NATIONAL OPEN UNIVERSITY OF NIGERIA

MBA 883

Small Business Management

Module 4

MBA 883 Small Business Management Module 4

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Unit 1 Monitoring Performance

1.0 Introduction

In the last unit (Unit 4 of Module 3), we discussed managing service based operations. In discussing the topic, we looked at operations management systems. We also discussed the role of operations managers in organizations as they are responsible for service delivery in most enterprises. We also discussed the concept of total quality management (TQM) which as we said remains an approach to quality service delivery.

In this unit, we shall discuss monitoring performance.

2.0 Objectives

At the end of this unit, you will be able to:

- describe the monitoring process in small business
- state some of the principles of controlling for small businesses.

3.0 Main Content

3.1 Monitoring Performance

In the previous units of our study, we discussed various aspects of small business management starting from opportunities analysis to the management of service based operations. Small business owners are engaged in planning, organizing, staffing and directing the operations of their various businesses. The function we are now discussing is how the entrepreneurs can monitor and control operations.

Obviously before the entrepreneur commences operations, standards are usually set for various units, products or even staff. So whether the entrepreneur is monitoring the sales of a product or even reviewing the performance of staff in his organization, the approach is essentially similar.

And so like we said earlier, the standards must have been set well in advance. We can see this setting of standards as setting of objectives. As the business is operating, a critical aspect of the owner-manager's job is to measure actual performance and compare the performance with earlier established standards and see if there are deviations. If there are deviations, the corrections can be made.

An important aspect of the monitoring process involves trying to determine the causes of deviations from set standards. Standards could be set for sales volumes or even for expenditures. So for example, if actual sales fall below expected sales volume, then the entrepreneur should investigate why this has happened and immediately initiate corrective action aimed at bring sales to the desired level.

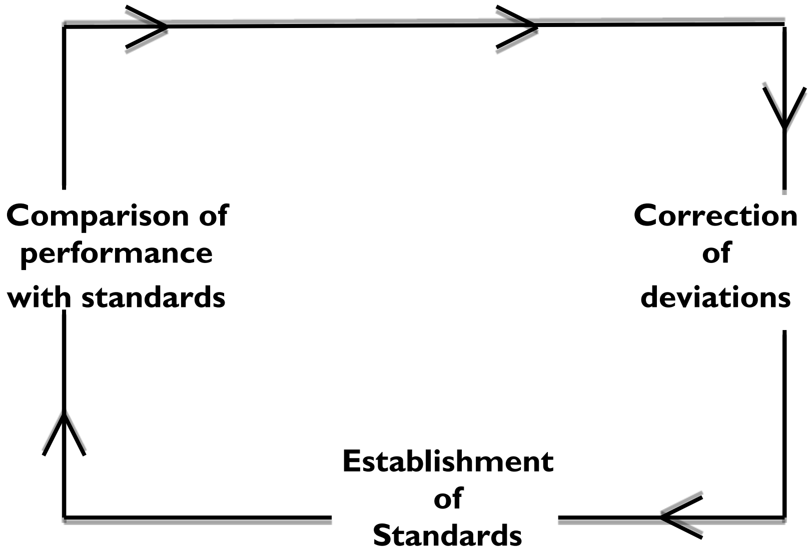

Figure 13.1 The Control Process

3.1.1 Controlling

We have discussed the fact that a business owner sets his / her objectives against which actual performance is measured. We shall now discuss the issue of control in small business management. A good management control system should be one that provides timely feedback. The system should be able to provide information that assists the entrepreneurs in timely decision making. For example, if accounts receivable are not turning into cash, the system should trigger an early warning sign that will prompt the decision maker to get the signal and initiate timely action.

Again the type of information that the control system makes available to the small business manager should be easily understood. It should not be information that cannot be easily decoded and understood.

Finally, when something goes wrong in the business, the control system should help the owner manager identify the source of the problem and assist him devise ways of solving the problem in the business. One of the common control techniques used is budgeting and the topic is what we shall discuss next.

A Practical Business Idea for Class Discussion

Hair Shampoo Production

Among the various hair care products in use today, hair shampoo stands out as the dominant one. Hair shampoo provides the basic starting point for hair care and treatment. The use of hair shampoo has no gender restriction as it is used by males and females. Age restriction appears non-existent as it is used by children, teenagers, adults and aged people. A visit to hair dressing salons scattered all over Nigeria will confirm the level of demand for hair shampoo especially by the female population.

Technical Considerations

The project under consideration here is a small scale business outfit dedicated to the production of hair shampoo for the Nigerian market and if possible for export to the ECOWAS market.

Working on a single shift of 8 hours the plant can produce 1000 litres of hair shampoo. On 3 shifts of 8 hours each per day, an output of 3,000 litres per day is possible. In a real life situation, actual production will be based on the level of demand and the financials for this project are based on a production level of 2 shifts per day and 300 working days in a year. For the production of hair shampoo, the following equipment are required: Rotary boiler/mixer (stainless steel), preservation tank, filling machine, weighing scales etc. The key raw materials are: Coconut oil, caustic potash, industrial spirit.

Production Process

Like in the production of soap, there are two basic production processes: the cold & hot process, this write-up is based on the hot process of manufacture.

Chemical Formulation

Industrial spirit	3 litres
Caustic potash	10kg
Coconut oil	50kg (weight)
Water (distilled)	100 litres
Potassium carbonate	500 grammes.

Production Process

Coconut oil which has been melted and heated to about 100^{0F} is introduced into the rotary boiler/mixer. To this add liquid caustic potash and stir slowly. Add the industrial spirit, continue to stir slowly and increase the temperature to about 170^{of}. This temperature is maintained until saponification takes place. The soap is left to cool overnight. On the next day, add potassium carbonate while stirring to obtain a perfect shampoo which will be filled in containers ready for the market.

3.1.2 Budgeting

In a small business setting as well as a large business, the most popularly used control technique is the budget.

A budget is simply a plan put in place by a company or organization, to achieve a certain level of income and expenditure profile for a given period, usually a year. While discussing budgets, words like estimate, forecast, projection and target are often used. All of these are related and when they are combined, we will have a final document which documents a company's plans reduced to a proforma financial statement.

The budget as a plan specifies the anticipated results in naira terms and serves mainly as a control device for feedback, evaluation and eventually corrective action.

In practical terms budgets are prepared from knowledge of past experiences of a business. But if the business is a start-up, then qualitative and quantitative techniques are put together to yield best estimates. In most cases, professional opinions are deemed to be important when constructing budgets.

In a small business setting, it is important that the entrepreneur prepares a very comprehensive budget which covers all aspects of the business operations but paying particular attention to the following:

- Sales budgets
- Cash flow budgets
- Expenditure budgets properly broken down into the various sub-headings.
- The projected profit and loss budget which captures all P & L account items including taxation.
- Projected balance sheets.

Self-Assessment Exercise

Name two key items in a budget that need monitoring.

Projected Profit and Loss Statement – Normal Estimates (N)

	Year 1 **N**	**Year 2** **N**
REVENUE		
Sachet water revenue	38.400,000	57,600,000
Bottled water revenue	151.200,000	302,400,000
Contract blowing (plastic bottles)	4,800,000	4,800,000
Contract blowing (nylon & printing)	13,600,000	20,400,000
TOTAL REVENUE	208,000,000	385,200,000
DIRECT COSTS OF PRODUCTION		
Production raw materials	114,624,000	214,096,000
Direct labour	2,844,000	2,986,200
Repairs/maintenance machinery	600,000	630,000
Maintenance – factory premises	240,000	252,000
Electricity and gas expenses	6,780,000	7,119,000
Depreciation	10,133,440	10,133,440
External Quality Control expenses	480,000	480,000
TOTAL DIRECT COSTS	135,701,440	235,696,640
INDIRECT COSTS OF PRODUCTION	2,818,800	
Management and labour	750,000	2,959,740
Administration expenses	325,000	787,500
Bank Charges / Commission	6,000,000	
Selling and distribution expenses	9,893,800	
TOTAL INDIRECT COSTS	145,595,240	
TOTAL DIRECT + INDIRECT COSTS	62,404,760	
Profit (Loss) before taxation	18,721,428	
Estimated taxation	43,683,332	
Profit after tax	20,000,000	
Projected dividends		

		700,000 6,300,000 10,747,240 246,443,880 138,756,120 41,626,836 97,129,284 40,000,000

Table 13.1: Projected Profit and Loss Statement

Although most budgets are prepared for a one year period, some forward looking entrepreneurs prepare monthly budgets which make monitoring easier.

In a small business setting, the budgeting process includes the following:

- Analysis of past performance in such areas as sales, expenditures, profits and balance sheet items.
- Forecast of the general operating macro-environment to predict the direction of macro-economic variables and expected level of economic activity.
- Forecast of the small business operation's market share now reduced to sales.
- Estimate of the expenses that are required to achieve the expected sales.
- Setting of targets for the units or departments in the small business to enable the budget to be achieved.
- Setting targets for staff especially those that are involved in marketing.

3.1.3 Benefits of Budgeting

Without doubt, there are various benefits of budgeting and some of them are highlighted here:

- It helps to keep the small business manager focused
- It presents a challenge to the entrepreneur
- It helps the small business manager achieve the set goals of the business
- It motivates staff to work towards achieving set corporate objectives.
- It provides a spring board for the development of competitive strategies.

The benefits of budgeting cannot be overlooked by the owner-manager of a business because as earlier highlighted, budget stands purely as a target which has to be met. And as we said earlier, most of the targets are reduced to naira and kobo terms. There may be targets set for things like sales, expenses and profits. When these targets are set, management then works towards the achievement of the targets. Budgets are like solid hands that guide the entrepreneur towards a type of promised land.

3.1.4 Budgetary Control

We have discussed the budget. We shall now discuss budgetary control.

Budgetary controls are just measures put in place to ensure compliance to earlier budgeted estimates for both revenue and expenditure items.

Budgets will serve no useful purpose if they are not monitored to ensure proper compliance. In an ideal situation, every unit or department has its own specific budget items which when added up come up to the total budget for the organization. Budgetary control means adherence to a budget. In an ideal situation, it does not amount to any offence if the projections for revenue are surpassed during operations. This is seen as a positive development.

But when we are looking at expenses, it is desirable that the actual expenses should not reach the budgeted levels.

So that the efforts of all staff in the organization will be to monitor revenues so that they reach the budgeted levels and even surpass them. It will also be the effort of staff to control expenses so that they will not exceed the budgeted level.

We have just discussed what budgetary control means but we need to stress that budgetary control implies that certain people must be involved in the control process. Budgets do not monitor and control themselves. They are monitored and controlled in the organization by people.

If the small business manager sets up the organization structure properly, then it will be the function of the unit or departmental managers and the accountant to monitor and control the budget. If the small business manager is unable to afford hiring an accountant, then the duty falls on the small business manager.

Also in some small business organizations, a budget control officer is appointed and it is the duty of the budget control officer to monitor the budget and report periodically to the management.

3.1.5 Budgetary Control Measures

Budgetary control measures are those things that are put in place in an organization that are used to control the budget. They may even refer to certain actions that should be carried out so that budgets can be controlled.

The first measure that needs to be put in place is that of cost consciousness. All the staff in the organization especially the unit or departmental heads should be cost conscious and so should avoid approving expenses without detailed investigation. Before an officer approves an expense, he/she must ensure that the expense head in the first place is in the budget. If the expense head is in the budget, the next thing to consider is the reasonableness of the expense. If the expense appears reasonable, the officer can now go ahead and approve same.

Again in approving an expense, the approving officer must ensure that he/she does not overshoot the budgeted level for that expense.

All managers in the organization must ensure that they monitor their subordinates and thereby ensure strict compliance to budgets. The budget figures should be broken down into quarters, months and weeks. This enables the managers to issue weekly, monthly and quarterly targets to their respective staff.

It is important that weekly or monthly appraisals be conducted by departmental heads in a bid to monitor performance.

Any variation detected that is adverse should be promptly investigated. For example, the fuel expenses of an organization doubles while there is no increase in the use of vehicles, such a situation calls for probe or investigation.

Along the line, if a budget is observed as unworkable and unrealistic, then the budget should be amended.

4.0 Conclusion

In this unit, the primary focus of our discussion was monitoring performance. In discussing monitoring performance, we discussed the issue of control. We went further to discuss budgeting and budgetary control. Also we saw the benefits of budgeting. Finally, we discussed budgetary control measures.

5.0 Summary

In any business small or big, the need to monitor performance exists. Monitoring performance enables an organization to control its operations. In this unit, we discussed the monitoring of performance in a small business setting. We discussed budgets and budgetary control as tools of monitoring performance. In the next unit, we shall discuss "Accounting records for small business".

6.0 Self Assessment Exercise

What do you understand by the term "Budgetary Control"?

7.0 References/Further Reading

Leon Ikpe (1999) A guide to Small Business Investments. Impressed Publishers, Lagos.

Leon Ikpe (1999): Project analysis and evaluation. Impressed Publishers, Lagos.

ANSWERS TO SELF ASSESSMENT EXERCISES

The two items in a budget that need monitoring are:

1. Revenues
2. Expenses

Unit 2 Accounting Records for Small Business

1.0 Introduction

In the last unit (Unit 13), we discussed monitoring performance. There we discussed key principles in monitoring of performance. We discussed budgets and budgetary control. By the end of that unit, we had fully understood what monitoring performance means.

In this unit, we shall discuss "Accounting records for small business" which is a very vital topic.

2.0 Objectives

At the end of this unit, you should be able to

- define financial statements
- discuss the types of records kept by small businesses.

3.0 Main Content

3.1 Accounting Records for Small Business

In order to control his or her operations the small business owner needs to have a good understanding of financial statements and the basic fundamentals of accounting record keeping. The financial statement and the accounting records kept are interdependent because the financial statement is usually generated from accounting records.

So if we are to understand these two areas – financial statements and accounting records, it is better we started by discussing financial statements.

3.1.1 Financial Statements

We can define a financial statement as the summary of a business enterprise's transactions for a particular period of time. For our discussion here, we shall restrict ourselves to only three items namely:

- The Balance Sheet
- The income statement (Profit and loss account)
- The cash flow statement.
- Let us examine each of the items separately.

The Balance Sheet

A balance sheet is a financial statement that reports a business's financial position as at a specific date. Many accountants tend to see the balance sheet as a picture taken at the close of business of a particular day. What this means is that you can show the financial position of a company as at the end of a month, quarter or at the end of a financial year.

Basically, the balance sheet is divided into two parts namely: assets and liabilities.

Assets are the financial resources owned by the firm. We shall list them later.

Liabilities are claims which creditors have against the firm. They are the debts of the firm or business. Generally, liabilities can be divided into two categories:

- Short term and long term.
- Short term liabilities are those that should be paid off within 12 months
- While long term liabilities are those that are not due within 12 months.
- To aid our discussion, we have drawn up an imaginary balance sheet for a company called Sans Limited.

You are requested to study the balance sheet and make sure you understand it.

SANS LIMITED
BALANCE SHEET AS AT 31/12/2006

ASSETS EMPLOYED	
	N
Net Fixed Assets (Machinery / equipment)	88,054,760
Land and buildings	
CURRENT ASSETS	
Stock-In-trade	20,000,000
Raw Materials	30,000.00
Debtors and prepayments	3,000,000
Cash and bank balances	15,549,000
Total Current Assets	68,549,000
CURRENT LIABILITIES	
Creditors	2,000,000
Tax provisions	18,721,428
Total current liabilities	20,721,428
Net Current Assets	47,827,572
Total Assets	135,882,332
FINANCED BY	
Share Capital	1,000,000
Deposit for shares	30,000,000
Directors loan account	81,199,000
Profit and loss Account	23,683,332
TOTAL	**135,882,332**

Table 14.1 Balance Sheet.

The Income Statement

The Income statement is a financial statement that reports the success (profit) or failure (Loss) of a business during a period. The period could be one month, a quarter or a year. But most income statements cover one year.

The Income statements report the revenues, i.e. gross sales made by the business over a period. The Income statement also reports expenses made by the business over a period.

Net income is the excess of revenue over expenses over a period. If revenues exceed expenses, the result is a profit. But if expenses exceed revenues, the result is known as a loss.

To aid our discussion, we have drawn up an income statement for an imaginary company called London limited.

You are requested to study the income statement and ensure that you understand same.

London Limited

INCOME STATEMENT FOR THE YEAR ENDED 31/12/2006

REVENUES	N
Income from book sales	792,000,000
Income from magazine sales	47,280,000
TOTAL REVENUE	839,280,000
DIRECT COSTS OF PRODUCTION	
Production materials	567,927,360
Electricity and gas	6,880,000
Repairs and maintenance	500,000
Depreciation	3,346,000
TOTAL DIRECT COSTS	578,653,360
INDIRECT COSTS	
Management and Labour	2,508,000
Interest and bank charges	3,000,000
Selling expenses	7,250,000
Insurance of assets	50,000
TOTAL INDIRECT COSTS	12,808,000
TOTAL DIRECT + INDIRECT COSTS	591,461,360
PROFIT BEFORE TAX	247,818,640

Table 14.2 Income Statement

The Cash Flow Statement

The cash flow statement shows the inflows and outflows of cash for a period. The cash flow statement provides an insight into how the cash generated by a business were spent and the level of the liquidity of a firm.

INFLOWS	N
Profit before taxation	247,818,640
Add back depreciation	3,346,000
Total Inflows	251,164,640
OUTFLOWS	
Loan repayment	10,600,000
TOTAL OUTFLOWS	10,600,000
Inflows less outflows	240,564,640
Opening cash balance	-
Closing cash balance	240,564,640

Table 14.3 Cash Flow Statement.

A Practical Business Idea for Class Discussion

Commercial Production of Garri

Garri is produced from cassava which is widely grown in most Southern parts of Nigeria. Garri – a food rich in carbonhydrate is an important food item in most Nigerian homes. Garri can be taken ordinarily by soaking in water especially during hot periods. The relative cheapness of garri when compared to pounded yam, semovita, etc makes it a favourable commodity on the Nigerian food table.

Technical Considerations

The project under discussion is a small scale garri production plant using cassava as raw material. Working on a single shift of 8 hours, a production of 1 ton of garri is possible. On three shifts of 8 hours each per day, total output of 3 tons of garri is possible. However actual production in this write up is based on 2 shifts per day and 300 working days per year. The key equipment required in the production of garri are grater, fermentation vats, hydraulic press and frier (wood or gas fired).

Production Process

Cassava tubers are peeled and washed after which they are grated by the grater. The resulting pulp is kept in the fermentation vat for four days to ferment after which the cassava mash is pressed by the hydraulic press to remove water. After removing the water contents, the resulting cassava cake is sieved and fried. After frying, the garri is packaged in bags ready for the market.

TECHNICAL DATA

Plant installed capacity	: 1095 tons of garri Per annum
Plant attainable capacity:	986 tons of garri Per annum
Actual Proposed capacity:	600 tons of garri Per annum

FINANCIAL HIGHLIGHTS (=N=)

Pre-Investment outlays	30,000
Rent/Accommodation (2 yrs)	100,000
Machinery/Equipment	470,000
Utilities	100,000

3.1.2 Keeping the Books

We have earlier discussed the financial statements as very important to any business. But we did not discuss the way the items there are sourced.

The items are a financial statement is generated from the accounting books and record of the firm. We shall now discuss those books and records.

Sales and Cash receipt journal

The sales and cash receipt journal usually records daily sales income of a business. In a standard sales and cash receipt journal, the journal is divided into various columns showing the following:

- Total sales
- Credit sales
- Cash sales
- Bank cash column.

A good sales and cash receipt journal should be able to distinguish the goods that are sold for cash and those that are sold on credit. As the journal is divided into debits (DR) and CR (Credit) columns, it is important that the debits and credits should balance.

Cash disbursement, purchases and expense journal

This journal records expenditure of funds by the business. The journal basically can be divided into various columns showing the following information:

- payee of an amount of money
- amount paid
- purchases
- other expenditures.

Self-Assessment Exercise

List four items which you think are assets in a balance sheet.

3.1.3 Managing the Books

For a small business, there are many options available to the entrepreneur in managing the books or records. The first option is to engage an accountant as an employee of the business. The accountant by training can manage the books. Alternatively, an accountant can be hired on a contract basis. The accountant comes in may be once in a month and handles all the records.

Another option is to hire a bookkeeper either as a staff of the firm or as a contract book keeper.

4.0 Conclusion

In this unit, we have discussed Accounting records for small business. In discussing accounting records we discussed financial statements and also keeping of books. We also looked at examples of a balance sheet, income statement and the cash flow statement.

5.0 Summary

The general motive behind every organization is often complex but the profit motive is one of the most important. In profit making organizations, accounting is a facilitating and communicating device. Accounting records enable the small business prepare the financial statements which are very important in measuring performance. Accounting records for small business was what we discussed in Unit 14.

In the next unit, we shall discuss" sourcing capital for small business"

6.0 Self Assessment Exercise

What are the financial statements that are important for small business management? Discuss the financial statements.

7.0 References/Further Reading

Leon Ikpe (1999) A guide to Small Business Investments. Impressed Publishers, Lagos.

Leon Ikpe (1999): Project analysis and evaluation.

Impressed Publishers, Lagos.

ANSWERS TO SELF ASSESSMENT EXERCISES

The four items that are assets in a balance sheet are

- Cash
- Stock
- Debtors
- Prepayments

Unit 3 Sourcing Capital for Small Business

1.0 Introduction

In the last Unit (unit 14) we discussed "Accounting records for small business". There we discussed financial statements which are important for small business. We also discussed keeping of books by small business.

In this Unit, we shall discuss "sourcing capital for small business".

2.0 Objectives

At the end of this unit, you should be able to:

- identify the various sources of capital for small business
- discuss the sources of funds for the small business.

3.0 Main Content

3.1 Sourcing Capital for Small business

All along in our discussions, we had assumed that the small business always had sufficient funds to initiate start-up. We also assumed that the would-be-entrepreneur always will have sufficient working capital to carry on his/her business operations. But that is not always true. Lack of capital has been identified as a major problem facing small businesses in Nigeria.

So in this unit, we are going to focus all our attention towards the sources of finance for small business.

There are various sources of finance that are available for small businesses but that to a large extent depends on the nature of the business, the size of the business and its legal form. Let us now discuss the various sources of finance.

3.1.1 Personal Savings

Perhaps one of the most assured sources of finance for a would-be-entrepreneur is the personal savings of the entrepreneur. In most cases even before a business is put on the drawing board, the owner or the prospective owner is expected to provide the initial capital.

Practically, most people over years do save money for the rainy day. This rainy day savings are usually kept aside for eventualities and unforeseen mishaps that require money.

So, when people begin to think of starting a business, the first money that is invested in the business is the personal savings of the would-be-entrepreneur.

3.1.2 Borrowing from Friends or Relations

Apart from sourcing money from personal sources, some businesses are set up or financed by money borrowed from friends or relations.

For example, a fresh MBA graduate may approach his or her family, friends or relations for finance to start a small business. In some cases, the finance is provided either as a gift or as a soft loan to be repaid at mutually agreed terms. Although we have identified these mentioned sources of funds, a major problem associated with the sources of funds is that it is not easy to come by since repayment by the borrower is usually doubted by friends.

3.1.3 Borrowing from Banks

A key function of a bank is to lend money to individuals and organizations. Small businesses may be owned by individuals or by organizations and they too are entitled to approach banks for the various loan facilities. Let us now discuss the various types of finance that are available from the banks.

Bank loans

Banks normally grant loans to eligible business organizations to enable them undertake capital investments in sectors like agriculture, industry and commerce. Loans when granted are for specific reasons like purchase of manufacturing equipment etc. loans are usually repayable over a fixed period of time and at agreed interest rates. Usually as expected, most banks will insist that the borrowers provide security when borrowing from the bank.

Bank overdraft

Bank overdrafts are advanced in most cases to organizations for enhancement of working capital. Most organizations when they obtain bank overdrafts deploy them towards purchase of raw materials for manufacture of goods or to procure finished goods for resale. Usually bank overdrafts are for short periods of time like for one year. In practice, overdrafts are renewable.

Lease Finance

A lease is a contract whereby one party (the lessee) hires equipment from another party (the lessor) in a way that the lessee uses the equipment without purchasing it. In return, the lessee pays lease rentals and at the end of the lease period may have the option to purchase the equipment.

Lease finance is becoming a more popular type of finance for firms that do not want to purchase equipment.

3.1.4 Borrowing from the Bank of Industry Limited

The Bank of Industry Limited is Nigeria's oldest and largest industrial financing institution. It was reconstructed in year 2001 out of the Nigerian Industrial Development bank (NIDB) limited, which was incorporated in 1964.

The bank's authorized share capital is set at $400 million. The mandate given to the Bank of Industry Ltd (BOI) is "providing financial assistance for the establishment of large, medium and small projects as well as expansion, diversification and moderisation of existing enterprises and rehabilitation of ailing ones".

The bank of industry limited can assist the following:

- Small, medium and large enterprises excluding cottage industries.
- New or existing companies seeking expansion modernization or diversification.
- Credit worthy promoters who will be required to prove their commitment to the project by contributing at least 25% of the project cost excluding land.
- Borrowers whose management capability, financial situation (including availability of collateral and guarantee) character and reputation are incontrovertible.
- Clients with demonstrable ability to meet loan repayments.
- Borrowers with no record of unpaid loans to erstwhile Development Finance Institutions and other banks.

A Practical Business Idea for Class Discussion

Fruit Juice Production

Fruits grow abundantly in Nigeria. These include mango, orange, pine-apple, guava, paw paw, cashew and citrus. Fruits are obviously very rich sources of essential minerals and much needed vitamins essential for body growth and nutrition. Besides it has been observed that fruits are also taken as refreshments by both young and old with the demand higher during periods of hot weather. The very deep market for this product makes it a good investment for a prospective investor.

Technical Considerations

The project under consideration is a plant dedicated to the production of fruit juice of many types. However, this write-up is focused on producing orange and pineapple fruit juice. Working on a single shift of 8 hours, the plant is capable of producing 2,000 litres of fruit juice. On three shifts of 8 hours each per day, an output of 6,000 litres is possible.

Although attainable capacity is 90% of installed capacity, proposed capacity is 2000 litres per day and for 300 working days in a year.

The key equipment required in the production of fruit juice are fruit washer, boiler extractor, filling line, sealing machines, weighing scales and laboratory equipment.

Production Process

In the sorting bay, the fruits are sorted into the following categories; ripe, unripe and rotten. The rotten ones are discarded while the unripe ones are left to ripen. The ripe fruits are washed in chlorinated water in the fruit washer, peeled and rewashed. The clean and washed fruits are fed into the fruit juice extractor for the extraction of the juice. The in-built screen in the extractor separates the fruit juice from the mashed pulp and seed. The resulting fruit juice is pumped into the boiler for boiling at a controlled temperature of about 85^{oc} for about 45 seconds from the boiler. The juice is funneled into the filing machine from where it is pumped into sterilized bottles or nylon as the case may be. If the fruit juice is packaged in nylon, sealing is achieved via use of a dedicated nylon sealing machine. The packaging for the market concludes the production process.

Technical Data

Plant Installed Capacity:	2,190,000 litres per annum
Attainable Capacity:	1,971,000 litres per annum
Proposed Capacity:	600,000 litres per annum
N0. of Staff:	12

3.1.5 The Small and Medium Enterprises Equity Investment Scheme (SMEEIS)

Another good source of finance for the small business is the "small and medium enterprises equity investment scheme (SMEEIS). It is a scheme under which small and medium enterprises receive special funding by way of equity investment by the banks. The investment by the bank enables them to grow and expand their business.

The small and medium enterprises equity investment scheme is a voluntary initiative of the bankers committee approved in 1999. The initiative was in response to the Federal Government's concerns and policy measures for the promotion of small and medium enterprises as vehicles for rapid economic development, poverty alleviation and employment generation. Under the scheme, 10% of the profit before tax (Pbt) of all banks is set aside annually to be invested as equity investment in small and medium enterprises. The funding to be provided under the scheme shall be in the form of equity investment and or loans.

The following are eligible to get funding under the scheme.

All those engaged in the following activities:

- Agro allied businesses
- Information technology and telecommunications
- Manufacturing
- Education establishments
- Services
- Tourism and leisure
- Solid minerals
- Construction.

The limitation under the scheme is that the investing bank must not take more than 40% equity investment in a small and medium business.

3.1.6 Other Sources of Finance

Other sources of finance for the small business are:

- Finance houses
- Mortgage banks

- Microfinance banks

Self-Assessment Exercise
List four sources of finance for a small business owner-manager

4.0 Conclusion

In this unit, we have discussed sourcing capital for small business. We highlighted such sources as personal funds, from friends and relations, banks and other financial institutions. All of them present viable sources of finance for small business.

5.0 Summary

A major problem facing many small organizations is finance and how to source finance for small business is what we have discussed here. We discussed the Bank of Industry Ltd as a source of funds for small business and also the small and medium enterprises equity investment scheme.

6.0 Self Assessment Exercise

You intend to approach a bank for a loan. What information do you think the bank requires you to provide in your application?

7.0 References/Further Reading

Leon Ikpe (1999) A guide to Small Business Investments. Impressed Publishers, Lagos.
Leon Ikpe (1999): Project analysis and evaluation.
Impressed Publishers, Lagos.

ANSWERS TO SELF ASSESSMENT EXERCISES

Four sources of finance for a small business owner-manager are:

- From personal sources
- From friends and relations
- From finance houses
- From banks.