

# Effect of Nigeria Local Content Policy on Small and Medium Scale Enterprises in Rivers State

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**Abstract:** *The study was to determine the effect of Nigerian local content policy on improvement of SME's in Rivers State. Descriptive survey research design was adopted for the study. Four research questions guided the study, while four null hypothesis was formulated and tested at 0.05 level of significance. The population of the study is 60 respondents consisting of 30 small scale enterprises and 30 medium scale enterprises. The instrument for data collection was a 42-item structured. The instrument was face validated by three experts. The internal consistency of the questionnaire was determined using Cronbach Alpha method and coefficient of 0.80 was obtained. Mean and standard deviation were used to answer the research questions while t-test was used to test the null hypothesis. The findings of the study revealed that all the items were accepted. The findings on hypotheses revealed that there was no significant difference in the mean ratings of the two groups of respondents on the effect of NLCP on improvement of SME's in Rivers State. It was therefore, recommended that the findings of this study be utilized to improve the ability of SME's in the area of study.*

**Keywords:** *local Content, policy, small enterprises, medium enterprises.*

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## INTRODUCTION

Various communities in Nigeria are facing problems in developing their economic growth, and social life, due to insincerity in politics and self-centeredness. According to Ayonmike & Okeke, (2015) problems facing economic growth in Nigeria as a result of insincerity in policy have finally steered to poverty, corruption, kidnapping, unemployment, stealing, terrorism, militancy, cultism, amongst others. In order to tackle these challenges facing the nation, the Federal Government of Nigeria, under the leadership of President GoodluckEbele Jonathan (GCFR), on 22<sup>nd</sup> April, 2010, signed into law the Nigerian Local Content Act which aimed at promoting and supporting industrialization of the nation's oil technological companies and thereby improving the economic and social well-being of citizens as engaged in the industries. The major aim of local content policy is to ensure that indigenous firms in Nigeria come out boldly to execute most projects in oil and gas, manufacturing and production companies and also be in top management positions.

The Act, among other things envisaged to tackle the problem of insufficient value addition to the Nigerian economy arising from the near lack of local capacity/capability in the industrial sector especially. (Bello, 2010). The Nigerian Oil and Gas Development Law

2010 defines local content as “the quantum of composite value added to or created in Nigeria through utilization of Nigerian resources and services in the petroleum industry resulting in the development of indigenous capability without compromising quality, health, safety and environmental standards (Gbegi& Adebisi,2013). It is framed within the context of growth of Nigerian entrepreneurship and the domestication of assets to fully realize Nigeria’s strategic developmental goals.

According to Balouga (2012) and Gbegi & Adebisi (2013), the Local Content Policy action started in 1971 through the establishment of the Nigerian National Oil Corporation, (NNOC). NNOC was established as a vehicle for the promotion of Nigeria’s indigenization policy in the petroleum sector. For an industry that contributes 80% of Nigerian government revenues and 95% of its foreign exchange this is entirely unacceptable to the Nigerian government hence the clamor for change (Balouga, 2012; Gbegi & Adebisi, 2013).

Government’s objectives for the local content policy initiative are quite noble but have remained unrealized. These objectives include the expansion of the upstream and downstream sectors of the oil and gas industry, the diversification of the sources of investment into the sector such that some of the funds would begin to come from local sources, the promotion of indigenous participation and the fostering of technological transfer. Other objectives are the increase in oil and gas reserves through aggressive exploration; employment generation for all categories of Nigerians; increased production capacity, and perhaps most importantly, the integration of the oil and gas, and technological industry into the mainstream economy through local refineries and petrochemicals (Balouga, 2012; Gbegi & Adebisi, 2013).

Local Content Policies in the most extensive meaning, include all government interventions, measures or programmes that aim to increase shares of employment, services, manufacturing provisions and overall financial value to the local industry value chain. They also comprise creativities that target the strengthening of the productive sectors of the national economy-be it in manufacturing or agriculture-and are measured by the achieved growth of the targeted sectors. It must be noted that local content is a standard practice undertaken by resource rich countries in the world. While some countries approach it from the point of view of an economic tool which will ultimately create local capacity and capabilities that can compete with foreign companies and in the process develop their economies, others view it as a protectionist measure to protect their local technology and services from disproportionate foreign competition as a result of globalization, thereby retaining the value of their local technology and services within the borders of their countries. Whatever the approach a country takes, local content is about value addition, by optimizing the industrial and other associational values that can be made to a country’s natural resources for the overall benefit of its economy (Obasa, 2010).

Consequently, local content may not result in value addition if certain underlying conditions are non-existent. For example, even where exclusive treatment is given to the local service industry for fabrication works, if Local skills and capacity are developed and patronized, if tariffs on steel plate imports and other materials are not significantly reduced

for local suppliers, it would mean that local content would actually be costing the economy more, as money which would otherwise have been available to be taxed or used optimally in other industrial sectors would be spent on supporting the local supply and service industry. Other examples of factors which militate against the value adding potential of local content include non-access to long term commercial funding; rising exchange rates; high interest rates; widespread use of global framework agreements and centralized procurement systems by international oil companies; low technological capacity; lack of experience and expertise in certain operating environments and difficult prequalification and bidding requirements for the award of contracts (Obasa, 2009).

In this case local content is not just targeted at increasing capacity and capability of the local community workforce but is targeted at infrastructure that will support business development in the local economy. Examples include the opening up of trade lines between rural communities through road construction and rehabilitation; the support of local farming communities by the introduction of advanced agricultural techniques; the provision of micro-credit to rural businessmen and women and sponsoring of skill acquisition programmes (both in the petroleum and the non-petroleum industry).

Local content is the development of local skills, technology transfer, and use of local manpower and local manufacturing industries. For a more practical definition, one could say that local content is building a labor force that is skilled and building a competitive supplier base (Oil and Gas, 2010). It has become a very significant issue due to the point that in this modern day and age, every country would like its citizens to capture the powerful altitudes of its economy and thus assist to keep its wealth within its limits, as well as providing jobs to the ever increasing population. This is achieved through capacity building, creating Small and Medium-size Enterprises (SMEs) as well as offering products and services locally.

### **Small and Medium Enterprises (SME's)**

Small and Medium Enterprises are known as significant traditional contributors to economic growth. This is because they serves as a catalyst for employment generation, poverty reduction leading to economic development. SME's all over the world have been the major employers of labour within most economies compared to the major industries including the multinational companies. According to the National Bureau of Statistics (NBS) as at fourth quarter of 2017, SME's created 5% or 2.8 million of those jobs created by small and medium enterprises. Data from both the formal and informal sectors suggests that small and medium enterprises employ over 60% of the labour force in Nigeria. More so, the large chunk of daily activities in the country are not high-tech products, but basic materials produced by the small and medium enterprises. They also play vital roles in the achievement of improvement in rural infrastructures and development in the country.

Therefore, SME's was considered by Nigeria local content policy and the few key points are stated below;

## **Regulatory Framework**

The Nigerian Oil and Gas Industry Content Development (Local Content Act) 2010 was enacted to promote the indigenous participation in the Nigeria's oil and gas industry for the purpose of improving the economic and social well-being of those engaged in operating in the oil and gas industry. The Act provides for the development of Nigerian content in the Nigerian oil and gas industry, Nigerian content plan, supervision, coordination, monitoring, and implementation of the Nigerian content.

The above requirements and conditions for operating in the Nigerian oil & gas industry as specified and enclosed in the Act have produced several benefits for indigenous companies operating in the industry. Moreover, the operators are required to deliver a Nigerian Content Plan to the Board as provided in Section 7, which demonstrates compliance with the Nigerian Content requirement when bidding for not only licenses, permits, or blocks but for any project or activity ranging from the Front End Engineering Design (FEED) and detailed engineering services; Fabrication and Construction; Materials and Procurement; Well and Drilling Services/ Petroleum Technology; Exploration, Subsurface, Petroleum Engineering, Seismic among others in the oil and gas industry. In addition, the operators are likely to submit in the content plan showing how the consideration is to be applied to goods, employment, service or training, research and development plans, technical plans, legal plans, and financial services plans.

The Local Content Act and relevant regulations have made it mandatory for any foreign-owned company seeking to carry out operations in the upstream sector of the economy to do so by involving Nigerians in the composition of the company, (Jegade 2020).

The essential part of this Acts is to promote the building and development of indigenous capacity in the Nigeria oil & gas sector.

## **Building and Implementing an Effective Strategy**

It can be reasoned that in developing countries, local enterprises are the drivers of economic activity and development. Whereas the technology gap between developing and developed countries is widening, the spread of local technologies in developing countries is being fast-tracked. Also, technological advancement supports the rise in incomes as seen in developing countries, and has assisted to reduce poverty levels from 29 percent in 1990 to 18 percent in 2004 (Arizona-Ogwu, 2008).

Managements of renter economy have progressively been looking beyond revenues that accrue to them from the economic rent. The aim is towards intensification of the national value creation by means of the technology, oil and gas value chain through employment, value-addition, technology transfer and the acquisition of knowledge. The prerequisites for enhancing local content are rule of law, skilled workforce, and investment-friendly atmosphere. However, there are opposing forces to government efforts to create the enabling environment. These forces are the division between national and commercial interests, delays, Health, Safety and Environment challenges and corruption.

The standard of subcontracting has increasingly been applied by both manufacturing, oil & gas companies; and it is interesting to note that oil companies disburse up to 80 percent

of their investments on products and costs that are supplied from without. Thus, indirect employment in the sector accounts for a large proportion of total employment and value-addition. Considering the fact that opportunities for building local content may vary along the value-chain, the market for maintenance, modification and operation (MMO) is often undervalued. Thus, only a concise description of the methods for the identification and quantification of local content will explain properly its key components; value-addition and growth capability. In view of this, employment as well as direct and indirect value-addition must be identified and accounted for separately.

The procurement of local goods and services is very imperative due to the fact that it creates a multiplier for local economic development through contribution to employment, skills strengthening, supplier and local enterprise development. While some countries have a multiplier effect of investment in the oil sector of about 3.0, that of Norway is 2.5. It is worthy of note that a lot of countries can hardly attain a multiplier of 1. The multiplier of Kazakhstan is 0.45 as at 2003, despite being an industrialized country (Petrad, 2009). Research and development in the local content policy is very imperative.

### **Research and Development**

This is the main sources of competitiveness among leading nations that produces oil and gas as it serves as building block and an elementary factor used to reinforce and support firm's core business. Research and Development performs very important part in the development and innovation in any industry be it a business firm or organization process. It's basically an asset in technology and future capabilities which is transformed into new products, processes, and services. In industry and other sectors R&D is a crucial component of innovation and a key factor in developing new competitive benefits. Research and Development is of great importance in oil and gas sector especially with regards to the current revolution and diversification taking place in Nigerian's oil sector, as the level of competition, production processes and methods are rapidly increasing among the oil producing countries. In the process of these research and development in local content policy certain factors like funding and incentives were discovered.

### **Funding and Incentives**

According to section 90-

(1), the board shall establish and maintain a fund to which all monies accruing to it shall be paid into or from which shall be defrayed all expenditure incurred by the board.

(2) the fund of the board shall consist of:-(a) all subventions and budgetary allocations provided by the Federal Government;(b) sums accruing to the board by way of donations, gifts, grants, endowment, bequest or otherwise;(c) Interest and revenue accruing from savings and investments made by the board;(d) loans, which may be required from time to time for the objects of the board, provided that the board shall not, without the prior approval of the president, borrow money in compliance with the provisions of the fiscal Responsibility Act; and(e) Other revenues accruing to the board from any other source.



In section 104-(1) a fund to be known as Nigerian Content Development Fund is established for purposes of funding the implementation of Nigerian content development in the industries.

(2) The sum of one percent of every contract awarded to any operator, contractor, subcontractor, alliance partner or any other entity involved in any project, operation, activity or transaction in the upstream sector of the Nigeria oil and gas industry shall be deducted at source and paid into the fund.

(3) The Fund shall be managed by the Nigerian Content Development Board and employed for projects, programmes, and activities directed at increasing Nigerian content in the oil and gas industry. . Local content policy may not be effective due to lack of infrastructural base needed for good operations.

### **Lack of Infrastructural Base**

This is a major problem in the development of the nation's economy since it cannot presently support industrial growth, specific infrastructural challenges facing Nigerian local contents policy include, insufficient power supply, poor transportation and telecommunication network, inexistent public utilities, among others. For example, regular electricity supply required for the manufacturing and fabrication industry is yet to be given adequate attention as no effort is made to make the oil and gas industry a driver of workable electricity production. The stipulated time given to authorize the constant importation of items where there is inadequate local capacity is impractical as all such substances required to be produced locally will undergo set-backs as a result of inefficient power supply. This will lead to incessant importation of such items, in other countries with better organized infrastructural standard especially; efficient and steady electricity power supply, good roads network, world class health, educational facilities and available funds for small and medium scale enterprises which will yield to effective operations with foreign investors.

### **Lack of Funds for SMEs**

Small and Medium scale Enterprises and Indigenous companies lack access to funds to enable them participate effectively and efficiently in this sector of the economy because it is capital intensive. Nigerian banks lack the financial base to make any expressive impact on local content development. The leading Nigerian banks are tiny banks once it comes to energy financing, most Nigerian banks operate in dilemma-laden territory as most indigenous contractors have no suitable business structure, they borrow from banks to pay back with high interest rate. This lead most indigenous contractors or films to pack-up after executing one or two projects.

### **Political Instability and Bad Investment Climate**

In the last few years there have been recurrent spells on foreigners and foreign interest in the Niger Delta region. This is undoubtedly harmful to industrial growth. The investment climate is very poor in Nigeria, alongside poor infrastructure, inadequate housing, improper health care, and kidnapping, if not addressed, those challenges do not encourage foreign investment. On the other hand, in Canada, there is a proper investment

climate like a clean and safe environment, relaxing atmosphere. The political instability in Nigeria is hurting investors' confidence because there are so many change of policies, government is not predictable and so policies can be made today and changed tomorrow.

### **Discrimination and Under-Utilization of Nigerian Services**

Although the local content policy has led to increased opportunities for Small and Mediumscale Enterprises (SMEs) in the industry and thus resulting in more contract awards in both cases, this cannot yet be measured as an advanced SMEs participation because there are still several bottle-necks to the award of such contracts such as boring pre-qualification and tender processes. There are also complaints of discrimination and underutilization of indigenous capacity in the oil and gas industry despite the ever-rising number of local oil service firms. These accusations of discrimination have been made with specific respect to project rates and also payment in relation to Nigerian man hours when related to the value of expatriate man hours.

### **Issues of Non-Compliance**

Various multinational companies have continued to violate the provisions of Nigerian Local Content Act through the use of expatriates, who perform job functions that Nigerians have capacity to execute. It has also been alleged that instead of resorting to the sanctions provided by the Act to enforce compliance, the Nigerian Content Development and Monitoring Board (NCDMB) instead resorts to a more collaborative or influential approach to get the erring multinationals to comply with the provisions of the Act.

### **Corruption**

Corruption does not support any economic growth; it rather reduces confidence in both public and private institutions. Corruption can stifle accountability and result in economic subversion. The pervading corruption in the country constitutes a major impediment to the enforcement of the Act. The requirement to submit a Nigerian Local content plan every six months as a pre-condition before the award of contract may result in the creation of more bottlenecks in the contract award process and resulting in more corrupt tendencies, if not well managed. Section 37 of the Act has the tendency of opening the flood gate to the issuance of certificate of excellence to contractors even when such contracts are failing as a result of kickbacks received by government engineer which weaken their moral courage to pronounce their work as substandard.

### **Insufficient sanctions for breach**

The sanctions for non-compliance under the Act are negligible (5% of the project amount) and therefore insufficient to prevent breach. Many countries give tax advantages and incentives to these IOC companies for obeying their home country's local content policies, laws and directives, Moreover under the Nigerian Joint Venture system, some 60% of this negligible penalty (5%) will eventually be paid for by Nigeria through NNPC. This means that only 2% will be the actual penalties payable by the IOC for breach as against the heavy tax benefits for obeying their home country's local content laws and policies to Nigeria's detriment.

The essence of the Korean STI policy was to create an enabling atmosphere to achieve technological breakthrough which will promote global industrial competitiveness and economic growth for the Korean economy, Amadi and Omenikolo (2010). The initiative behind the policy was to increase the quality of life and sustainable development and also help elevate the standard of operations of Small and Medium scale Enterprises (SME's) in oil and gas industries.

### **Statement of Problem**

The oil and gas industry is certainly the backbone of national economy as oil is the major source of global energy as well as a key source of revenue generation. The growth of oil and gas industry has brought intense changes in the structure of the Nigerian economy. In a few decade, agriculture's share of gross domestic product (GDP) declined from roughly one-half to less than 30 per cent and its previous fame as source of revenue and foreign exchange drastically reduced. Oil and gas became one of the world's most planned natural resources required as a vital input in modern economic activities. It is a highly required product which plays a key role in the global economic framework, providing much of the energy that drives the economy in both developed and developing countries (Aigbedion and Iyayi, 2007).

Some of the communities within which oil wells are exploited still suffer environmental humiliation, which leads to lack of means of livelihood, inter-ethnic conflicts, corruption and civil disturbances. In addition, the Nigerian oil and gas industry is controlled by expatriate workers while indigenous small-and medium-size oil servicing firms are left to suffer in technologically penniless state. This makes the Nigerian firms unfit to get oil service contracts and other benefits in the industry (Ozigbo, 2008). Pigato (2001) stressed that 'Unless countries can create the necessary skill and supplier bases, the host country may not be able to benefit from foreign direct investment to move up the value chain and develop other sectors'. In order to deliver the oil industry and its benefits into the hands of Nigerians, the Nigerian Government initiated the Local Content Policy and after a decade, signed its enabling legislation (Ogunyomi et al., 2010; Ozim, 2010).

The applications and benefits of local content policy in Nigeria oil and gas industry is directly affecting other sources of national economic growth such as the; agriculture's, construction, aviation, and small and medium scale enterprises in Rivers State.

These critical areas are as a result of not complying with the following key points in LCP; the regulatory framework, capacity building, research and development, funding and incentives, non-compliance, insecurity, corruption, political instability and many others strongly affect the development and growth of small and medium scale enterprises. These among others reasons called for the study on the effect of local content policy on small and medium scale enterprises in Rivers State.

### **Purpose of the Study**

The purpose of the study is to look into some of the areas in local content policy that are affecting SME's in Rivers State. Specifically, the study sought to;



1. Determine the effect of capacity building on the improvement of Small and Medium scale Enterprise's in Rivers State.
2. Determine the effect of political instability and insecurity on Small and Medium scale Enterprise's in Rivers State
3. Determine the effect of lack of funds and incentives on Small and Medium scale Enterprise's in Rivers State

### **Research Questions**

The following research questions were used to guide the study;

1. What are the effect of capacity building on improvement of Small and Medium scale Enterprise's in Rivers State?
2. What are the effect of political instability and insecurity on improvement of Small and Medium scale Enterprise's in Rivers State?
3. What are the effect of lack of funds and incentives on improvement of Small and Medium scale Enterprise's in Rivers State?

### **Hypotheses**

The following null hypotheses were formulated and tested at 0.05 level of significance.

1. There is no significance difference in the mean ratings of the effect of capacity building on improvement of Small and Medium scale Enterprise's in Rivers State.
2. There is no significance difference in the mean ratings of the effect of political instability and insecurity on improvement of Small and Medium scale Enterprise's in Rivers State.
3. There is no significance difference in the mean ratings of the effect of funds and incentives on improvement of Small and Medium scale Enterprise's in Rivers State.

### **Methodology**

This study which adopted descriptive survey design was carried out in Rivers State. Four research questions were answered while four hypotheses were formulated for the study. The population of the study comprises of 30 small scale enterprises and 30 medium scale enterprises registered with four selected oil and gas companies in Onne Oil and Gas Free Zone in Rivers State. Total population of 60 SME's were used. The instrument for data collection was 42 items structured questionnaire designed on a 5-point Likert scale of Strongly Agreed (SA), Agreed (A), Undecided (U), Disagreed (DA), Strongly Disagreed (SD), with numerical values of 5,4,3,2, and 1 respectively. Sixty copies of the questionnaire were administered and all were retrieved which represented 100 percent return rate. The instrument was content validated by three experts. The questionnaire was tried on 10% of the population in one company in Oil and Gas Free Zone in Lagos State and a reliability coefficient of 0.80 was established using Cronbach Alpha reliability coefficient.

Data collected from the research questions were analyzed using mean and standard deviation. Any item with a mean value of 2.50 and above was accepted while mean value of 2.49 and below was rejected. The data were analyzed with Statistical Package for social sciences (SPSS) version 13.0KM. Standard deviation value close and wide apart was used to determine the similarity in the perception of the respondents. The hypotheses were tested at 0.05 level of significance using t-test statistics. For calculated value of  $t_{cal}$  less than the critical value of  $t_{crit}$ . The hypothesis was accepted but for  $t_{cal}$  equal to or greater than  $t_{crit}$ , the hypothesis was rejected.

## Results

The results of the study are presented below;

### Research Question 1

What are the effect of capacity building on improvement of SME's in Rivers State?

Data collected to provide answers to this research question are analyzed and presented in

Table 1.

**Table 1: Mean and Standard Deviation of the Effect of Capacity building on improvement of SME's in Rivers State.**

**N= ( 30 SE + 30 ME )**

S/N	Item Statements		SD1	Rmks		SD2	Rmks
1.	Technical skills is required.	3.26	0.78	SA	3.57	0.67	A
2.	Critical thinking skills needed.	3.11	1.01	SA	3.49	0.70	SA
3.	Creativity and focus.	3.29	0.85	SA	3.57	0.60	A
4.	Team work and building	3.21	0.79	A	3.82	0.38	A
5.	Good knowledge of the business.	3.39	0.79	SA	3.76	0.42	A
6.	Ability to manage group of people.	3.00	0.83	A	3.38	0.83	SA
7.	Effective supervision and control of task.	3.18	0.70	SA	3.29	0.80	SA
8.	Ability to solve problems	3.10	0.65	SA	2.85	0.70	A
9.	To be trained regularly.	3.33	0.72	A	3.10	0.82	SA
10.	Marketing skill to be added	3.04	0.73	A	2.94	0.68	SA
11.	Good personal relationship with others	2.84	0.67	SA	2.89	0.75	SA
12.	Maintaining self-discipline.	3.05	0.64	SA	3.70	0.82	SA
13.	Create a large business network	3.09	0.72	A	3.71	0.80	SA
	<b>Grand mean</b>	<b>3.14</b>	<b>0.76</b>	<b>A</b>	<b>3.10</b>	<b>0.69</b>	<b>A</b>

**Key:=** Mean; SD = Standard deviation

Data presented in Table 1, revealed that the Small scale Enterprises(SE) had a mean range from 2.84 – 3.39, while the medium scale enterprises (ME) had a mean range from 2.85 – 3.82. These values are above the cut-off point of 2.50 which indicated that both respondents agreed that the identified items are required for the improvement of SME's in Rivers State. Furthermore, the small scale Enterprise had a standard deviation ranging

from 0.64 – 1.01, while the medium scale enterprise had a standard deviation ranging from 0.38 – 0.83 which shown that the respondents were similar in their opinions.

**Research Question 2**

What are the effect of political instability and insecurity on improvement of SME’s in Rivers State?

Data collected to provide answers to this research question are analyzed and presented in

Table 2.

**Table 2: Mean and Standard Deviation of the Effect of Political instability and insecurity on improvement of SME’s in Rivers State.**

**N= ( 30 SE + 30 ME )**

S/N	Item Statements		SD1	Rmks		SD2	Rmks
1.	Payment of TAX is unstable.	3.20	0.75	A	3.50	0.77	A
2.	Fluctuation of exchange rate.	3.01	0.81	SA	3.29	0.70	SA
3.	Illegal taskforce all over the communities.	3.29	0.85	SA	3.57	0.60	A
4.	Payment of high interest rate	3.21	0.79	A	3.82	0.38	A
5.	High cost of goods and services.	3.39	0.89	SA	3.70	0.62	A
6.	Weak institutions in the country.	3.60	0.83	A	3.28	0.83	SA
7.	Ethno-religious conflicts	2.78	0.70	SA	3.09	0.60	SA
8.	Systemic and political corruption	3.10	0.65	SA	2.85	0.70	A
9.	Weak security system in the society	3.53	0.70	A	3.40	0.72	SA
10.	Insecurity to potential business investors	3.24	0.73	A	2.84	0.69	SA
11.	Online business scams	2.84	0.67	SA	2.89	0.75	SA
12.	Most SME’s are scared and reluctant to expand their business.	3.46	0.64	SA	3.50	0.80	SA
13.	SME’s spend much money in hiring personal security	3.49	0.72	A	3.71	0.80	SA
14.	Insecurity limits sales network in areas prone to attack	2.98	0.69	A	2.86	0.65	A
15.	Poor response from government security agents	3.64	0.56	A	2.68	0.70	A
16.	Security challenges affect raw material supply	3.00	0.68	A	3.05	0.80	SA
17.	Kidnapping, terrorism and hired assassins	2.98	0.82	A	3.63	0.73	A
	<b>Grand mean</b>	<b>3.21</b>	<b>0.73</b>	<b>A</b>	<b>3.27</b>	<b>0.69</b>	<b>A</b>

**Key:** = Mean; SD = Standard deviation

Data presented in Table 2, revealed that the Small scale Enterprises (SE) had a mean range from 2.64 – 3.49, while the medium scale enterprises (ME) had a mean range from 2.68 – 3.82. These values are above the cut-off point of 2.50 which indicated that both

respondents agreed that the identified items are required for the improvement of SME's in Rivers State. Furthermore, the small scale Enterprise had a standard deviation ranging from 0.56 – 0.89, while the medium scale enterprise had a standard deviation ranging from 0.38 – 0.83 which shown that the respondents were similar in their opinions.

### Research Question 3

What are the effect of funds and incentives on improvement of SME's in Rivers State?

Data collected to provide answers to research question 3 are analyzed and presented in Table 3.

**Table 3: Mean and Standard Deviation of the Effect of Funds and incentives on improvement of SME's in Rivers State.**

**N= ( 30 SE + 30 ME )**

S/N	Item Statements		SD1	Rmks		SD2	Rmks
1.	Provision of incentives for bank lending to SME's	2.89	0.72	SA	3.40	0.68	A
2.	Special CIT rate.	3.11	0.95	SA	3.35	0.70	SA
3.	Increase in retained earnings.	3.10	0.82	SA	3.27	0.64	A
4.	Mixing business and personal finances	3.15	0.70	A	3.82	0.58	A
5.	Preparation for unforeseen expenses.	3.68	0.76	SA	3.70	0.52	A
6.	Inconsistent cash flow.	3.24	0.83	A	3.18	0.85	SA
7.	Capacity building for both financiers and SME's operators.	3.26	0.70	SA	3.23	0.78	SA
8.	Exemptions from various Taxes	3.12	0.54	SA	2.66	0.70	A
9.	Investment Allowances	2.87	0.67	A	3.03	0.77	A
10.	Tax holiday	2.94	0.74	A	2.62	0.67	A
11.	Research and development	3.26	0.76	A	3.00	0.68	A
12.	Financing incentives	3.25	0.88	SA	3.23	0.71	SA
	<b>Grand mean</b>	<b>3.15</b>	<b>0.76</b>	<b>A</b>	<b>3.20</b>	<b>0.69</b>	<b>A</b>

**Key:** = Mean; SD = Standard deviation

Data presented in Table 3, revealed that the Small scale Enterprises (SE) had a mean range from 2.87 – 3.68, while the medium scale enterprises (ME) had a mean range from 2.62 – 3.82. These values are above the cut-off point of 2.50 which indicated that both respondents agreed that the identified items are required for the improvement of SME's in Rivers State. Furthermore, the small scale Enterprise had a standard deviation ranging from 0.54 – 0.95, while the medium scale enterprise had a standard deviation ranging from 0.52 – 0.85 which shown that the respondents were similar in their opinions.

## Statistical Test of Hypotheses

The following null hypotheses were formulated and tested at 0.05 level of significance.

### Hypotheses 1

There is no significance difference in the mean ratings of the effect of capacity building on improvement of SME's in Rivers State.

**Table 5: t-test analysis on the effect of capacity building on improvement od SME's in Rivers State.**

Respondents	N	X	SD	P-value	DF	t-cal	t-crit	Rmk
SE's	30	3.14	0.76	0.05	58	1.0	1.67	No sig.
ME's	30	3.10	0.69					

**Source: researcher's Field Result: 2022**

Result in Table 5 revealed that t-cal (1.0) is less than t-crit (1.67) which indicates that the hypothesis stated was accepted. Therefore, there is no significant difference in the mean ratings of the effect of capacity building on improvement of SME's in Rivers State.

### Hypotheses 2

There is no significance difference in the mean ratings of the effect of political instability and insecurity on improvement of SME's in Rivers State.

**Table 5: t-test analysis on the effect of political instability and insecurity on improvement of SME's in Rivers State.**

Respondents	N	X	SD	P-value	DF	t-cal	t-crit	Rmk
SE's	30	3.07	0.73	0.05	58	1.5	1.67	No sig.
ME's	30	3.27	0.69					

Result in Table 5 revealed that t-cal (1.5) is less than t-crit (1.67) which indicates that the hypothesis stated was accepted. Therefore, there is no significant difference in the mean ratings of the effect of political instability and insecurity on improvement of SME's in Rivers State.



### Hypotheses3

There is no significance difference in the mean ratings of the effect of funds and incentives on improvement of SME’s in Rivers State.

**Table 6: t-test analysis on the effect of funds and incentives on improvement of SME’s in Rivers State.**

Respondents	N	X	SD	P-value	DF	t-cal	t-crit	Rmk
SE’s	30	3.15	0.76	0.05	58	1.25	1.67	No sig.
ME’s	30	3.20	0.69					

Result in Table 6 revealed that t-cal (1.25) is less than t-crit (1.67) which indicates that the hypothesis stated was accepted. Therefore, there is no significant difference in the mean ratings of the effect of funds and incentives on improvement of SME’s in Rivers State.

### Discussion of Findings

Data presented in Table 1, revealed that the Small scale Enterprises (SE) had a mean range from 2.84 – 3.39, while the medium scale enterprises (ME) had a mean range from 2.85 – 3.82. These values are above the cut-off point of 2.50 which indicated that both respondents agreed that the identified items are required for the improvement of SME’s in Rivers State. Furthermore, the small scale Enterprise had a standard deviation ranging from 0.64 – 1.01, while the medium scale enterprise had a standard deviation ranging from 0.38 – 0.83 which shown that the respondents were similar in their opinions. Result in Table 4 revealed that t-cal (1.0) is less than t-crit (1.67) which indicates that the hypothesis stated was accepted. Therefore, there is no significant difference in the mean ratings of the effect of capacity building on improvement of SME’s in Rivers State.

Data presented in Table 2, revealed that the Small scale Enterprises (SE) had a mean range from 2.64 – 3.49, while the medium scale enterprises (ME) had a mean range from 2.68 – 3.82. These values are above the cut-off point of 2.50 which indicated that both respondents agreed that the identified items are required for the improvement of SME’s in Rivers State. Furthermore, the small scale Enterprise had a standard deviation ranging from 0.56 – 0.89, while the medium scale enterprise had a standard deviation ranging from 0.38 – 0.83 which shown that the respondents were similar in their opinions. Result in Table 5 revealed that t-cal (1.5) is less than t-crit (1.67) which indicates that the hypothesis stated was accepted. Therefore, there is no significant difference in the mean ratings of the effect of political instability and insecurity on improvement of SME’s in Rivers State.

Data presented in Table 3, revealed that the Small scale Enterprises (SE) had a mean range from 2.87 – 3.68, while the medium scale enterprises (ME) had a mean range from 2.62 – 3.82. These values are above the cut-off point of 2.50 which indicated that both respondents agreed that the identified items are required for the improvement of SME's in Rivers State. Furthermore, the small scale Enterprise had a standard deviation ranging from 0.54 – 0.95, while the medium scale enterprise had a standard deviation ranging from 0.52 – 0.85 which shown that the respondents were similar in their opinions. Result in Table 6 revealed that t-cal (1.25) is less than t-crit (1.67) which indicates that the hypothesis stated was accepted. Therefore, there is no significant difference in the mean ratings of the effect of funds and incentives on improvement of SME's in Rivers State.

## Conclusion

The study on the effect of Nigeria local content policy on small and medium scale enterprises (SME's) was carried out to ensure that the operation of SME's were improved as to meet up with the original plan of NLCP. In the study both small and medium scale enterprises agreed that all the items listed would help deeply in the improvement of SME's operation in Rivers State.

## Recommendations

On the basis of the findings in this study the recommendations are as follows:

1. Government can address the direct need for start-up fund for SMES by providing incentives for SMEs funding.
2. Government should implement tax holiday as a major tax incentive for newly established SME's.
3. Building SMEs capacity through the localization of supply chains requires the leadership from the top.
4. For efficient and effective operations SME's should emphasize on both fund and tax incentives.

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