

Effect of Profit Plough Back on the Growth and Survival of Medium Scale Businesses in Anambra State

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Abstract

This study investigated the effect of profit plough back on growth and survival of medium scale businesses in Anambra State. The study identified that high interest charges on borrowed funds, inability of medium scale businesses to retrain their workers and acquire the modern machines needed in their day-to-day business operations have hampered medium scale business growth and survival and productivity of their businesses gets clouded and disappears into the thin air. Three research questions and three hypotheses guided the study. Descriptive research survey design was adopted for this study. Population of medium scale businesses in Anambra state is 420, which comprised of 200 medium scale business owners and 220 female medium scale business owners in Anambra state. Sample size of this study is 200 to ensure better selection of the sample size, 60 males were selected from medium scale businesses at Ontcha, and 40 females were selected from medium scale businesses at Nnewi. On the other hand, 55 males were selected from medium scale businesses at Ihiala LGAs, and 45 females were also selected from medium scale businesses at Ekwulobia LGAs, which gave a considerable sample size of 200 using stratified sampling techniques. Instrument for data collection was a researcher's developed questionnaire titled "Effect of plough back profit on medium scale businesses growth and survival in Anambra State, was used, with four Likert scale of strongly agree, agree, disagree and strongly disagree. The instrument was validated by two specialists from the Department of Business Administration, Faculty of Administration and management Sciences and Department of Business Education, Faculty of Education and arts, Madonna University, Nigeria, Okija Campus Anambra state. Cronbach alpha statistics was used to ascertain the reliability coefficients of the study at 0.78 and 0.98, which showed that the instrument was reliable for use in this study. A total of 200 questionnaires were administered to the respondents with the help of two research assistants, and a total of 200 questionnaires were returned non- got missed. Pearson Product Moment Correlation Coefficient was used to analyze the data generated while simple linear Regression analysis were used to test the hypothesis at 0.05 alpha levels with the help of SPSS v 26. Findings from this study revealed that medium scale businesses in Anambra state have relied on ploughed back profit to achieve considerable business growth and survival. The findings from the study also, revealed that medium scale businesses in Anambra state have used their earned ploughed back profit to ensure that medium scale business grows, survive with continuous productivity and effective service delivery in Anambra state. It was recommended in this study that medium scale businesses should rely on annual ploughed back profit of 50 to 60 % to fend for the growth of their medium scale businesses in Anambra state. It was also recommended that some ploughed back profit should be re- invested for effective staff re training, and procurement of automated technologies. These would enable medium scale businesses in Anambra state to continue even in the future.

Keywords: Meaning of Plough back Profit, Importance of Plough back Profit to Medium Scale Businesses, Ways Ploughed back Profits can be Achieved from Medium Scale Businesses, Overview of Medium Scale Businesses in Anambra state.

Introduction

All businesses in this world are carried out with the purpose of making profit. Though, some businesses mishandle their earned profit from titles given by their local government such as; mayors and community chiefs. Plough back profit is simply a percentage of the profits that are not distributed to members of a business but are reinvested to ensure more economic returns in a business. To the

economists, it is known as retained earnings or profits reserved after expenses. The growth and survival of all businesses is in the hands of business managers or business owners. Both business managers and business owners manage their business the way they deemed it fit (Aloy, Elija & Vitalis, 2022).

In this world of high cost on unpalatable business loans, establishment of

feasible methods for realizing earnings from a business has been a strong basis for business growth and survival. Business growth is observed from increased sale of products, and total profitability in all areas of businesses ventured. Plough back profit gives hope of carrying out a business without shocks of piled up charges or debts from borrowed loans (Adeleke & Ogunleye, 2023). Vast majority of people in Anambra state have ventured into medium scale businesses to earn their personal needs, family needs and needs of their extended family members. Medium scale businesses have increased industrialization of urban cities and rural communities. Small scale business which moved from small scale to medium scale, has gradually aided the expansion of the economy of the area where it is established. Also, the pillar of any business is attributed to human efforts. Human efforts speed up the growth of any business. Growth is inevitable for things created or established. The rate business can grow or survive is dependent on effective planning. Both planning, organizing, coordination and control are imperative for effective business sustainability. Planning is the process of marshalling out of the goals to be achieved and the methods or processes to achieve the goals. Organizing is the process of harmonizing organization activities and ensuring that they are carried out according to standards. Directing is the process of providing guidance to staff in their job dispositions. It is also, the process of delegating responsibilities to staff and monitoring the outcomes to ensure that they are carried out according to expected standards. On the other hand, coordination is

the process of harmonizing and supervising all the activities carried out by staff, to ensure that they are carried out according to the required standards. None of the management functions can be juxtaposed in business management. Planning paves way for effective management and realization of earnings. Planning provides the areas funds sourced for, in a business. Effective use of funds depends on the capacity a business has used to realize profits without many expenses (Agambe, Chesoli & Ngacho 2024). A business that has been achieving considerable profits for a long time is from the astute leadership of a business manager which paves way for the profit making. Again, some businesses compete with other businesses in the same line of business favourably based on the quality of their products and delivery services (Bamidele Ani & Murtala, 2024). In competitive business environment where the products of some businesses are patronized, is emanating from the standards the business have laid which makes those businesses to function above their competitors (Ude & Onwumere, 2021). Though, the progress of any business is observed from their business balance sheet (Bassey & Effiong, 2020). The resolve of business owners and managers to keep considerable percentage of their earnings for re- investment is paramount and endearing. In manufacturing businesses, retained profits are reinvested in a business to procure more raw materials, tidy up business infrastructures and raise staff morale through high paid salaries and allowances. The onus of managing retained profits is bestowed in the hands of managers that are strategic and responsive. Strategic managers ensure growth and survival

of their business by determining the areas profit will be achieved in their business, including the procedures for sharing the realized profit and not forgetting to retain some part of the profit for reinvestment. In a well-managed medium scale business, profit is shared to members according to the levels of the member's financial contributions individually made by each member to run their business in good faith (Afolabi, Usman & Adeleke 2023).

Meaning of Plough Back Profit

Playback profit is the percentage of the profit or earnings that are channelled back to a business after tax, expenses. However, there is agreed percentage of profit that can be used to settle each member of the business. The percentage of earnings that are channelled back to a business are jointly agreed by members of a particular medium scale business. Though, this has raised a lot of disagreement among investors or shareholders in Nigeria. Active managers have painstakingly shown high cognizance to plough back profit, because they are the basis for managing medium scale businesses as a going concern. In some medium scale businesses, plough back profit is used for procurement of needed facilities and equipment. In some agriculturally driven medium scale businesses, plough back profit is used for hiring new workers, providing seedlings, equipment and facilities. In manufacturing medium scale businesses, plough back profit is used for provision of raw materials and payment of wages to casual and permanent workers (Motaanya, 2020).

Effective use of plough back profit depends on the propensity with which active managers have deemed it fit to manage the realized profit from a business (Mulekano & Miroga, 2023). Some active managers make use of the realized profit to venture into more lucrative businesses

Plough back profit is sometimes used to manage internal conflicts, sudden vehicle breaks down in medium scale business (Ugwu, Oli & Onyekwelu, 2021). On the other hand, tax charges that crop up in medium scale businesses such as environmental tax demanded by the local government areas is settled with ploughed back profit. In most medium scale businesses, ploughed back profit paves way for staff retraining. According to world Bank (2023) plough back profit is retained earnings from small and medium scale businesses that enhances acquisition of modern working equipment. on the other hand, plough back profit serves as a buffer during financial emergencies because of its importance in providing financial stands for effective management of medium scale businesses without loan facilities from commercial banks, thus, helping medium scale businesses to actualize growth and survival (Agbo & Nwadike, 2022).

In the same vein, plough back profit is used to have firm grip to medium scale businesses that are about to crumble or fall due to shocks of too much owing in the banks and those that supply them with raw materials. Medium scale business owners and their managers, knows how viable their businesses can thrive even in the unforeseen future even

when those businesses are carried out with ploughed profit.

Overview of Medium scale Businesses

In both developed and developing countries of the world, medium scale businesses have been the preoccupation of many that were disappointed from long period of searching for white collar jobs. They are businesses carried with the owner's supplied capital. Though some capital used in medium scale businesses may be borrowed or supplied by friends and well-wishers. Medium scale businesses are very lucrative businesses, usually established in densely populated areas where customers who have considerable penchant for their products and services are located. About 97% of graduates especially, adults of energy driven ages have embarked on medium scaled businesses to earn a living. Some well-defined medium scale businesses have rose to the level of large-scale businesses because of high prospects they have achieved. In Nigeria and Anambra state in particular, some medium scale businesses are managed by their owners while some medium scale businesses are managed by managers trained for that responsibility.

Importance of Profits on Medium scale Businesses

- Profits crave manager's indulgence to new lucrative businesses.
- Profits increase bargaining power
- They encourage steady procurement of the needed logistics in manufacturing and service delivery organizations.

- Realized profits are used for increasing the morale of staff.
- Profits give hope for continuous business operation.

Sources Medium Scale Businesses Realize Profits

There are various sources a medium scale business can realize profits to sustain their business. Those sources include:

- From daily production and quick sales of their products.
- Leased financing.
- Sale of Business properties.
- Share leverages.
- Royalties
- Diversion to new lucrative businesses.
- Sale of outdated facilities and equipment in form of scraps.
- Through provision of soft loans to reliable customers.

Profit Distribution to members of a Business before Plough back Profit

Profit realization is the basis for engaging into any business. Profit is realized when parties to the business contribute financially and show concerted efforts to stir the affairs of the business. Profit is not realized in the tin air without the astute leadership of strategic managers. Strategic managers determine the number of people that will be part of the business especially, those that can willingly contribute both their efforts and capital to finance and run the business. Though, businesses may suddenly fail or seize operation. Ability to endure hardship with

hope of brighter future to a business is the basis for sustained business growth and survival.

In business organizations, profit and dividend are not realized with bare hands. Any penny remitted for operation of a business can worth millions in the future. Profits and dividends distribution in a business works with established standards or criteria (Simon Oke & Ologunwa, 2016).

Firstly, the person or individual that will benefit from the resources realized from the business must be a registered member of the business, who agrees with the terms and conditions of the business. The person must be ready to pull part of his or her resources to the business and participate in own areas of responsibility to the business as the case maybe.

However, issue of profits plough back is very important. Plough back profit is determined when all expenses, interest charges, and supposed taxes from a business have been incurred. Profit making is the basis for embarking or running a business. It provides the clues or standards for working and benefitting in business. When a business realizes profit, it adds more energy or drives to work by skilled and unskilled staffs in that business. Profit making paint's good picture of the business to investors and other who may wish to join the business. Lucrative businesses do not sustain too much set-back, when profit is made consistently in that business (Weggyandt, 2007). Profit bridges loopholes in any business.

There are vast majority of medium and large scale businesses in Nigeria and Anambra state. In Anambra state, medium scale

businesses are centralized in some LGAs and sub urban towns of Anambra state such as: Onitsha, Ihiala, Nnewi, and Awka. The sub-urban towns include: Ekwulobia, Uga, Ogbaru and Abagana among others. Anambra state especially, Ontcha and Nnewi, are the most commercial hub centers in Anambra state. Population of medium scale businesses have toppled progressively in Anambra because of unprecedented patronization of people in the West, North, South and other states in the South East such as Imo, Abia, Ebonyi and Delta state. In manufacturing businesses, plough back profit is used for procurement of raw materials and other logistics such as payment of wages to casual and permanent workers. Effective use of plough back profits depend on the propensity with which active managers have deemed it fit to manage the realized profits. Some active managers make use of the realized profits to venture into lucrative businesses which the veracity for carrying out the business have been endorsed or approved by concerned members of the business.

The efficacy of plough back profit cannot be overemphasized in business management. Plough back profit is sometimes used to manage internal conflicts that have cropped to a business and lingering debts from commercial banks (Timizi & Ahmad, 2013). It is used to have firm grip to some businesses that are about to fail or crumble. Ploughed back profit enables business owners and managers to know how viable their businesses can thrive even in the unforeseen future.

In both developed and developing countries of the world, small and medium scale

businesses have been the preoccupation of many that were disappointed from long period of searching for white collar jobs. Medium scale businesses are businesses are managed by their owners supplied capital. They are very lucrative businesses in densely populated environments where customers that have developed high quest for consummation of the services and products of medium scale businesses are sighted in the area.

Vast majority of medium scale businesses are established in the whole states in Nigeria, though, some are established in rural villages where there is palatable tax demands from local government tax authorities. Most joint venture businesses are registered with corporate affairs commission.

Statement of the Problem

In Anambra state, one major problem to medium scale businesses is high struggles to access loans from commercial banks. In some occasions, some loans given to medium scale businesses usually boomerang with unexpected piles of interests charged on the borrowed loans. This hampers access to loans by medium scale businesses in the urban and rural areas of Anambra state thus, making retained earnings or plough back profits relevant and safer for medium scale businesses. It is very surprising that some owners of medium scale businesses do not separate their personal accounts from their medium scale businesses accounts. Furthermore, frequent use of ploughed back profits realized for frivolous adventures by medium scale business owner have hampered medium scale businesses growth. Also,

frequent withdrawals that causes scarcity of funds to run medium scale businesses have been evident and constrains the management of medium scale business to the points of growth and survival (Uzonwanne & Okafor, 2021).

Theoretical Review

Pecks order theory was adopted in this study. Pecks order theory was propounded by Myers and Majluf in the year (1984). Meyers and Majluf were of the view that businessmen have persistently relied on external financing for their businesses. This has caused excess interest charges on borrowed funds. Sometimes, firms that cannot meet up to offset the demands of their borrowed funds wallow in dangerous Owings that ruins their businesses. Meyers and Majluf therefore, advised that firms should embrace internal financing mechanisms for their business growth and survival.

Research Questions

The following research questions guided the study.

Research Questions one

To what extent does plough back profits influence the growth of medium scale businesses in Anambra state?

Research Question Two

To what extent does plough back profit enhance the survival of medium scale businesses in Anambra state?

Research Question three

What is the relationship between plough back profit and business profitability in Anambra state?

Research Hypotheses

Ho1: there is no significant relationship between ploughed back profit and growth of medium scale businesses in Anambra state.

Ho2: there is no significant relationship between ploughed back profit and survival of medium scale businesses in Anambra state.

Ho3: Ploughed back profit does not significantly influence medium scale businesses productivity in Anambra state.

Methods

This study investigated the effect of profit plough back on growth and survival of medium scale businesses in Anambra State. Descriptive survey research design was adopted in this study. Population of medium scale businesses in Anambra state is 420, which comprised of 200 medium scale business owners and 220 female medium scale business owners in Anambra State. Sample size of this study is 200, to ensure better selection of the sample size, 60 males were selected from medium scale businesses at Onitscha, and 40 females were selected from medium scale businesses at Nnewi, On the other hand, 55 males were selected from medium scale businesses at Ihiala LGAs, and 45 females were also selected from medium scale businesses at Ekwulobia LGAs, which gave a considerable sample size of 200 developed questionnaire titled “Effect of plough back profits on medium scale businesses growth and survival in Anambra

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Results

Correlation between Ploughed back Profit and Business Growth

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Correlation between Ploughed back Profit and Business Growth

Variable	Mean	SD
1. Ploughed back profit	3.82	0.71
2. Business Growth	3.75	0.68

Table 2: Regression Analysis – Impact on Survival

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Mode	R	R Square
1	0.812	0.659

1 table 1: Shows a strong positive correlation $r = 0.784$, $p = 0.000 < 0.05$. Thus, H_{01} is rejected.

2. Table 2: Shows that ploughed back profit explains 65.95 of the variation in business survival Beta = 0.812, $P = 0.000$. Thus, H_{02} is rejected

3. For Productivity, correlation result was $r = 0.701$, $p = 0.000$. Thus, H_{03} is rejected.

Discussion of Findings

In most medium scale businesses, ploughed back profit paves way for staff retraining. (World Bank, 2023) that retained earnings from small and medium scale businesses, enhances acquisition of modern working equipment. on the other hand, (Agbo & Nwadike 2022) adduced that plough back profit provide the financial stand for effective management of medium scale businesses without loan facilities from commercial banks, thus, helping medium scale businesses to actualize growth and survival.

In the above analysis, r is = 0.784. This shows that plough back profit enables medium scale businesses to stand especially, when increased sales, acquisition of new business assets, and standards for work force development are achieved.

The result of the regression in the analysis above proved that $R^2 = 0.659$. this showed that 66% of medium scale businesses survive during the period of economic melt

dawn, such as; inflation and fuel subsidy removal in Nigeria. However, the economic melt dawn can be overcome from retained earnings. Plough back profit enables well-meaning medium scale businesses to embark on restocking, it owners of medium scale businesses pay salaries to their staff and carry out their businesses steadily without stop.

Thirdly, ploughed back profit increases productivity. It is revealed as $r = 0.70$. Ploughed back profit increases productivity through effective staff retraining, effective team building relationship at work. On that note, Agbor & Nwadike (2022) identified that despite the impact of ploughed back profit to medium scale businesses, some medium scale business owners and managers still with draw excessively from ploughed back profit, this undoubtedly hampers financial discipline among medium scale businesses in Nigeria.

Conclusion

Ploughed back profit is the fulcrum which grows medium scale businesses in Nigeria. It is a means of exonerated medium scale businesses from interest charges on borrowed funds. Ploughed back profit determines the growth and survival of medium scale businesses in Anambra state. It is a means of ignoring access to loans from commercial banks. It enhances medium scale business expansion and building unprecedented resilience in management of medium scale businesses in Anambra state.

Recommendations

The following recommendations glued to the study.

1. Medium scale businessmen and women in Anambra state should adopt the use of 60% of their annual net profit to fund the growth of their medium scale businesses in Anambra state.
2. Anambra state ministry of commerce and industry should organize training for medium scale business owners on effective profit management and reinvestment. These would enable medium scale businesses in Anambra state to manage funds and re-invest the ploughed back profit to achieve growth and survival in their medium scale businesses.
3. Frequent and excess withdrawal of funds should be reduced in medium scale businesses. These would enable medium scale businesses to achieve continuity without shortage of funds in their businesses.

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