The Growths and Challenges of Indigenous Companies in Lagos (A study of Emzor Pharmaceutical Industries Limited)

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Abstract

This study dwelt on the growth and challenges of indigenous enterprises in Lagos state, with a special emphasis on Emzor Pharmaceutical Industries. The study employed survey research methodology. The study's population comprises of 523 employees of Emzor pharmaceutical industries limited in Lagos, Nigeria. Using Taro Yamane's sample size calculator, a sample of 150 participants was determined. The tool for data collection was a structured questionnaire that was validated using the content validity method and expert opinion, and whose reliability was confirmed using the Cronbach alpha test. Using descriptive and inferential statistical techniques, the acquired data was evaluated. Empirical analysis of result findings showed that inadequate capital and personnel have a negative effect on the growth of indigenous companies in Lagos due to the direct influence of technology, as there is no sufficient evidence that manpower significantly influences the growth of indigenous companies (p-value > 0.05). As a result of the research, it is suggested that the Lagos state government expand its efforts to collaborate with Power Holding Businesses in Nigeria and its affiliated distribution companies to provide steady energy to industry, hence lowering their overhead expenses.

Keywords: *indigenization, capitalization, opportunity, sustainable development, infrastructure.*

Introduction

Private foreign investment in most third-world nations, such as Nigeria, has been overly sluggish to the point of being a major source of their economic backwardness. This foreign dominance of marketable activities in Nigeria was made possible by restrictive practices employed by the established industries; however, while these programs were designed to meet the needs of foreign enterprise, indigenous entrepreneurs were simply subordinated on the patches that fell from the gable (Hubbard, Rice & Beamish, 2017).

Numerous unexploited indigenous lands are viewed by governments and the private sector as opportunities for profitable growth and exclusive gains, and indigenous peoples' special relationship with their lands – a fundamental component of their spiritual, religious, artistic, and physical survival – frequently conflicts with these interests (Tunji, Emetere & Afolabi, 2017). According to Omoregie & Radford (2015), extractive industries, such as mineral, oil, and gas extraction, continue to have a disproportionate impact on indigenous populations. This has generated significant difficulties for the mining, cotton, petroleum, and lumber industries, as well as the agricultural sector.

Several issues have been identified as the root cause of the retardation and slowing in the overall growth of Nigerian native enterprises. It has been hypothesized that the slowdown in the growth of indigenous enterprises is due to the following factors: Inadequate capital, insufficient technological force,

widespread ignorance, operational incompetence, and marketing incompetence (Nationally and internationally). There are other additional issues at the heart of Lagos's indigenous business growth. Therefore, it is the researcher's opinion to examine critically the internal and external elements influencing the growth of our indigenous enterprises. The widespread consensus is that the development rate of local enterprises has been modest, particularly since the expulsion of immigrants.

In light of this, the purpose of this study is to examine the growth and challenges of indigenous companies in Nigeria, with a focus on Emzor pharmaceutical industries limited, Lagos state.

This study's overarching purpose is to examine the growth and difficulties of indigenous enterprises in Lagos, Nigeria. Nevertheless, certain aims are:

- investigate the extent to which inadequate finance, inferior technology, and a lack of manpower have posed a problem for indigenous companies
- evaluate the influence of indigenous companies on Lagos's economic growth
- investigate the contribution of government development programs to indigenous firms.

Based on the paper's stated objectives, the following assumptions were developed:

H_{01}: Challenges of inadequacy of capital, poor technology, and manpower faced by indigenous companies do not have significant influence on the growth of indigenous companies in Lagos State**.**

H_{02}: Indigenous companies' growth do not have significant contribution on the economic growth of Lagos state

H_{03}: Government development programmes do not have significant contribution to the growth of indigenous companies in Lagos state

According to Ayodele and Alabi (2015), inadequate scheduling of design operations is the leading cause of design delays in Nigeria. Cost overruns are another prevalent performance issue in the Nigerian construction industry (Omoregie & Radford, 2018). Contractor-related causes of cost overruns include improper planning, a flawed estimation system, and bad contract administration (Tunji, Olayeni, Lawal & Amusan, 2017).

Tunji and Omuh (2018) observed that indigenous Nigerian firms' participation in research and development is inadequate. The purpose of this study is to provide ways for enhancing the participation of indigenous Nigerian contractors in R&D based on empirical evidence from prior research. It employs the Malaysian Construction Assiduity Model to build a framework for enhancing the R&D participation of indigenous Nigerian contractors.

Tunji, Mosaku, Fagbenle, and Omuh (2017) conducted an investigation and found that the Nigerian construction market is one of the most robust and extensive in Africa. Still, indigenous construction firms (ICFs) in Nigeria struggle to thrive in a challenging business environment marked by intense rivalry and a very low profit margin. The outcomes of the study indicated that ICFs' most effective competitive strategy is the quality of their constructed installations. The study also revealed a substantial and positive association between quality, time, and cost as competitive strategies.

Ebitu, Basil, and Ufot (2016) reviewed Indigenous businesses in Nigeria severely. The work's primary focus was on the growth, problems, and future possibilities of indigenous enterprises in the country. Indigenous businesses contribute considerably to the provision of goods and services, the creation of jobs, and the maintenance of a high level of living, according to the findings.

Ibrahim, Githae, and Stephen (2015) discovered that the requirement for modern procurement processes presented contractors with a hurdle. Yet, no research

has been undertaken on the participation and performance of Nigerian indigenous contractors (NICs) in building procurement procedures.

Essien (2016) remarked that indigenous businesses play a crucial role in the socioeconomic growth of any nation, including Nigeria. Nevertheless, despite their important role in public development, they frequently confront obstacles that limit their expansion.

This study theoretical framework was based on the gatekeeper's competitive strategy and sociological entrepreneurship thesis due to its emphasis on entrepreneurial abilities that allow local entrepreneurs to expand their firms as a native of a specific place. The three general competitive strategies defined by Porter (1980) are cost leadership, isolation, and focus. A cost leadership approach to competitiveness necessitates that a company become the lowest cost purchaser in order to outperform competitors without sacrificing implicit profits (Pamulu, 2018). Isolation strategy necessitates that the establishment provide visitors with distinctive or distinct items or services, which enables the establishment to charge higher costs than the industry norm (Kale & Arditi, 2016). Focus strategy helps a business to efficiently service a certain customer or market segment (Pamulu, 2018). It could be a narrow approach, which entails focusing on certain requirements, guests, and geographic location, and providing a limited selection of products/services.

The social proposition is the third of the principal entrepreneurial propositions. The aim of sociological inquiry is the social environment. In other words, the place of analysis in sociological arguments is traditionally the society. Sociologists have connected four social contexts to entrepreneurial activity. The initial category is social networks. The aim then shifts to establishing social ties and bonds that foster trust rather than opportunism. In other words, for an entrepreneur to be successful, he or she should not take undue advantage of others; rather, success is a result of being faithful to people.

Methodology

Research Design

The study employed survey research methodology. It was determined that a survey research strategy is suited for the investigation of non-observable phenomena, such as opinions, preferences, attitudes, and descriptions. Therefore, questionnaires were used to collect data since the use of questionnaires offers a greater coverage because it enables researchers to more readily approach respondents than other approaches.

Population of the study/size of the sample

The population of this study consists of the 523 employees of Emzor Pharmaceutical limited (Emzor, 2021) who are active in the organization's day-to-day operations. Due to the limited size of the population, random samples of 150 participants were picked using the Taro Yamane sample size calculator with a margin of error of 5%.

Source of Data and Analysis Method

This study's information was gathered through the delivery of questionnaires constructed on a five-point Likert scale with response options of Strongly Agreed (SA), Agreed (A), Undecided (U), and Disagreed (D), weighted 5, 4, 3, 2, and 1 respectively. The questionnaire was validated using both content validity and expert opinion, while the Cronbach alpha test was used to determine its reliability. However, the alpha coefficient of 0.843 indicates that the questionnaire results are reliable and can be used to refine the stated research objectives. In addition, descriptive statistics were used to assess the acquired data, and a linear regression model was employed to test the hypotheses. The descriptive statistics method includes weighted average score and standard deviations. The scores for "strongly disagree" and "disagree" were interpreted as representing a statement on which there was no consensus, corresponding to a mean score of 0 to 2.5. The score of "undecided" was interpreted as moderate agreement with a statement, comparable to a mean

score between 2.6 and 3.4. The scores of "agree" and "strongly agree" were also interpreted as equating to a mean score between 3.5 and 5.0 for a statement on which there was widespread agreement.

The data analysis was performed using version 23 of SPSS.

Model specification

$$ICG = f(IOC, ICT, MP)$$

(1)

The OLS model of this functional relationship is given as:
$$ICG = \alpha + \beta_1(IOC) + \beta_2(TEC) + \beta_3(MP) + \varepsilon_i$$

(2)

Where:
ICG = Indigenous company growth
IOC= Inadequacy of Capital
TEC = Technology
MP = Manpower
Growth in this regard was measured through the statements relating to return on assets, return on investment, and company turnover amongst others as identified in the research instrument.

α = Autonomous average response of respondent's perception on "ICG" when "IOC", "TEC", and "MP" are held constant.
β_1, β_2, and β_3 are coefficients of IOC, TEC and MP respectively.
ε_i = Random Error term which is assumed to be NIID $\sim (0, \sigma^2)$
Equation 2 was used to test the significance of hypothesis one
Taking hypothesis two into consideration, simple linear regression modeling was employed to fine-tune the contribution of indigenous companies to economic growth of Nigeria. This was specified in equation 3 and 4 respectively

$$ECG = f(ICG)$$

(3)

The OLS model of this functional relationship is given as:

$$ECG = \alpha + \beta_1(ICG) + \varepsilon_i$$

(4)

Where ICG was earlier defined, and ECG represents Economic Growth.

α = Autonomous Economic Growth (ECG) when "ICG" is held constant.

β_1 is the coefficient of ICG and ε_i was earlier defined.

In addition, the specified model of hypothesis three can be evidenced in equation 5 and 6.

$$ICG = f(GDP)$$

(5)

The OLS model of this functional relationship is given as:

$$ICG = \alpha + \beta_1(GPD) + \varepsilon_i$$

(6)

Where ICG was earlier defined, and GDP represents Government Development Programmes.

α = Autonomous Individual Companies Growth (ICG) when "GDP" is held constant.

β_1 is the coefficient of GDP and ε_i was earlier defined.

Results and Discussion
Table 1: Demographic information of respondents

Variable	Responses	Frequency	Percentage (%)
Gender	Male	85	56.7
	Female	65	43.3
Age	Below 21 years	11	7.3
	21 - 30 years	64	42.7
	31 - 40 years	59	39.3
	41 - 50 years	16	10.7
Income	N18, 000- 30, 000	25	18.2
	N31, 000-50, 000	15	10.9
	N51,000- 100,000	87	63.5
	N100, 000-above	10	7.3
Educational Qualification	SSCE/GCE/O'Level	33	22.0
	OND/NCE	55	36.7
	HND/BSc/BA	58	38.7
	Post Graduate studies	4	2.7
Position in Organization	Management Staff	45	30.0
	Senior Staff	49	32.7
	Junior Staff	49	32.7
	Casual worker	7	4.7

Source: *Field Survey, 2022*

From table 1's frequency and percentage analysis of respondents' socio-demographic information, it can be observed that the majority of the company's employees (85, or 56.7%) are male, whilst only 65, or 43.3%, are female. In addition, 64 (42.7 percent) of the participants, comprising the majority, were between the ages of 21 and 30 and earned between N51,000 and N100,000 each month. In addition, the bulk of these participants were graduates, comprising 38.7 percent of the whole sample, since they fit into both the junior and senior staff categories within the business. This indicates that the majority of selected participants were young, and that their richness of knowledge can be relied upon to provide credible information about the issues indigenous enterprises in Nigeria face.

Table 2: Descriptive Statistics

Variables	Weighted Mean	Std. Deviation
Indigenous company growth	4.8026	0.39933
Inadequacy of capital	3.8066	0.51464
Technology	4.4671	0.50057
Manpower	3.7289	0.49869
Government development programmes		

N = 150

Source: *Extracted from Econometric Views, Version 9*

Table 2 indicated that majority of the respondents highly agreed that indigenous company growth is influenced by provision of adequate capital for businesses to thrive, technology and manpower need (mean 4.8026, standard deviation 0.39933) as it increases their turnover and return on investment over time.

Test of Hypotheses

H$_{01}$: Challenges of inadequacy of capital, poor technology, and manpower faced by indigenous companies do not have significant influence on the growth of indigenous companies in Lagos State**.**

Table 3: Regression Model Coefficients and Test of Significance

(Dependent = Indigenous companies' growth)

Model	Parameter	Unstandardized Coefficients		t	Sig.
		B	Std. Error		
(Constant)	β_0	1.684	.524	3.213	.002
IOC	β_1	-.229	.067	3.431	.001
TEC	β_2	.149	.073	2.042	.043
MPW	β_3	-.184	.099	1.865	.064

R-square = 0.124; Adj. R-square = 0.106; F-statistics = 6.800; p-value = 0.000

Source: Extracted from SPSS Output, 2021

The R-Square of 0.124 in table 3 shows that 12.4% variation in indigenous companies' growth can be accounted for by inadequacy of capital (IOC), Technology (TEC) and Manpower (MPW). The adjusted R-square of 0.106 indicates that the coefficient of determination will be 10.5% when other measured variables of challenges facing indigenous companies are added to the model. It can also be seen that a unit increase in IOC tend to 22.9% decrease in growth of indigenous companies and is statistically significant with p-value of 0.001 < 0.05 level of significance. This implies that inadequacy of capital have adverse effect on the growth due to its negative influence. In addition, it can be evidenced that technology (TEC) for the advancement of indigenous companies showed an incremental rate of 14.9% and is statistically significant with p-value of 0.043 < 0.05 level of significance. Although, this is within the a priori expectation since investment in technology result in enhancement of competitive edge. However, result of findings showed that a unit increase in challenges of manpower (MPW) result in 18.4% decrease in indigenous company growth and with p-value of 0.064 > 0.05 level of significance.

The overall test of model significance reports F-statistic of 6.800 and associated sig. value of 0.000 < 0.05 level of significance implies that the model is adjudged to be a good fit and can be adopted in measuring the challenges of indigenous companies to growth. As a result of this, we reject H[01] since p-value of the F-statistic is < 0.05 level of significance and thereby conclude that challenges of inadequacy of capital, poor technology, and manpower faced by indigenous companies have significant influence on the growth of indigenous companies in Nigeria.

H$_{02}$: Indigenous companies' growth do not have significant contribution on the economic growth of Lagos state

Table 4: Regression Model Coefficients and Test of Significance

Variables	Parameter	Unstandardized Coefficients		t	Sig.
		Coefficients	Std. Error		
(Constant)	β_0	3.518	.266	13.202	.000
ICG	β_1	.212	.065	3.239	.001

R-square = 0.066; Adj. R-square = 0.060; F-statistics = 10.494; p-value = 0.001
Source: Extracted from SPSS Output, 2021

The R-Square of 0.066 in table 4 showed that 6.6% variation in indigenous companies' growth can be accounted for by Nigeria economic growth (ECG). The adjusted R-square of 0.060 indicates that variance of indigenous companies' growth tend to 6% when other measured variables are added to the model. It can also be seen that a unit increase in ICG tend to 21.2% increase in economic growth of Nigeria (ECG) and is statistically significant with p-value of 0.001 < 0.05 level of significance. This implies that growth of indigenous firms in Nigeria will boost the economic sustainability of the nation.

Rejecting H^{02} is inevitable since F-statistics of 10.494 with p-value of 0.001 < 0.05 level of significance. Hence, we thereby conclude that Indigenous company's growth have significant contribution to the economic growth of Nigeria.

H₀₃: Government development programmes do not have significant contribution to the growth of indigenous companies in Lagos state

Table 5: Regression Model Coefficients and Test of Significance (Dependent = Indigenous Company Growth)

Variables	Parameter	Unstandardized Coefficients		t	Sig.
		B	Std. Error		
(Constant)	β_0	3.417	.215	15.868	.000
GDP	β_1	.150	.057	2.625	.010

R-square = 0.044; Adj. R-square = 0.038; F-statistics = 6.892; p-value = 0.01
Source: Extracted from SPSS Output, 2021

The R-Square of 0.044 in table 5 indicated 4.4% variation in indigenous companies' growth can be accounted for by Government Development Programs (GDP). The adjusted R-square of 0.038 showed the variance of 3.8% in indigenous companies' growth when other measured variables of growth are added to the model. It can also be seen that a unit increase in GDP result to 15% increase in

ICG and is statistically significant with p-value of 0.010 < 0.05 level of significance. This implies that government development programs significant contribute to indigenous companies' growth. Hence, we reject H^{02} as also evidenced from the F-statistics of 6.892 and associated p-value of 0.01< 0.05 significance level, thereby concluding that Government development programmes have

significant contribution to the growth of indigenous companies in Nigeria.

Conclusion

This study's primary objective was to identify the characteristics that influence indigenous companies in manufacturing industries. Emzor Pharmaceuticals Limited, Lagos State is used as a case study to illustrate how indigenous enterprises influence the economic performance of Nigeria, as well as the difficulties experienced by indigenous companies. Taking the researched company into account, the obstacles of insufficient cash, poor technology, and a lack of manpower have a substantial impact on the growth of indigenous companies in Nigeria. It was also revealed that the growth of indigenous enterprises may be attributed to Nigeria's economic growth (ECG); this suggests that the expansion of indigenous firms will contribute to the nation's economic sustainability. And last, government development programs contribute significantly to the establishment of indigenous businesses.

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