
Political Uncertainties and Growth of Small and Medium Scale Enterprises (SMES): Rivers State Experience

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Abstract: *This paper wishes to establish a relationship between the persistent political uncertainties and the effect on the development of Small and Medium scale enterprises (SME) in Rivers state. The study was achieved through the administration of questionnaires to the Managing Directors' of one hundred and Seventeen (117) Small and Medium Enterprises (Respondents), randomly chosen from the three metropolitan local governments areas in Rivers State; Obio-Akpor (52), Port Harcourt (33), Ikwere (27). A multi-stage sampling technique allowing statistical random selection process was applied in the selection of respondents. Both Descriptive and inferential measurable devices were utilized in the data analysis. The result showed a sizeable impact of political uncertainties on the growth of businesses in Rivers state within the observed period. The study is to also understand the degree to which political intrigues narrowed within the last four years (2014-2018) has effected economic activities, especially investments in/by small and medium scale businesses and the overall effect on the economy of Rivers State of Nigeria. Recommendations were given on how to ameliorate the impact of the instability. In addition, an evaluation of the extent at which the SMEs react to the sense of instability created by the activities of these political agents was equally done.*

Keyword: *Political, Uncertainties, Growth, Small and Medium Enterprises, Rivers State*

INTRODUCTION

Political uncertainty is categorized as a class of environmental risk where the future path of the government in place is not predictable due to intense political climate within the given geographical area, and in this case, Rivers State. It is normal to assume that situation like this, could discourage businesses and individuals from engaging in long term investment plans until the restoration of normalcy.

Political uncertainties is regarded by most economists as being harmful to the economic performance of the concern territory. This, most times, is assumed to often weaken the decision making ability of the policymakers and as such encourage the enthronement of hasty and short term macroeconomic policies. It might likewise prompt policy switch and volatility which may negatively affect the concerned macroeconomic performances. Considering its presumed damaging repercussions on economic performance, politicians in Rivers State have surprisingly remained unrepentant in recent years irrespective of whatever consequences on the financial prosperity of the state. A high number of verbal altercations on News Medias, politically oriented

violence, and the increased rate of political defection between the two overwhelming political parties; APC and PDP are some of the noted pointers to the existing political uncertainties.

The alleged migration of a good number of businesses to the business city of Lagos, and the increased insecurity due the activities of cultists, thought to be politically backed, are some of the observed consequences of politically uncertainties in Rivers State.

The tension occasioned by the intrigues of the upcoming gubernatorial election may also contribute to the woes in the economy of the state. It is a standard for businesses operating in a political charged environment to factor electoral uncertainty when making investment plans and most often, it is difficult to revise some of the plans when normalcy has returns. Business managers and market participants also take changes in government policies into account in decision -making.

This paper appraises the relationship between political uncertainties and visible growth in both the volume and number of new entrants in the SME business space in Rivers state. What are the major links between political uncertainties and economic growth? How quantitatively important are the impacts of political uncertainties on the main drivers of growth, namely; total factor of productivity, physical and human capital accumulation? This paper addresses these important questions using a random sampling method on 117 prime movers of businesses in the three metropolitan Local Governments of Rivers State.

The result goes far to unmistakably comprehend why political vulnerability is hurtful to financial development. It suggests that Rivers State needs to address its situation, dealing with its underlying drivers and attempting to mitigate its effects on the sustainability of economic policies and economic growth. The paper uses the collected data to hypothesize the effects of the political uncertainties on businesses, randomly chosen from 3 local governments in the state. We conclude recommendations on ways to ameliorate the effect of bad politics on the economy of Rivers state.

Objective of the Study

The research looks at the relationship between Political Uncertainties and the development of small and medium scale undertakings in Rivers State.

Literature Review

Politics, as they say, controls the economic performance of any sovereign nation. Politicians then again, had over time, engage in intrigues geared towards the establishment of their supposedly policy making superiority just to achieve personal economic gains. They hardly think that their act could likely affect the average entrepreneur whose growth propensity depends on the conduciveness of the business environment. It is noted that majority of politicians in the emerging countries lack principles and vision and are generally selfish (Onuoha, 2009). Activities of politicians should never be overlooked in order not to allow a state of economic quagmire.

Political uncertainty or attimes called regime uncertainty is of an economic risk where the future path of government policy is uncertain, raising risk premia and leading businesses and individuals to delay spending and investment until this uncertainty is resolved.

Uncertainty and instability are synonymous with Africa nations. The political elites have become benefactors of the instability to the detriment of business owners. The political elites have unknowingly refused to commit to the economic advancements of entrepreneurs. Greed, self-seeking and self-center nature of the political elites, lack of patriotism, have all contributed to the state of uncertainty currently showcasing in the state. Recent research suggests that uncertainty about government actions has financial implication on the economy of any given entity. For example, Baker, Bloom, and Davis (2013) find that this uncertainty, measured by their index, increases unemployment and reduces investment.

Small and Medium scale enterprises have been differently defined and categorized by different countries, groups and financial institutions such as the Nigerian Bank for Commerce and Industries (NBCI), The Central Bank of Nigeria through its Monetary Policy Circular No. 25, The Companies and Allied Matter Act 1990, (CAMA), Section 351 sub-section and the European Union (EU). However, the common criteria mostly used are: number of employees, assets values, financial strength, locations, sales volume etc. For the benefit of this research, the definition given by the Small and Medium Industries Equity Investment Scheme (SMIEIS) will be adopted. It categorizes SMEs as any enterprise with a maximum asset of ₦200 million excluding land and working capital and the number of staff not less than 10 or more than 300. The SMEs are the product of entrepreneurship, which is defined as the managerial process of organizing, operating, and, expecting the hazard of a new business venture (Onuoha, 2010). It is observed that entrepreneurs' investment decisions are guided mostly by profit motives, and profits can only be maximize if all the factors of production are adequately combine in a serene business environment. The role of entrepreneurship in the monetary advancement of any given area can be impeded if the business environment becomes unfriendly to employees, business associates and customers likewise.

Political Uncertainties: An overview of Rivers State

Rivers State according to census data released in 2006, has a population of 5,198,716, making it the sixth-most crowded state in the nation. It is home to many indigenous ethnic groups: Abua, Ikwerre, Ibani, Opopo, Eleme, Okrika, Kalabari, Etche, Ogba, Ogoni, Engenni, Egbema, Obolo etc. The state was shaped in 1967 with the split of the [Eastern Region](#) of Nigeria. In 1996, the state lost domain to form [Bayelsa State](#).

Rivers State is known for its politically engaged citizenry and politics is the preferred career among the youths of the state. The two fundamental political groups are the [People's Democratic Party \("PDP"\)](#) and the [All Progressives Congress \("APC"\)](#). PDP has been the most influential political party since 1999. It continues to maintain control of top statewide offices, including the governorship, state House of Assembly, local Government Chairmanships.

Rivers state is highly polarized with the political class evenly divided between the two predominant political parties. For instance, all the federal appointees are members of APC, the ruling party at the federal level; while the state government appoints to its cabinet only from members of the PDP. The People's Democratic Party (PDP) won all the Chairmanship seats in the recent elections conducted by Rivers State Independent electoral commission in June, 2018. All these have enhanced the contest for the political soul of the state.

There has been rising tension between the two dominant political parties in the state, that is: APC and PDP. The APC in the state is led by former Governor of the state and the current Minister of Transportation, Rt. Hon Rotimi Amaechi, while the PDP has its leader in the person of the incumbent Governor of Rivers State, Barr. Nyesome Wike. There has been a battle for supremacy between these two personalities in Rivers state which has trickled down to their down-line Aides, friends, families, well-wishers, supporters, and a good number of party members

Overtime, the altercations and physical confrontations between these two opposing groups have gradually built up tension and concern among the occupants and entrepreneurs in the state. This apprehension has been increased of late with the nearness to the next general election in 2019.

As the truism goes, it is all politics, it is about who controls the enormous resources of the oil rich state. Some ethnic groups believed that it is their turn to govern the State while others believe that the political environment has not been fare to them in terms of the associated dividends. There is a strong agitation that the Governorship position should be rotated among the dominant ethnic nationalities or between the riverine and upland communities.

The major political players are divided along party lines: APC and PDP. The leaders in these parties, alongside their supporters, have sworn to fight with all their might in order to ensure their parties become victorious in 2019. To them, the fight must continue irrespective of the negative implications on the economy of the state. The fight by the political parties can be captured in two phrases: "we must have the benefit of ruling the state, and, we must continue to run the state". That is why the uncertainty has persisted.

The emergence of Nyesom Wike as the executive Governor of Rivers State did not go down well with some of the ethnic groups in the state. He is from the Ikwerre ethnic tribe, just like his predecessor, Hon. Rotimi Chibuike Amaechi who was Governor for 8 years. Some of the key politicians from other noted ethnic nationalities like Okrika and Kalabari have joined forces with the former Governor who incidentally opposed his kinsman's emergence in 2015. The APC in the state has keyed into the power rotation calls by the various ethnic nationalities insisting that power should return to Riverine ethnic groups. This thought of power entitlement had been sowed into the heart of the teaming youths in these communities thereby breeding seeds of discord in the state.

However, with the power of incumbency, the PDP in the state has been able to mop up support from some leaders of these various ethnic groups who have in turn taken time to endorse the second tenure of the incumbent Governor come 2019.

Another major pointer is the existing fracas in the Rivers state APC-resultant from the political difference between Hon. Rotimi Chibuike Amaechi and his one-time political associate and benefactor, Senator Magnus Ngei Abbey (Senator, Rivers South East). Hon. Rotimi as the leader of APC in Rivers state has never hidden his intension of wanting to decide the flag bearer of the party in the coming 2019 gubernatorial election. Senator Magnus Abe, on his own side, has shown his intentions to represent APC for the 2019 Governorship race of Rivers State against the wish of supporters and admirers of the former Governor. This differences between these heavy weights in APC was heighten by the alleged charade that occurred in the recently concluded Ward, Local Government, and State congresses of the APC. This has factionalized the APC in state with each of the factions operating a distinct office and party executives.

There is tension in the political environment of Rivers state. The ego play and sworn declaration of political war between opposing parties have been glaring and daring. The people of Rivers state, both indigenes and residents, are on the receiving end of the ongoing political dilemma.

Method

Instrument

An aggregate of 117 copies of questionnaire were utilized to collect relevant information for the study. The questionnaire, drafted in English, was reviewed by two established business owners, two spiritual leaders, and three experienced Bankers, before it was administered. Their remarks and recommendations were utilized in the drafting of the last duplicate of the survey. A validation exercise was done to ensure the adequacy of both the face and content of the questionnaire. The validation aim was to ensure the research instrument measures and captures the objectives of the research.

The sample study was limited to 117 Managing Directors irrespective of sex and age classification but spread across the only three Metropolitan Local Governments of Rivers State.

Sampling Procedure

The research data were collected through questionnaires administered on the MDs/CEOs of one hundred and seventeen (117) business enterprises (respondents) randomly chosen from the three metropolitan local governments areas of Rivers State; Obio-Akpor (52) Port Harcourt (33) Ikwerre (27). A multi-stage sampling technique was adopted in choosing the business MDs/CEOs from the three metropolitan areas of local government.

Objectives of the Study

The point of this investigation is to determine the impact of the existing political uncertainties in Rivers State on the development of Small and Medium Enterprises that operate within the state.

Results and Discussions

Total number of questionnaires administered-117

Total number of returned questionnaire-62

Analysis of the questionnaire

Items	Strongly Agree	Agree	Strongly Disagree	Disagree	Not sure
We have been in business in Rivers State for more than 10 years	54	0	8	0	0
Our company is politically connected	2	5	52	2	1
We operate in Rivers State only	55	0	7	0	0
Rivers State has been politically tensed in recent years.	27	19	4	5	7
Our company depends much on the political stability of the business environment	7	51	3	1	0
Our business has expanded in the last four years	5	7	46	3	1
We have more employees now than we had in the last four years	3	4	47	3	0
The political environment in Rivers State is favourable	1	5	40	15	1
Rivers state is safe for investment	6	8	14	33	1
I will consider relocating my business if the situation persists.	21	32	3	3	3

The above table shows that 87% of the respondents are politically not connected while 89% have their business situated only in Rivers State. 74% believe that Rivers State has been politically

charged in recent years. Estimated 79% and 82% of the businesses have not experienced expansion and increased employee count within the last 4 years respectively.

It was also noted that 89% of the respondents feel that the political environment in Rivers state is not favourable to their businesses while another 75% believe that Rivers state isn't protected for investment. 85% will consider relocating their businesses if the political situation persists.

It is noted that above 70% of all the respondents are politically not connected, operate their businesses in Rivers State alone, and have not experienced expansion in business and employee count in recent years. The same percentage feel that the political environment is unfavourable and also believe that Rivers State isn't protected for investment and would consider relocating their businesses if the situation persists.

Conclusion and Recommendation

The analysis of the research results shows a greater willingness by the Respondents to relocate businesses from Rivers State, should the political uncertainties not dampen in the shortest period. It is clear that businesses have been influenced by the tense political environment.

In the immediate, political leaders should be cautioned to refrain from making inciting utterances capable of worsening the already tensed political situation. Traditional and Religious leaders should assume a noteworthy role in getting the warring parties to shield their sword and embrace ethical grass root sensitization for the coming election.

The formation of non-partisan Elders Forum, comprising all prominent sons of Rivers State aged 65 years and above is hereby recommended. The Elders forum should in turn organize a fence mending conference of all political leaders in the State aimed at finding a common ground on the rotation of power among the major ethnic communities in Rivers State. Whatever agreement reached must be endorsed by the major stakeholders including political parties and traditional institutions.

A yearly Rivers State Economic conference is hereby recommended where interactions will be encouraged between Small and Medium Scale businesses and the political elites. Issues affecting them will be discussed in the conference and solution offered.

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