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Challenges of business clustering in Nigeria: A Study of Building Materials Businesses in AkwaIbom State of Nigeria

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Abstract

The study examined the effect of challenges of business clustering in Nigeria: A Study of building material businesses in AkwaIbom State. The population of the study comprises of 12,104registered building materials businesses in AkwaIbom State as at December, 2018 from Uyo branch of Corporate Affairs Commission. Out of this population, the researcher arbitrarily adopts 253 respondentsas the sample size for the study. The instrument used for data collection was questionnaire. The instrument was validated by two experts in evaluation and Test. Data from 253 completed questionnaire forms were subjected to PPMC analysis. The findings of the study showed that poor infrastructural facilities like roads, electricity and water supply, street signage, refuse removal, etc has a proportional relationship with business cluster in Nigeria. The study recommended that to strengthen the momentum of business cluttering further, the task of infrastructural provision is too important and enormous to be left in the hand of government alone, hence the need for private sector to key in the provision of the infrastructure in the cluster region to complement government effort. To succeed as a nation in improving infrastructural provision, there must be sincerity of purpose on the part of the parties involved in the contracts. The rule of law and the sanctity of the contracts must be maintained. The private partners should be able to play innovative role in the design, construction and ensure timely completion of the projects

Keywords —**Business Cluster, Infrastructural Facilities, Development, Economy,**

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Introduction

Since the 1990s, industrial clusters have been considered as a development concept and even emerged as a development pole [1]. Clusters reflect a cooperated and coincided firms' effort within a value chain of a product to increase productivity and competitiveness. Clusters lead to lower production costs, particularly in terms of transaction costs.

The borders of clusters are not well defined. It could either be an industrial location (industrial estate) or a region. The actors related to a given cluster define the borders in accordance with the distance and time they aim to diminish or overcome. Distance counts in decisions of actors due to its importance in enhancing adequate knowledge and information exchange and cooperation between them.

A cluster is a geographically proximate group of interconnected companies and associated institutions in a particular field, linked by commonalities and complementarities. Clusters take varying

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forms depending on their depth and sophistication, but most include end-product or service companies; suppliers of specialized inputs, components, machinery, and services; financial institutions; and firms in related industries. Clusters also often include firms in downstream industries (that is, channels or customers); producers of completary products; specialized infrastructure providers; government and other institutions providing specialized training, education, information, research, and technical support (such as universities, think tanks, and vocational training providers); and standard-setting agencies Government agencies that significantly influence a cluster can be considered part of it. Finally, many clusters include trade associations and other collective private sector bodies that support cluster members [2].

Infrastructure is the basic equipment and structures such as roads, energy and bridges that are needed for a country, region, or organization to function properly. Infrastructure contributes to economic development by increasing productivity and providing services, which enhance the quality of life. The services generated as a result of an adequate infrastructure base will translate to an increase in aggregate output such as increased agriculture output of farmers through improved roads, creation of a sea ports, Rail links., Electrical generation, transmission and distribution, Water and irrigation projects, - Increase quality of life and Urbanization of different areas [3]

Infrastructure is a key element of poverty alleviation. It often acts as a catalyst to development and enhances the impact of interventions to improve the poor's access to other assets, e.g., human, social, financial, and natural assets. Its impact is felt both on the economic and social sectors. Without roads, the poor are not able to sell their output on the market. In India, it has been shown that roads alone account for seven percent of the growth in aggregate output of the rural areas. Without electricity, the industrialization process, which provides the poor an important source of employment, is unlikely to take off. In Costa Rica, a retrospective review of the rural electrification experience through electrification cooperatives indicates that for one of these cooperatives the number of major businesses jumped from 15 to 86 after electrification. Without potable water and sanitation health is at risk. The social and economic impact often go hand in hand [4].

Problems in the infrastructure (roads, electricity and water supply, street signage, refuse removal, etc.) are generally recognized as a challenge for the effective functioning of small enterprises. Nigeria's infrastructure is known to have serious capacity constraints [5,6,7], which cause major problems for small enterprises. Most of them are unable to provide their own facilities, like electricity. This applies to the large cities and even more so to smaller towns and rural areas. Nigeria as a country has numerous business and investment potentials due to the abundant, vibrant and dynamic human and natural resources it possesses.

The lack of infrastructure is hindering business cluster in many developing countries. Infrastructure investment has the effects of contributing to increase the productivity and it is expected to contribute to future business clusters in different sectors of the economy in developing countries where infrastructure is still insufficient. Therefore, infrastructure development is one of the most integral parts of the public policies in developing countries. Supporting infrastructure development in developing countries by advanced countries is extremely important field. This can be inferred from the fact that many international organizations such as

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World Bank and OECD are actively promoting the improvement of infrastructure by providing various support programs to developing countries. However, the precise relationship between poor infrastructure and business cluster is still frequently debated.

Growth Implications of Poor Infrastructural Facilities on Business Cluster

Clusters are local concentrations of firms in related lines of business together with their supporting organizations. Local productive systems, industrial districts or business networks are examples of clusters and describe the tendency of firms in a particular field to concentrate geographically. By clustering together, it is assumed that firms can achieve economies of scale and scope and lower their business costs. The term business cluster, also known as an industry cluster, was introduced and popularized by Michael Porter in his book The Competitive Advantage of Nations (1990) as an extension of ideas of agglomeration economics presented in Alfred Marshall's seminal work of the previous century, [11].

In his own work [2], Porter has eventually defined clusters as geographic concentrations of interconnected businesses, suppliers, service providers and associated institutions in a particular field that compete but also co-operate. Porter argued that a cluster is a form of network that occurs within a geographic location, in which the proximity of firms and institutions ensures certain forms of commonality and increases the frequency and impact of interactions [2]. Key in this concept is the hypothesis that when enough resources and competences amass to reach a critical threshold in a geographical location, this confers a sustainable competitive advantage over other places in a given economic activity. Porter claimed that clusters have the potential to affect competition by increasing the productivity of the companies in the cluster, by driving innovation in the field, and by stimulating new businesses in the field.

The business cluster concept has grasped the imagination of policy makers and proved extremely popular with governments eager to develop regional policies to promote employment and growth. In an era of globalization, where small and medium-sized firms increasingly have to compete internationally, clusters can play an important role in supporting firm competitiveness by increasing productivity, innovation and firm formation and providing spill-over effects to the entire geographical region.

[8] observed that SMEs do not operate without a number of challenges that impede their successful entrepreneurial drive for national development. Amongst the notable challenges: almost all sub-Saharan African countries' basic ICT infrastructures are inadequate. This is as a result of lack of electricity to power ICT resources, poor telecommunication facilities, and insufficient funds in general. Nigeria spends less than 12% of its annual budget on SMEs. [9] highlighted the devastating effect of poor infrastructural facilities, including epileptic power supply, poor condition of road network and inadequate water supply on emerging businesses. In Nigeria, a large number of the population live below the poverty line, as such, average middle-income SMEs cannot afford basic technological and communication gadgets. The cost of computer related gadgets in Nigeria is three times the monthly wage of average SMEs. Thus, computer related telecommunication facilities remain less than useful for most Nigerian SMEs, as computers are still a luxury in most SMEs, and many SMEs have not had the chance to develop the

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skills to use them. This has made the integration of needed on-line business resources (e.g., e-mail and the world-wide-web) into SMEs in Nigeria most difficult [1]. According to [8], huge amount of monies are spent on running generator sets to power equipment's used for production of goods. Transportation from the rural areas to the urban centres is as well expensive, including the installation and maintenance of bore-holes for water supply. [9] claimed that the process of providing infrastructure can either make or break entrepreneurship in a country. In other words, the availability of infrastructure determines the success or failure of the SMEs. In Nigeria, issues relating to lack of infrastructure have been there for decades. Critical infrastructure to support businesses includes proper road networks, sufficient electricity supply, efficient waste disposal, and good a water supply. [10] noted that lack of these facilities may hinder entrepreneurial ventures. During the study, participants commented about the worrying impacts of poor infrastructure on enterprises.

Purpose of the Study

The major purpose of the study was to examine the challenges of business cluster in Nigeria. Specifically, the study sought to:
To examine the relationship between poor infrastructural facilities and business clustering in Nigeria?

Research Questions

The research question guiding the study is:
What is the relationship between poor infrastructural facilities and business clustering in Nigeria?

Research Hypotheses

The null hypothesis guiding the study is:
There is no significant relationship between poor infrastructural facilities and business clustering in Nigeria.

AREA OF THE STUDY AND METHODOLOGY

The study area is AkwaIbom State. AkwaIbom State is one of the thirty-six (36) states in the Federal Republic of Nigeria. [12]. AkwaIbom occupies a total landmass of 7,245,935 square kilometers of Nigeria's wealth basin, the South-South zone of the Delta region. It lies between Latitude 4^0 33' and 5^0 33' North of the Equator and Longitudes 7^0 35' and 6^0 $^{2'}$ East of the Greenwich Meridian, AkwaIbom State has at her boundaries Rivers State and Abia State on the West, Cross River State on the East, Abia State on the North, and Bight of bonny on the South [13]. AkwaIbom State falls within the tropical zone with a dominant vegetation of green foliage of trees, shrubs and oil palm tree belt holds the highest density of cash crops in the world. AkwaIbom State, born as Nigeria 21st State, has Uyo as its capital city. Sitting astride the seemingly interminable sand bank of the bight of bonny, this land of luxuriant green forest with fascinating people, 2.4 million of them (1991 cenus), spreads in to thirty-one (31) Local Government Areas that are merged into three (3) senatorial districts namely Uyo, IkotEkpene, and Eket. There are two hundred and thirty-seven (227) public secondary schools in AkwaIbom State

AkwaIbom people are generally believed to have originated from one ancestral stock and are made up of three district ethnic groups of the Ibibios, Annang and Oron. The State is so blessed that there is no language barrier among them as Ibibio is spoken and understood among all linguistic groups, but officially, English language is used. AkwaIbom people are predominantly Christians but there are quite a handful of Muslims and pagans. Traditional occupations of the people are farming, fishing Work, tailoring, and arts and crafts creation. Nevertheless, presently, the

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majority of the people are in white-collar jobs. Petroleum resources, clay, palm trees, iroko, mahogany and other forest resources, coconuts and limestone, kaolin, gas, raffia palm and more, abound in this area.

This work adopted ex-post facto research design. The target population of the study is made up of all the owners and managers of registered building materials businesses in AkwaIbom State, Nigeria. The number of registered building materials businesses in AkwaIbom State as at December, 2018 from Uyo branch of Corporate Affairs Commission is 12,104. Out of this population, the researcher arbitrarily adopts 253 respondentsas the sample size for the study. An instrument called "Challenges of Business Clustering Questionnaire (CBCQ)" was developed by the researcher to elicit information on the independent and dependent variables presented in both sections A and B of the questionnaire. Section A of the instrument measured the demographic data of the respondents such as name, gender, age, educational qualifications and marital status while section B measured the constructs of the independent variables. The content validity of the instrument was determined by experts in Test and Measurement who marched the items of the instruments with the research questions in order to determine whether or not the instruments measured what they were supposed to measure. The reliability was determined through experts in Test and Measurement and Statistics were given the instrument for rating in respect of the consistency with the research objectives. Items in which at least two experts agreed upon were regarded as suitable, the reliability coefficients was 0.79 and was considered substantially high enough to justify the use of the instrument. The data collected were analyzed using Pearson Moment correlational analysis while the hypotheses were testes at 0.05 alpha levels.

Data Analyses and Results

Table 1: Analysis of respondents Demographic Variables

Sex	**No. o Respondents**	**% o Respondents**
Male	162	64.03
Female	91	35.96
Total	**253**	**100**
Age		
20 – 25	57	22.52
26 – 30	47	18.57
31 – 35	54	21.34
36 – 40	44	17.39
41 – Above	51	20.15
Total	**253**	**100**
Marital Status		
Single	103	40.71
Married	93	36.75
Divorced	36	14.22
Widow/Widower	21	8.30
Total	**253**	**100**
Educational Attainment		
Primary education	69	27.27
Secondary education	138	54.54
Tertiary education	46	18.18
Total	**253**	**100**

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Table 1 shows that one hundred and sixty-two (162) respondents representing 64.03% of the sample population were male while ninety-one (91) respondents representing 35.96% of the population were female. The age distribution of the respondents shows that fifty seven (57) respondents representing 22.52% of the sample were between the age bracket of 20 – 25 years, forty seven (47) respondents representing 18.57% were between the age bracket of 26 – 30 years, fifty four of the respondents representing 21.34% were 31 – 35 years, also forty four (44) respondents representing 17.39% of the sample were between the age limit of 36 – 40 years and fifty one (51) respondents representing 20.15% were within the age limit of 41 and above years. The marital status of the respondents shows that one hundred and three (103) respondents representing 40.71% of the sample were single, ninety-three (93) respondents representing 36.75% of the sample were married, only thirty-six (36) respondents representing 14.22% of the sample were divorced as well as only twenty-one (21) respondents representing 8.30% were widow/widowers. Educational attainment of the respondents shows that one hundred and sixty-nine (69) respondents representing 27.27% of the sample had primary education, one hundred and thirty-eight (138) respondents representing 54.54% had secondary education while forty-six (46) respondents representing 18.18% had tertiary education.

Research question One

What is the relationship between poor infrastructural facilities and business clustering in Nigeria?

Table 2

Descriptive analysis of the relationship between poor infrastructural facilities and business clustering in Nigeria.

Variable	N	Arithmetic mean	Expected mean	R	Remarks
Business Cluster		16.02	12.50		
	253			*80	*strong to perfect Relationship
poor infrastructural facilities		6.29	5.00		

Source: Field Survey, (2019)

Table 2 presents the result of the descriptive analysis of the relationship between poor infrastructural facilities and business cluster in Nigeria.The two variables were observed to have strong perfect relationship at 0.80%. The arithmetic mean for business cluster (16.02) was also observed to be higher than the expected mean score of 12.50. In addition to that the arithmetic mean for poor infrastructural facilities and business cluster in Nigeria (6.29) was observed to be higher than the expected mean score of 5.00. The result therefore means that poor infrastructural facilities and business cluster in Nigeria remarkably affects business cluster.

Hypotheses Testing

Hypothesis One

To examine the relationship between poor infrastructural facilities and business clustering in Nigeria. Pearson Product Moment Correlation analysis was then used to analyze the data in order to determine the relationship between the two variables

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Table 3

Pearson Product Moment Correlation Analysis of the Relationship between poor infrastructural facilities and business clustering in Nigeria.

Variable	∑x	$\sum x^2$	∑xy	r
	∑y	$\sum y^2$	25887	0.80*
Business cluster (x)	4054	65844		
Poorinfrastructuralfacilities(y)	1591	10273		

***Significant at 0.025 level; df =251; N =253; critical r–value = 0.086**

Table 3 presents the obtained r-value as (0.80). This value was tested for significance by comparing it with the critical r-value (0.086) at 0.025 levels with 251 degree of freedom. The obtained r-value (0.80) was greater than the critical r-value (0.086). Hence, the result was significant. The result therefore means that there is significant relationship between poor infrastructural facilities and business cluster in Nigeria.

Conclusion and Recommendations of the Study

Based on the findings of data analysis of the study, it was concluded that poor infrastructural facilities like roads, electricity and water supply, street signage, refuse removal, etc has a proportional relationship with business cluster in Nigeria. Thestudy however, recommended that to strengthen the momentum of business cluttering further,the task of infrastructural provision is too important and enormous to be left in the hand of government alone, hence the need for private sector to key in the provision of the infrastructure in the cluster region to complement government effort. To succeed as a nation in improving infrastructural provision, there must be sincerity of purpose on the part of the parties involved in the contracts. The rule of law and the sanctity of the contracts must be maintained. The private partners should be able to play innovative role in the design, construction and ensure timely completion of the projects.

The maintenance department is advised to carry out routine inspections of existinginfrastructures and not to wait until structure are completely dilapidated. All the necessary personnel, equipment, consumable and routine spare parts needed for efficient and proper maintenance of facilities should be put in place by necessary operators of these facilities.

People must be adequately mobilized and carried along in all government activities since they are the ultimate beneficiaries of the projects/facilities being maintained. - The three tiers of government should organize seminars and conferences meant to sensitize people on maintenance culture from time to time.

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