources, better performance measurement, and enhanced accountability. Overall, these new practices and shifting government roles were thought to improve public sector performance (Hopwood, 1992, 2000; Miller, 1992, 1994).

The Theoretical Base

The developed countries (including the cases above) have successfully attained and sustained excellence in public sector accounting and financial management by founding their public sector reforms on a sound theoretical basis. Researchers in the fields of accounting and financial management have evolved sound models that can guide nations and states to reform and attain modern excellence in the public sector.

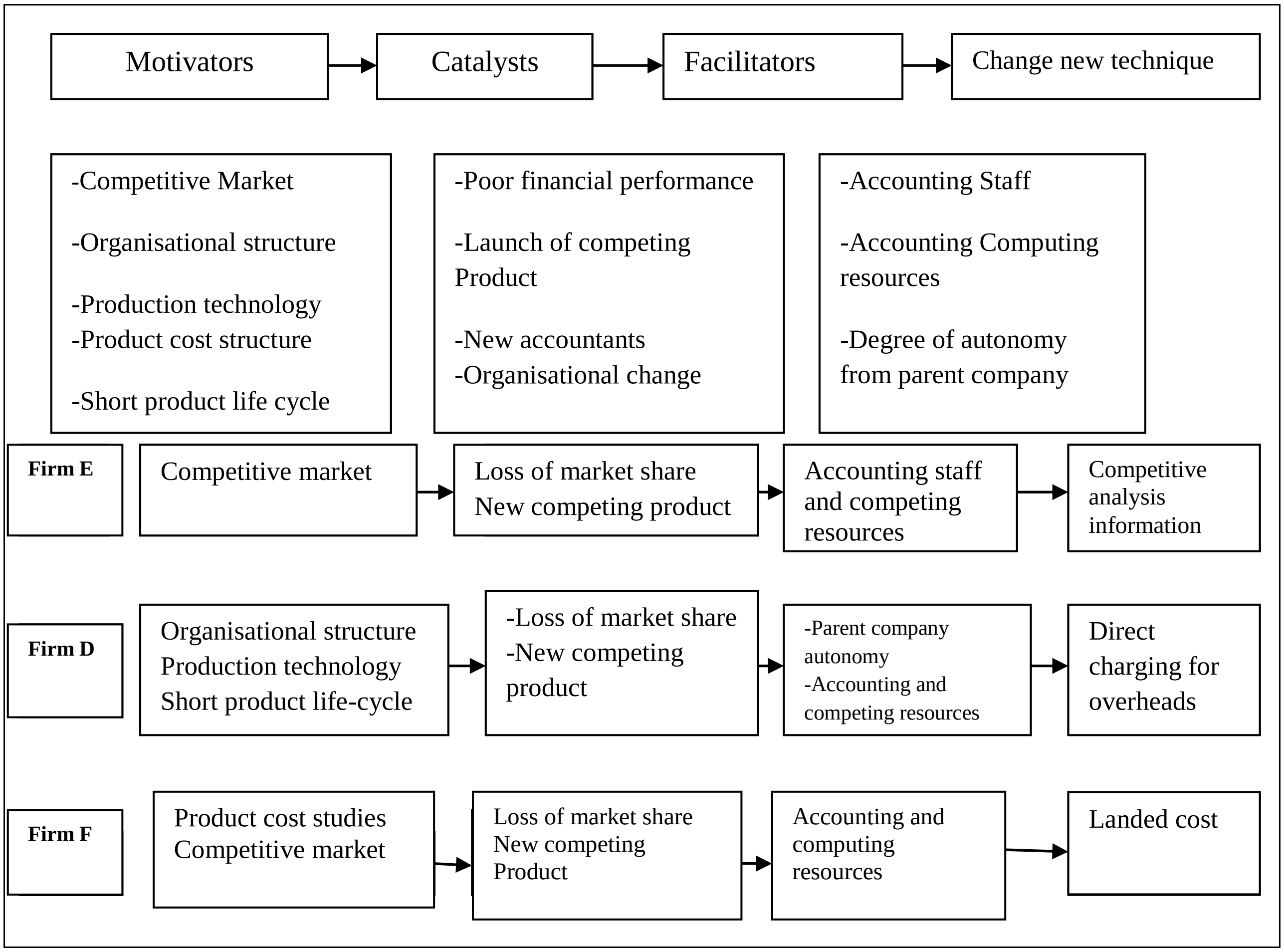
Otley (1980) says that there is no appropriate accounting and financial system which can be applied to all organizations at all times (this implies context). So, the level of quality attained in the operation of any government accounting system is largely a function of how the operators handle the shortcomings of the system. The context of the reforms in public sector accounting and finance in Gombe is situated within the New Public Management philosophy and the features of Gombe State, which introduced a new imperative for efficiency and transparency in all elements of the public sector (Atreya and Armstrong 2002; Baird 2007; Mimba, Helden and Tillema, 2007).

As noted earlier, only a few studies have focused on NPM in developing countries (Atreya and Armstrong, 2002; Mimba, Helden, and Tillema, 2007). Implementing accounting and financial management improvements entails adopting various measures to promote good governance practices in the public sphere. (Montreevat, 2006). They involve efforts to change the values and working culture of the operators of public sector systems. Bowornwathna (2000) feels that the right response by the government is to provide a conducive legal environment for the new accounting system to thrive; the government should promulgate laws which support a government paradigm in both the public and private sectors. Thus, the Gombe state government paradigm should be to set new high performance standards for itself, of which its accounting system is central. It must be effective, accountable, open and transparent (Bowornwathna, 1997). So Otley’s Contingency Theory serves as the framework to understand the contingent variables that explain why and how accounting has changed in government or in an organization and how different factors influence accounting change in different ways (Otley, 1980; Waweru, et al., 2004). The theory, using both external and internal factors as contingent variables, seeks to explain how they influence the need for change. These include the government unit (MDA’s environment, structure, and technology; Kattan, 2007). External factors relate to uncertainty in the organizational environment, such as market pressure, new technology, and political issues (Haldma and Laats, 2002; Otley, 1980). The main internal factors relate to the size of the government, organizational size, and institutional strategies that might have their own impact on organizational structure, budgetary control, and performance measurement of the government or its unit or agency (Waweru, Hoque, and Uliana, 2004). Based on the contingency theory, a number of accounting change models have been developed and attempted in the public sector after a good number of trials in the private sector. Some relevant ones are discussed here.

Innes and Mitchell, 1990; Scotland

Initially developed to investigate management accounting change in electronic companies, their model had three major factors that influence accounting change; motivators, catalysts, and facilitators. Motivators are factors influencing accounting change only in a general manner and relate to the level of competition in the market, the organizational structure, the production technology, the product cost structure, and the length of the product life cycle. Catalysts were those factors which influence accounting change in a more direct way and were associated with poor financial performance (poor revenue collection, financial crisis, corruption, etc.), loss of market share, the launch of a competing product, new accountants, and organizational change. And facilitators were those factors which affect the success of accounting change, such as accounting staff resources (suggesting skills, knowledge, competency, and integrity), computing resources, and the degree of autonomy from the parent company or central government. The motivators and catalysts act positively together to bring or generate change, but are only effective when suitable facilitating conditions exist (Innes and Mitchell, 1990). See Figure 1, below.

Figure 1: The Process of Management Accounting Change



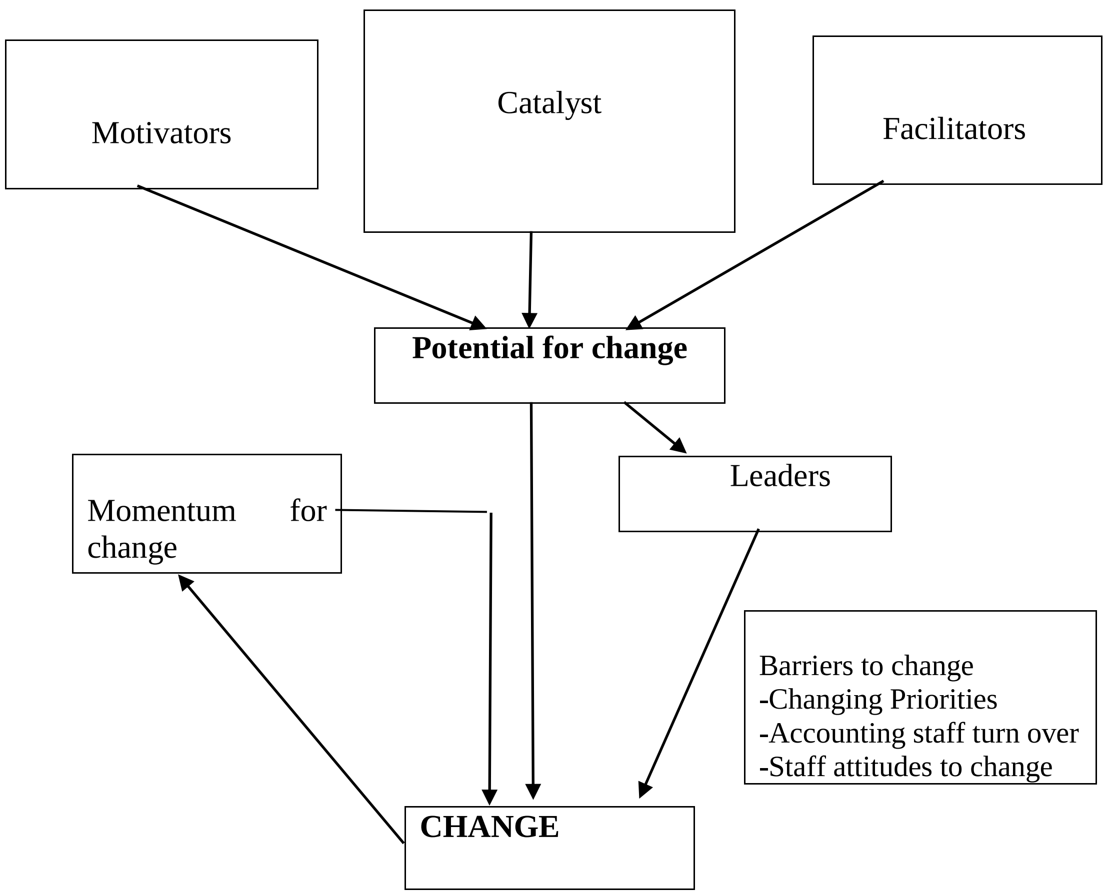
Source: Innes and Mitchell, 1990, P. 14; in Upping and Judy, 2011; International Review of business Research papers vol. 7(1), P. 366.

Are Innes and Mitchell's factors that drive accounting and financial changes present in Gombe state and Nigeria? (They should be present). But what degree and manner of change have they brought, especially when compared to other countries or regions of other countries considered to be doing relatively well in public sector accounting and financial operations?

Upping and Judy (2011) noted that Innes and Mitchell's model focused strongly on the factors that drove change, but their model lacked explanations of how the process of accounting change itself occurred within a system or an organization. For this reason, Cobb, Helliar, and Innes (1995) worked on an adaptation of Innes and Mitchell's model to know how the process of accounting change was brought about. There was thus more scrutiny of the facilitators' factor, highlighting the role of individuals as leaders in the change process and how they enabled change to have momentum. So, the level of accounting, staff turnover, staff attitudes, and the relative importance of other initiatives were seen to be the key movers of change in government and organizations. They found that the absence of such factors threw up barriers to change.

Cobb, Helliar, and Innes, 1995's adaptation is illustrated in figure 2 below. Essentially, they are saying that change happens through the people within the government or organization in relation to their need for information and their attitudes towards the change process. They found out that a new board member and a Divisional Financial Controller, both senior management staff, played key roles in the change process, especially by requesting more information in various depths and forms from the systems to help them in their management of the bank. This became the momentum that facilitated the change process. They observed that staff turnover and staff current priorities (when valued above change) become barriers. Therefore, while Innes and Mitchell (1990) showed the broad drivers for change (motivators, catalysts, and facilitators), Cobb, Helliar, and Innes (1995) showed how the change process takes place by their addition of three specific variables (i.e., the role of individual leaders, and employees giving momentum for change and contrasted by staff issues that can form barriers to change).

Figure 2: Accounting Change Model by Cobb, Helliar and Innes, 1995



Source: Cobb, Helliar and Innes, 1995 in Upping and Judy, 2011; International Review of business Research papers vol. 7(1), P. 367.

From this adaptation, it is clear that the question of the change impetus at the leadership level in Gombe and Nigeria is going to be crucial given that the indices of struggling or failed systems and organizations accompanied by corruption are high in government circles.

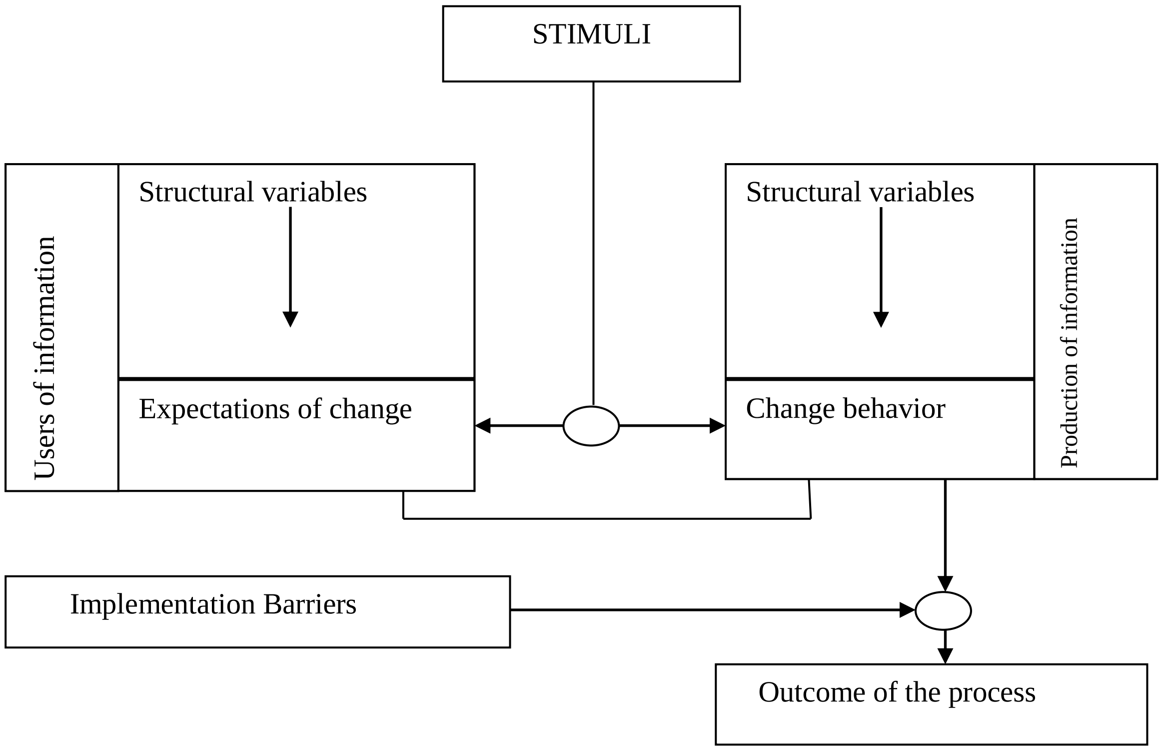
It is Kasurinen (2002) who examined factors influencing management accounting change with a focus on the balance scorecard. His revision of the model centered on identifying barriers to change which Cobb et al. (1995) have mentioned. So, dwelling on leadership momentum and potential for change, he found the following obstacles: "confusers," "frustrators," and "delayers. He described "confusers" as those factors which create uncertainty about a project's future role in the organization. Another example of "confusers" is varying views on change. "Frustrators" were situations which gave rise to factors which suppressed the change process. He noted that if an organization had an engineering culture, which means that number-based measures were preferred to qualitative measures, then the financial soundness of the divisions would lessen the priority for change. So the organizational culture and the existing reporting system were 'frustrators'. "Delayers" were factors which slowed the change process, such as lack of clear-cut strategies and inadequate information systems to support the change (Kaplan and Norton, 2001). So Kasurinen (2002) discovered that the balance scorecard was limited to the context of the change implementation process. He then suggested that organizations should be more thorough in defining the balance scorecard in the first stage. His findings were that the lack of a clear-cut balance scorecard strategy, coupled with uncertainty about the project's future role in the organization, acted as delayers, hence the lack of success in the change process.

Upping and Oliver (2011) write that the original model for accounting change in the public sector was developed by Luder (1992). That is to say, he investigated government accounting reforms in not less than 15 countries. The model describes accounting change by examining government accounting innovations and identifying contextual and behavioral variables potentially relevant in explaining government accounting reform. Luder (1992), classified the model into three categories (see Figure 3 below): (1) stimuli, 2) structural variables, 3) characteristics of the political administrative system, and 4) implementation barriers. These can be expanded upon as follows:

Stimuli: This relates to events that happen at the first stage of innovation and actually generate the need for improved information on the part of the users. Examples of stimuli, therefore, are financial stress, financial scandal, or financial crisis.
Structural Variables: These concern features of the social environment affecting the public sector and influencing the basic attitude of users and producers of information with respect to their producing more public sector accounting information. Examples are social culture, the capital market, and organized pressure groups, all structural variables that can prompt accounting innovation.
Characteristics of the Political Administrative System: This concerns the nature of the political administrative system in influencing the basic attitudes of users and producers of information. Examples are: the political culture, political system, political competition, administrative culture, staff information system, and organizational characteristics regarding accounting.

Implementation Barriers: These are environmental conditions which hinder the process of implementation of any change programme. An example is a legal system and staff without the necessary qualifications.

Figure 3: Luder's Contingency model of Public Sector Accounting Information



Source: Luder 1992; in Upping and Judy, 2011; International Review of business Research papers vol. 7(1), P. 367.

Luder's (2011) contingency model first serves as a framework for empirical investigations into governmental accounting reforms and assists in the comparison of research carried out. Secondly, it triggers further research aimed at confirming, faulting, or amending the theory.

Christensen (2002) then says that change can be promoted by people and organizations with a vested interest in that change. He also says that change can be stimulated by the users of information, such as public servants in national or regional governments or government agencies. He says these include chief executive officers, accountants, managers, and line managers. He also found out that other users of information, such as politicians, especially those holding responsibility for individual portfolios, opposition politicians and parliamentary adjuncts, e.g., the Auditor-General, Parliamentary Committees, and even whole governments, can stimulate change. But he says that against these pro-change forces are barriers and obstacles that could come from the characteristics of the public sector itself (context) and its accounting system. These can restrict or block options available for the implementation of change.

Seeing, therefore, that accounting change models in both the government sector and the private sector have similar contingent variables, a model to implement public sector accounting change in Gombe state and Nigeria should consider all the indices in the models presented above.

The Position

The current situation, where there is monumental and rising corruption, management inefficiencies, over-staffing (i.e. without due regard to their economic viability), inflation, rising current account deficits, and an overhanging national debt burden, exposes serious "government failures", making Gombe state and Nigeria over-ripe for public sector accounting and financial management reform.

With political changes in government have come a lot of shifting objectives of both federal and state governments as well as of ministries, departments, and agencies. Thus, MDAs or whole state governments, like Gombe state, can embrace these models as did these now developed country examples (stated above) to ensure that MDAs and whole governments led by their program managers are now results-oriented and accept responsibility for cost-effective management.

Actually, it is expected that system reforms to enthrone a "new" public sector accounting and public financial management system, coupled with the rapidly invading technologies being introduced to anchor the reform process, should clash with existing bureaucratic procedures to create a very challenging context for the organization's management. But determination, focus, and persuasion towards reform should enhance the adoption of the new system.

Senior managers must no longer see resource management in government as largely a matter of adhering to budgetary limits or spending within parliamentary appropriations but need to embrace a performance/results-oriented management style that concentrates on output and outcomes and a system that questions budgets and welcomes public inputs into them and which subtends performance instead of regarding them as matters for corporate services group accountants only.

Key challenges that should be thoroughly addressed include the development of performance information and associated targets and benchmarks, which can serve the needs of parliamentary scrutiny, government decision-making, and departmental management. More so, accrual accounting methodology should increasingly be adopted in government and there should be greater concern with cash management as well as asset management, including the valuation of Gombe state government assets as obtained in New Zealand.

Conclusion

In conclusion, as policy makers and managers of change in the public sector of Gombe state engage in this onerous task of getting the accounting and financial management systems to operate according to international best practice, reformers, or policy makers, should avoid being sucked into a situation where the enactment of the innovative techniques does not lead to their desired instrumental use or intended positively impact on behaviors and ways of thinking of employees. Also worthy of note is the postulation of Nor Aziah and Abu Kasim (2006) (and which is an interesting puzzle) that, in spite of the enactment of innovative arrangements in the accounting systems, the new systems may tend to become detached from everyday social interactions and practices. By avoiding these booby traps, the reform process in Gombe state should be a huge success and a model for the rest of the state governments in the country and the federal government at large.

Recommendations

As a follow-up programme for Gombe state and the nation of Nigeria to this study, so as to attain the level of the first world;

a) Gombe State University should establish a public sector accounting and financial management program for public sector managers.

b) A financial management working group should be set up within the Treasury of Gombe State;

c) There should be a public sector study group, which should become the society's public sector accounting committee.

d) It is important to also consider a Parliamentary Select Group or Committee that should enquire into annual reports by government ministries, departments and agencies. This is because the statement of Public Sector Accounting Concepts should include providing "a framework for Parliamentary scrutiny of the Government's management of the state's assets and liabilities".

e) Professional accounting bodies should issue a Statement of Public Sector Accounting Concepts that includes extensive discussions of user needs and is well captured in the statement for implementation.All of the reforms from A to E are meant to make sure that everyone is held accountable and that the public has a say in accounting and financial management in the public sector.

e) For all of the preceding recommendations to be implemented, citizens must elect or be blessed with reforming governments. This is a key and distinct development that is very important in the reform of the public sector accounting and financial management system. Only such governments have the ability to restructure the public sector in a way that is extensive enough to revolutionize it over the course of their tenures.

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Chapter 11

Moderating Role of Gender, Education and Income on Xenocentrism and Purchase Intention of Rice Consumers in Nigeria: Conceptual Paper

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Introduction

Purchase intention for a product determines the product`s marketability, popularity and success therefore remain as a major goal for marketers globally. In Nigeria, very low purchase intention for locally produced rice has been reported (Alfred & Adekayode, 2019; Ogunleke & Baiyegunshi, 2019; Nwali & Maureen, 2019; Babatunde, Tobi, Abigail & Jimoh, 2019). Although rice consumption is growing in the country at an annual 10% rate (Akande, 2020), the low level of purchase intention of local rice in Nigeria is increasing as a result of a myriad of challenges in rice production in the country. These challenges include postharvest handling, processing, marketing, transportation and use of low technology (like hoe and axe etc) (Ajala & Gana, 2018).

From the foregoing, it is clear that Nigerian rice consumers' have a low-level purchase intention for local rice, a phenomenon that could be caused by many concepts. One of the major concepts considered in the present study to bring about low purchase intention for locally produced rice in Nigeria is Xenocentrism. Xenocentrism is a strong interest in foreign goods (Rojas-Mendez & Chapa, 2019). Therefore, one of the most recent works in understanding consumer Xenocentrism is Rojas-Mandez and Chapa (2019). According to these scholars, there are two factors that explain consumer Xenocentrism; foreign admiration and domestic rejection.

Concept of Purchase Intention

One of the cardinal goals of marketers around the globe is to create purchase intention for their products/services among consumers. Purchase intention of a product determines it success or otherwise (Kim, 2020). To get a clear view of purchase intention, scholars in the field of Consumer Behavior have given several views on the concept. For instance, Naseri et al (2021)view purchase intention as motivation an individual consumer has to purchase a given product or service. Therefore, purchase intention explains why a consumer buys a product (Wekeza & Sibanda, 2019).In another perspective, Rahimah et al(2018)opined that purchase intention denote consumer`s tendency and willingness to buy a particular product in the future.

Therefore, the strongest determinant of an actual buying behavior is purchase intention (Lim& Goh 2019). Purchase intention allows consumers to use their preference, obtain relevant information from the environment in order to weigh alternatives for successful purchase decision Pena-Garcia et al (2020). Marketers use the concept of purchase intention to gain insight into consumers' actual purchase (Lim& Goh 2019). In summary, purchase intention describes the willingness of a buyer to purchase a given product/service considering the requirements of a particular product.

Concept of Xenocentrism

Foreign companies need to have loyal customers in the home markets (Rojas-Méndez & Chapa, 2019). Interestingly, businesses have a growing concern about the factors that has influence on consumers' purchase behavior (Venugopal et al., 2022). Consumer Xenocentrism explains the reason why consumers prefer foreign made products over local products. Xenocentrism is the un-reflected and disproportionate attention on the foreign product (Kent & Burnight, 1951). In another perspective Stier (2010) viewed Xenocentrism as total rejection of products from one`s own country and strong preference for foreign products as a result of perception of local product being inferior to foreign ones. Therefore, consumer Xenocentrism leads to high payment for foreign goods and ignoring the locally produced ones irrespective of their quality.

Consumers assess a product based on its physical and psychological features with respect to its native social norms, motivations and customs. According to Chapa, Minor and Maldonado(2006) the political, economic, social and cultural value of a particular group of people have a strong influence on their view about foreign brands. Furthermore, Xenocentrism exists more in countries that have social factors that ginger it to thrive. Studies such as Ganbold and Gantulga

(2021) indicated that social power result in foreign products receiving more positive assessment in developing countries. In developing countries, foreign goods patronage determine consumers' social status (Ajitha & Sivakumar, (2017; Kumburu & Kessy, 2018).

However, studies in the field of consumer behavior such as Lawrence, (2012);Prince *et al.*(2016); Balabanis & Diamantopoulos(2016) acknowledge Xenocentrism as being important concept and attempted to find a good measure for it. Consequently, most of these measures faced one problem or the other. According to Rojas-Méndez and Chapa (2019) there is serious concern with respect to the face validity of these measures. Furthermore, Balabanis and Diamantopoulos (2016) developed a scale to measure Xenocentrism using Greek consumers with two dimensions namely: perceived inferiority and social aggrandizement. Although, these dimensions could explain Xenocentrism, they have been criticized. Social aggrandizement is a need that cannot be part of Xenocentrism and can stand on its own (Rojas-Méndez & Chapa 2019).

Empirical Studies on Xenocentrism and Purchase Intention

Purchase intention of a consumer has been acknowledged in the literature as an important determinant for actual purchase behavior (Venugopal et al., 2022). Literature review has shown that a lot of studies were carried out in order to find factors that affect consumers` purchase intention (Thomas et al., 2019; Pena-Garcia et al., 2020; Naseri et al., 2021). From these reviews Xenocentrism was found to be one of the most significant factors that affect purchase intention of consumers (Diamantopoulos et al., 2018). As a result, there was a growing concern among scholars to investigate the relationship between Xenocentrism and purchase intention of consumers. Studies in that regards revealed different findings.

For instance, Gambold and Gantual (2021) conducted a study on social influence, Xenocentrism and status consumption on purchase intention on women`s imported hand bags in Mongolia. However, the study considered a population of women within the age bracket of 18-65. As a result, a larger view of male population and other women segment in the study is ignored. Hence, studying a varied population will give a clearer insight into the relationship between Xenocentrism and purchase intention. Similarly, Camacho et al (2020) studied the influence of Xenocentrism on purchase intention of consumers with a mediating role of product attitude. The result showed a positive influence of Xenocentrism on purchase intention. The study has some criticism; the study used only 241 number of respondents, the relationship between the variables may not be generalize to the Columbian population and other undeveloped countries. The present study will utilize more samples in Nigeria.

Furthermore, there are some classes of goods that less developed countries prefer to purchase from foreign countries than local markets. These class of goods comprise of food and clothing as found by previous studies (Mahrinasari, 2019; Ogunleke & Baiyegunshi, 2019; Nwachukwu & Achike, 2020). From their nature, the above mentioned categories of goods determine consumers` social class (Lee & Nguyen, 2017). Therefore, one can assert that most of the purchase intention of foreign products in less developed countries is accounted for by individuals with high social status (Kashi, 2018; Ganbold & Gantula, 2021). These groups of people have high love for global identity and global identity was found to increase quest for foreign products (Zhang, et al., 2022).

Few studies showed the existence of Xenocentrism in developed countries (Camacho et al., 2020 in Latin America; Mueller et al., 2020 in Chile). Xenocentrism in these countries affect limited product categories. Products categories affected by Xenocentrism in developed countries include qualitative online reviews that has an expert review and cosmetics as found by past studies (Thomas et al., 2019; Naseri et al., 2021). Therefore, Xenocentrism is virtually present in every country and has been an issue of concern to international marketers. It is important for new studies to be carried out in order to curb Xenocentrism especially in less developed countries where it is believed to be more prevalent.

The present study attempts to examine the effect of Xenocentrism on purchase intention of rice consumers in Nigeria with some demographic variables (gender, education and income) as moderators. This relationship is depicted using the conceptual framework below:

Independent variable **Dependent variable**

Xenocentrism

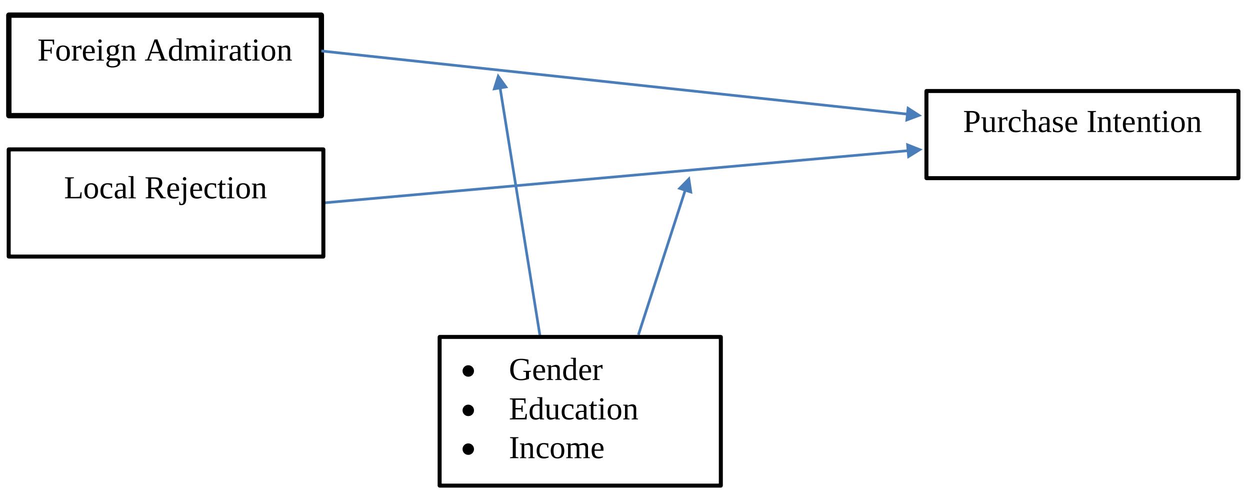

Figure 2.1: Conceptual Framework

Source: Researcher, 2022.

Theoretical Framework

The present study adopts the theory of plan behavior (Ajzen, 1991) to underpin the study as well as form the basis for theoretical framework. The assessment of intention of person to perform a particular act or behavior is the critical factor in theory of plan behavior (TPB). According to the theory of plan behavior (TPB), an individual intention depends on three factors namely; attitude, subjective norm, and perceived behavioral control. TPB has being effectively adopted to understand behavior related to individual intention in the past studies (Gao et al., 2017; Shi et al., 2017; Ru et al., 2018, 2019).

The first factor in the TPB is attitude; the relationship between attitude and consumer purchase intention is an interesting topic in consumer behavior. Attitude has being viewed as an important in determining purchase intention of consumer (UKessays, 2018). Therefore, purchase intention of a particular product increases when a consumer has positive attitude toward the product (Venugopal et al., 2022).

Furthermore, societal norms and consumers` social status are good determinants of purchase intention towards a product (Ajitha & Sivakumar, 2017). In a nutshell, less developed countries usually have more favorable assessment and views about foreign products and thus have more preference for foreign than local goods (Kumburu & Kessy, 2018).

Importantly, perceived behavioral control (PBC) is the final factor in the TPB; PBC connotes an individual ability to perform a given behavior (Ajzen, 1991). For example, affordability and availability of foreign goods affects consumers' ability to patronize foreign goods hence affecting his purchase intention of foreign goods. Therefore, PBC significantly relates to consumer purchase intention (UKessays, 2018).

Conclusion

The present study discussed the potential moderating effect of gender, education and income on the relationship between Xenocentrism and purchase intention among rice consumers in Nigeria. A literature review was conducted and the relationship between Xenocentrism and purchase intention through moderating role of demographic variables was examined. Based on the review, it was proposed that gender, education and income could play a significant role in moderating the relationship between Xenocentrism and purchase intention among rice consumers in Nigeria.

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