Employee Fidelity and the Survival of Micro and Small Scale Businesses in Nigeria

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Abstract

This research examines the impact of employee fidelity on the survival of micro and small scale enterprises in Nigeria. The mortality rate of small businesses in Nigeria is alarming. Most previous studies tend to concentrate on the managerial, technical, educational and even capital deficiencies of the entrepreneurs but this study focuses on the employees. Multi-stage sampling technique was used to identify suitable candidates for the study and discriminant function analysis was used for data analysis. Findings reveal that capital inadequacy and employee theft account for the failure small businesses in Nigeria. The study is significant to entrepreneurs to avert failure and for further research by academics.

Key words

Fidelity, survival, employee, theft, mortality

JEL Classification: L25, L26

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Introduction

The high rate of mortality among micro and small scale enterprises in Nigeria has assumed an alarming proportion in recent times, perhaps due to issues pertaining to employee/employer relations. It has been observed that failure rates among small businesses are much higher in the developing countries than the advanced nations of the world (Arinaitwe, 2006,). The micro and small scale enterprises in Nigeria provide jobs for more than 75 percent of the working population since they dominate the business landscape (Anwatu, 2006 cited in Onugu & Uzondu, 2015). Ayozie (2011) suggests that small scale businesses comprise a larger percentage of all companies registered with the Corporate Affairs Commission (CAC). It is thus worrisome that such a crucial sector of the economy should experience this unsustainable level of mortality.

The micro and small business enterprises have been acknowledged to be the bedrock of a nation's economic growth and development. Akande (2014) observes that small and medium scale businesses (SMEs) positively improve the economy and hence countries like the United States of America, Japan, Korea and many Asian countries have experienced rapid development through SME activities. Micro, small and medium enterprises are the backbone of every economy globally (Kirby, 2003; Mathews, 2007; Okpara, 2009). They constitute over 90 percent of industries in Indonesia, Hong Kong, Taiwan, Philippines and Thailand (Fadahunsi & Daodu, 1997 cited in Eze & Okpala, 2015). The Nigerian Chamber of Commerce, Industry, Mines and Agriculture (NACCIMA,

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2006) supports the view that any nation seeking rapid development and industrialization must focus on its small scale enterprises to actualize those goals.

Micro, small and medium enterprises in Nigeria are beset with myriad problems including poor access to funding, lack of creativity and innovation, poor record keeping and theft by employees, which combine to account for the high mortality rate of these enterprises. According to a 2004 survey conducted by the Manufacturers Association of Nigeria (MAN), more than 90 percent of businesses owned and operated by its members were either ailing or had shut down. This alarming rate of business failure calls for concern because MAN as an institution has statistical data to back up its claims. However, the story is different especially in the micro and small scale business sector where records of their operations are hardly available. Through mere observation in our neighbourhoods, it is easy to discover an alarming rate of business closures at the micro and small scale enterprises levels.

Trust which is a major ingredient in maintaining a conducive work environment to guaranty corporate survival, growth and profitability is lacking in several organizations due to mutual suspicion and unclear intentions of most employees (Martins, 2000). Employers rely on how well the employees can represent their interest even while absent from work but quite often, such trust has been flagrantly abused and violated by the employees.

Employee fidelity stems from trust. Fidelity is simply faithfulness, transparency and accountability. When these virtues are lacking in the employees in an organization, survival becomes very difficult, if not impossible, to achieve. Corporate governance principles to which operators of the organized private sector and large industrial concerns are expected to adhere to equally emphasize the virtues of transparency, responsibility and accountability (Sulaimon, Ifere, Rahim & Ebulo, 2016).

Statement of the Problem and Research Gap

Micro and small scale enterprises are seen as the bedrock of economic development in free market economies and development strategists harp on encouraging this sector to thrive in order to generate employment and stimulate economic growth. However, most micro and small scale enterprises in Nigeria collapse within their first five years of existence as only between 5 to 10 percent survive for up to 10 years (Aremu & Adeyemi, 2011). Eze and Okpala (2015) also note that the Manufacturers Association of Nigeria (MAN) had in 2004 conducted a survey on the survival of businesses run by its members and came up with the result that only 10 percent of industries established by its members were fully operational while the remaining 90 percent were either ailing or have closed down. Agu and Emeti (2014) attribute the high mortality rate of these enterprises to shortage of capital, poor infrastructural development, inadequate power supply, lack of focus and lack of succession planning among others. Agba *et al.* (2015) note that the use of landed property as collateral for loans to these micro and small enterprises, poor staff remuneration and poor working environment for workers are to blame for their dismal performance. However, these challenges may be a contributory factor to the high mortality rate of businesses in this sector but none of these previous studies considered the impact of employee fidelity as a major cause of business failure of micro and small business enterprises in Nigeria. This study intends to fill this gap by examining the extent to which employee theft and other forms of abuse of trust have resulted in the high mortality rate experienced by Nigerian micro and small scale enterprises.

1 Methodology

1.1 Theoretical Framework and Literature Review

a. Theoretical Underpinning: Social Exchange Theory

The social exchange theory was developed by George Homans in 1958. He defined social exchange as a rewarding exchange of activity, tangible and intangible goods or services, that is mutually beneficial to at least two persons. Employer and employee engagement can be viewed in light of this kind of mutually beneficial relationship. Other major contributors to this theory are Peter Blau (1964) and Richard Emerson (1976). The success proposition perspective of the Homan's theory indicates that whenever a person receives a reward for his or her action, there is a high tendency for the action to be repeated. The social exchange theory is both a sociological and psychological theory that presupposes a cost-benefit analysis of any interaction between two parties.

The two main ingredients of the theory are self-interest and interdependence. People tend to focus on their self-interest in pursuance of their economic and psychological needs. In social exchange, self-interest does not imply any negative connotation as it is supposed to strengthen the interrelationship between both parties. But when self-interest is allowed to prevail over mutual interdependence, there will be a tendency for one party to short-change the other. It is in this regard that most employees allow their self-interest and greed to prevail over the overall interest of their employing organizations and engage in behaviours that are detrimental to the survival of such organizations. Consequently, many micro and small scale enterprises in Nigeria suffer early mortality due to the pursuit of individual self-interest by employees who engage in fraudulent activities that undermine the survival of the organizations.

b. Literature Review

Concept of Micro and Small Scale Enterprises

There is no universally acceptable definition of micro and small scale enterprises as this varies from one society to another depending on the stage of industrial development (Ward, 2006; Abanis, Arthur, Byamukama, Burani, Ibrahim & Novenbrieta, 2013). Most of the definitions of micro and small scale enterprises are based on such criteria as number of employees, amount of initial capital, total assets and annual sales although (Agba, Attah & Ebong, 2015). Osotimehin,Jegede, Akinlabi and Olajide (2012) in their study (citing Olajide *et al.*, 2008) provide a working definition of micro and small enterprises by describing micro enterprises as those businesses whose total project cost, excluding the cost of land, but including working capital, does not exceed N500,000.00 ($1,500.00). The authors further describe small scale enterprises as those whose total project cost, excluding the cost of land, is not more than N5million ($15,000.00).

Micro and small scale enterprises have been identified as the main drivers of growth in many developing and even developed economies (Matthews, 2007; Opara, 2009; Ayozie & Latinwo, 2010; Taylor, 2013). Agba *et al.*, (2015) note that 60 percent of the labour force in developing countries are accounted for by these micro and small scale enterprises while also constituting over 90 percent of business enterprises. Ackah and Vuvor (2011) observe that small scale enterprises are major producers and consumers of goods and services thereby contributing over 70 percent of gross domestic product (GDP) in most African countries. Eze and Okpala (2015) opine that even China, a once communist country, has over 75 percent of its labour force employed by small scale businesses. The authors also citing Fadahunsi and Daodu (1997) noted that most developing countries such as Indonesia, Taiwan, India, Korea and Hong Kong have over 90 percent of their businesses as micro and small scale enterprises.

High Mortality Rate of Micro and Small Enterprises in Nigeria

Mortality rate among Nigerian micro and small scale enterprises is at an alarming rate and this has been corroborated by several previous studies. For instance, Agwu and Emeti (2014) put the survival rate of these micro and small scale businesses, in their first five years of existence, at between 5 to 10 percent. This implies that 90-95 percent of these enterprises die prematurely. A study by the Manufacturers Association of Nigeria (MAN) in 2004 also put their survival rate at a dismal 10 percent. Most of the reasons advanced for this sordid state of affair put the blame on poor management by the owners, lack of education, inadequate capital, poor infrastructure, poor accounting practices, multiple taxation by local, state and federal authorities, unstable policy environment, poor remuneration of staff, use of landed property as collateral for loans and an unfriendly economic environment (Agwu & Emeti, 2014; Agba *et al.*, 2015).

Other studies carried out on the causes of high mortality rate among micro and small enterprises identified the following as mostly responsible. For example, Chaney (2019) observes that inadequate capital, improper planning, absence of insurance cover, poor management, selling undifferentiated products, disregard for the competition and operating an unprofitable business model are to blame for the ugly trend. In a similar vein, Armitage (2017) notes that business failure among micro and small enterprises could be attributed to inadequate working capital, poor planning, poor handling of outsourcing, ineffective marketing strategy, competitive rivalry and failure to monitor company finances were responsible for the high rate of failure. Other reasons that can be identified include over-borrowing, lack of performance monitoring, overreliance on a few customers or clients, inexperienced management and leadership, failure to learn and poor debtor management (Agba *et al.,* 2014; Moya, 2019).

Employee Theft and Mortality of Micro and Small Scale Enterprises

Employee theft is a global phenomenon as there is hardly any nation of the world where workers don't steal from their employers. Employee theft is defined as stealing or the deliberate misuse of an employer's assets without permission (BPK, 2019). Such theft may involve cash (money in any currency) or non-cash assets (time, merchandise, supplies, stationery, company property, leaking of official information to third parties and competitors) which could have damaging impact on the employer's business. The United States Chamber of Commerce (2018) cited in Business Practical Knowledge (BPK, 2018) estimates that "75 percent of all employees steal at least once, and that half of these steal repeatedly". The Chamber also notes that 34 percent of business failures are due to employee theft.

In a related development, the American Society of Employers (2018) as cited in BPK (2018) observes the following:

1. That businesses in America lose 20 percent of every dollar to employee theft;
2. That at least 20 percent of the employees are fully aware of fraudulent practices in their companies;
3. That it takes an average time of one and half years for an employer to uncover a fraud scheme;
4. That over 55 percent of these fraudulent acts are perpetrated by managers;
5. That the US retail businesses lose a whopping $53.6 billion annually to employee theft.

In Nigeria, there are no accurate records to show how much is lost to employee theft but the high mortality rate of micro and small businesses are proof of the colossal losses suffered by these enterprises. Just like the US, the retail sector is perhaps the worst affected by the fraudulent behaviour of employees as stock taking is not done on a regular basis, and moreover, majority of the owners of these micro and small enterprises are illiterate and do not practice simple bookkeeping to monitor daily transactions.

There are various ways by which employee theft is executed in organizations. Among the most common ones are:

1. Larceny: This involves unlawfully taking possession of another person's property without the permission or knowledge of the rightful owner;
2. Outright embezzlement: Embezzlement involves a person in a position of trust stealing what is put under his/her care. A good example of this is when a cashier decides to help himself with office cash under his control which is different from larceny involving, perhaps, a cleaner seeing the cash till in the cashier's office open, decides to steal some of the cash;
3. Skimming: Skimming involves stealing of unrecorded cash, inventory or any other type of company property knowing that it will be difficult to trace since no record of it exists anywhere;
4. Fraudulent Transactions: This involves making false payments for goods not delivered, over-invoicing, negotiating your own cut in contracts, payroll fraud, payment for fictitious transactions, and other forms of fraudulent schemes aimed at making personal gains at the expense of the company;
5. Fake Invoices and Account Manipulation: This happens when the sales person creates invoices of non- existent account receivables thus making the business owner to believe that some sales have been made through credit transactions with some known customers;
6. Switching Brands: Some employees switch well-known brands by using money they sold of the superior brands to purchase inferior brands and keeping such

products in the packets that originally contained the superior product to deceive the shop owner that the stock of goods is intact.

The aforementioned mode of employee theft are quite common among micro and small scale enterprises in Nigeria and many of the owners of these businesses have closed shop due to the fraudulent activities of their employees. It is worth knowing that in most retail businesses where the shops contain a large variety of different products, stock-taking is usually not regular and in some cases, the owners of the shops do not even know much about inventory management.

Causes of Employee Theft in Nigeria's Micro and Small Scale Enterprises

The temptation to defraud the company where you work could be high if there are no measures put in place to guide against the incidence of fraud. In Nigeria, where most of the youth population are either unemployed or underemployed, getting a job anywhere just to 'get out of the house in the morning and come back home in the evening'. Quite often the pay is abysmally poor and not sufficient for the staff to meet personal needs. A country with inflation rate of over 11 percent (NBS, 2019) paying a staff a paltry monthly wage of between N15,000 - N30,000 ($42 - $84) cannot sustain employee loyalty. Consequently, most of these employees are tempted to cut corners to 'make ends meet'. Presently, over 23 percent (NBS, 2019) of Nigerians are unemployed and this forces most people to accept poor wages from employers which eventually heralds sharp practices to augment the poor pay.

Another major reason why employee theft is rampant among micro and small business enterprises is that ownership of most of these businesses are in the hands of illiterates who then employ educated hands to help in running the businesses. Taking advantage of the illiterate owner, most employees device fraudulent means of stealing cash or goods or even make fraudulent account receivables that would not be traced until, perhaps, such employees resign before the fraud is eventually discovered. Loopholes in financial records, poor debtor management, and improper and infrequent stock taking can also provide attractive openings for a fraudulent employee to operate especially where there is weak or total absence of performance monitoring (Moya, 2019).

Perhaps, the apprenticeship scheme practised among most Nigerian shop owners could also attract fraudulent practices because, during the lengthy number of years the help is expected to serve the master, no remuneration whatsoever is expected to be paid to the apprentice. He/she is usually 'settled' after successfully completing the number of years agreed whereby the master frees him by giving him a large amount of cash as start-up capital for the apprentice to start a similar business. It is perhaps the lure of the good life or some promptings by peers that would make such apprentice to help themselves with the cash or goods under their care.

The Place of Trust in Employer – Employee Relationship

Employers offer jobs to employees based on the assumption that such employees will act in their best interest to engage in diligent and honest work and get compensated in return. However, the breach of trust in employer-employee relationship is commonplace as well as a global phenomenon. Trust has no universally acceptable definition but common among the various definitions are key elements of trust such as honesty, integrity, character, truthfulness, sincerity, reliability, relationship, openness, benevolence and consistency (Bagraim & Hime, 2007; Clark & Payne, 1997; Grant and Sumanth, 2009). Trust is defined by Zand (1997) as the "willingness to increase your vulnerability to another person whose behaviour you cannot control. In a situation in which your potential benefits are much less than your potential loss if the other person abuses your vulnerability". It is on good record that employers render themselves vulnerable to the employees on whom they entrust the survival of their businesses. This trust, however, is often violated and has thus resulted in the high mortality rate of many micro and small scale enterprises. Operating conditions and the environment in which business is transacted has also been found to encourage gross violation of trust especially when the employee is aware of lapses in the control system.

Ethicality is another issue to be considered in trust building between employers and employees. Ethics can be described as a code of moral principles that distinguishes between right and wrong. Jimba (2009) defines ethics as "the guided principles, values, moral standards and convictions which guide individual actions, decisions, procedures and system in an organization in order to pave way for respect, dignity, conscience and high integrity in such an organization or society". When employees hold high moral and ethical values, they are not likely to engage in activities that will undermine the survival of the business for which they earn a living. Stealing from the employer is unethical and breach of trust which does not only jeopardize the survival of the organization but has serious implications for present and future interpersonal relationships.

1.2 Research Objectives, Methodology and Data

Aim and Objectives of the Study

The major aim of this study is to identify how employee fidelity impacts the survival of micro and small scale enterprises in Nigeria. Specifically, the research attempts to:

1. identify the extent to which the survival of micro and small scale enterprises depends on the honesty of employees;
2. examine the impact of employee theft on the survival of micro and small enterprises;
3. determine the extent to which inadequate capital leads to the failure of micro and small scale enterprises in Nigeria;
4. identify how competitive pressures cause the failure of micro and small business firms in Nigeria.

Research Questions

In order to address the objectives, the research attempts to proffer solutions to the following questions:

1. Does the survival of micro and small scale businesses depend on the honesty of the employees?
2. Does employee theft negatively affect the survival of micro and small enterprises?
3. To what extent does inadequate capital lead to business failure among micro and small scale enterprises?
4. To what extent does competitive pressure lead to the collapse of micro and small scale enterprises in Nigeria?

Research Hypotheses

The following hypotheses were formulated in order to provide answers to the research questions.

1. Ho1 : The survival of micro and small enterprises in Nigeria has no significant relationship with the honesty of the employees;
2. Ho2: Employee theft does not significantly affect the survival of micro and small scale enterprises in Nigeria.
3. Ho3: Inadequate capital does not significantly affect the survival of micro and small scale enterprises in Nigeria.
4. Ho4: The collapse of micro and small enterprises in Nigeria has no significant relationship with the action of competitors.

Research Design

The study adopts a quantitative survey design based on the positivist philosophy. The ontological orientation of the research is objectivism. The choice of research philosophy and design are based on the fact that the causes of high mortality rate among micro and small scale businesses can be objectively determined and quantitatively estimated with substantial degree of accuracy using discriminant analysis.

Data Analysis Technique and Software Used.

The methodology adopted for this study is the direct method of discriminant analysis. According to this method, all the predictor variables are entered into the model simultaneously. SPSS Version 22 was used for the analysis.

Sources of Data

The research was conducted based on cross sectional data collected from 100 owners of several micro and small scale organisations which include retail provision stores, cosmetics shops, supermarkets, business centres, restaurants and bars, sellers of phone and computer accessories, filling stations, and privately owned transport businesses. A multi-stage sampling technique was devised to obtain the required sample by first conducting oral interviews to identify those whose businesses have collapsed or survived in the last five years before the questionnaire was administered to those who fit into the purpose of the study.

Model Specification

The discriminant function takes the form of a linear combination of coefficient of variables and these are expressed as equation 1. The variable coefficients are estimated in such a way that the function maximizes the distance between the two centroids. It should be noted however that the larger the coefficient, the better the independent variables in discriminating between the groups. Therefore the discriminant function is given thus as:

$$Z = \alpha + w_1 x_1 + w_2 x_2 + w_3 x_3 + w_4 x_4 = \alpha + \Sigma^4_{i=1} w_i x_i \qquad (1)$$

Where Z = Discriminant score, α = constant, w = the discriminant coefficient or weight of the variable, x_i = predictor variable, i = number of predictor variables, i.e i=1 ,2,3,4. And 1 = (EH), 2 = ET, 3 = CA and 4 = CP. As this is a two-group discriminant analysis, only one function is estimated i.e.

$$NDF \leq Min\ (G-1, P) \qquad (2)$$

The number of discriminant functions (NDF) that can be estimated from a discriminant analysis is less than or equal to the minimum number of categories (G) in the dependent variables minus one or the number of predictor variables (P).

Description of the Variables

The variables used for this study are categorical dependent and predictor variables. The status of the firms in terms of survival rates was the dependent (categorical) variable. The dividing line for defining where each company falls to is 5 years of inception using Aremu and Adeyemi (2011), Agwu and Emeti (2014), MAN (2004) and Agbi *et al*., (2014) who state that 90-95 percent of micro and small scale enterprises do not survive beyond their first five years of existence. A total number of 100 micro and small businesses were sampled for the study and 50 companies that survived beyond the first five years are denoted by (1) while the other 50 that collapsed before five years are denoted by (2). The predictor variables are honesty, employee theft, capital adequacy and competition.

2 Analysis and Discussion

Table 1 shows the test of equality of group means which estimates the Univariate Anova for each predictor variable. From this analysis, it is observed that capital adequacy differ at (Sig = .049) for the two groups and also has the lowest Wilk's Lambda of .961

indicating that capital adequacy has the most significant discriminating function for the survival of micro and small businesses. Employee honesty follows with a Wilk's Lambda of .981, next is competitive pressure with .983 while employee theft comes last with a Wilk's Lambda of .987 with all the but capital adequacy showing non- significant P-values.

Table 1 Tests of Equality of Group Means

	Wilks' Lambda	F	df1	df2	Sig.
Employee honesty	.981	1.947	1	98	.166
Employee Theft	.987	1.324	1	98	.253
Capital adequacy	.961	3.966	1	98	.049
Competitive pressure	.983	1.708	1	98	.194

Source: Author's SPSS Computation (2019)

Table 2a shows the Log Determinants with 4 x 4 rank indicating the size of the covariance matrices and also showing that four independent variables were used for the study. The covariance metrics are the same if the log determinants of 'survived' covariance matrices and the log determinants of 'not survived' covariance matrices are the same.

Table 2a Log Determinants

Survival	Rank	Log Determinant
Survived	4	-1.617
Not Survived	4	-.701
Pooled within-groups	4	-1.070

The ranks and natural logarithms of determinants printed are those of the group covariance matrices.

Source: Author's SPSS computation (2019)

Table 2b shows the Box M for this study which is estimated at 8.72 but with a significance value of 0.596 meaning that the data do not differ significantly from univariate normality. This simply means that I can proceed with the analysis.

Table 2b Test Results

Box's M		8.723
F	Approx.	.834
	df1	10
	df2	45915.538
	Sig.	.596

Tests null hypothesis of equal population covariance matrices.

Source: SPSS Output by author (2019)

Table 3 Eigenvalues

Function	Eigenvalue	% of Variance	Cumulative %	Canonical Correlation
1	.112[a]	100.0	100.0	.318

a. First 1 canonical discriminant functions were used in the analysis.

Source: SPSS Output by author (2019)

Eigenvalues simply show the proportion of variance explained, i.e. the ratio of the between- groups sum of squares to the within-groups sum of squares. This analysis exhibits a low eigenvalue indicative of a weak function. The canonical correlation which shows the relationship between the discriminant scores and the level of the outcome variable of 0.318 is low.

Table 4 Wilks' Lambda

Test of Function(s)	Wilks' Lambda	Chi-square	Df	Sig.
1	.899	10.210	4	.037

Source: SPSS Output by author (2019)

The Wilk's Lambda shows the significance test of the variate. The value of 0.899 at 4 degrees of freedom with significance value (.037) shows that the variate significantly discriminates the groups. Thus the Lambda of 0.899 has a significance value of .037, which perhaps, is an indication that the group means appear to differ.

Table 5 Standardized Canonical Discriminant Function Coefficients

	Function
	1
Employee honesty	-.496
Employee Theft	.424
Capital adequacy	.733
Competitive pressure	-.518

Source: SPSS output by author (2019)

Table 5 shows the standardized canonical discriminant function coefficients which is equivalent to the standardized betas in a typical regression. Thus, capital adequacy has the highest value of 0.733 followed by employee theft with 0.424 indicative of the influence these two variables have on the survival of micro and small business firms.

The structure matrix shown in Table 6 indicates the weights of the independent variables in rank order from the highest to the lowest in absolute terms.

Table 6 Structure Matrix

	Function
	1
Capital adequacy	.601
Employee honesty	-.421
Competitive pressure	-.394
Employee Theft	.347

Pooled within-groups correlations between discriminating variables and standardized canonical discriminant functions

Variables ordered by absolute size of correlation within function

Source: SPSS Output by author (2019)

However, only capital adequacy and employee theft possess positive variate correlations while employee honesty and competitive pressure display negative correlations.

Table 7 Canonical Discriminant Function Coefficients

	Function
	1
Employee honesty	-.532
Employee Theft	.610
Capital adequacy	.663
Competitive pressure	-.564
(Constant)	-1.230

Unstandardized coefficients

Source: SPSS Output by author (2019)

Table 7 shows the unstandardized scores of the various predictor variables. It is the goal of every discriminant analysis to estimate a discriminant function that helps to predict group membership of the dependent variable. In this study the aim is to predict the survival of micro and small scale enterprises in Nigeria between those that survive after 5 years and those that collapse before 5 years using employee honesty, employee theft, capital adequacy and competitive pressures as independent variables. From Table 7, we obtain the unstandardized discriminant function based on equation 1 thus:

$$Z = -1.230\ (Cons) -532\ (EH) + 0.610\ (ET) + 0.663\ (CA) -0.564\ (CP) \qquad (2)$$

From the various analyses above it can be deduced that capital adequacy has the highest discriminating value among all the predictor variables at 0.663 followed by employee theft at 0.610 both positive. However, going by the Wilk's Lambda, only capital adequacy showed a positive value 0.961 and significant at 0.049. This, perhaps, implies that capital adequacy has the highest impact on the survival of micro and small business enterprises. Next in line is employee theft which displays a positive relationship but non-significant value at P >0.05. The implication of this is perhaps the fact that employee theft cannot promote the survival of these small enterprises, whereas it will only hasten their demise. The negative canonical discriminant functions displayed by employee honesty and competitive pressures is perhaps also indicative that these have little or nothing to do with the survival of micro and small scale enterprises in Nigeria. On that note, hypotheses Ho1 and Ho 4 are hereby accepted while Ho2 and Ho3 are hereby rejected. It therefore behoves on small business owners in Nigeria to pay more attention to capital adequacy and the negative impact of employee theft. As so many businesses collapse during their first five years of existence, present and potential small scale business owners should endeavour to ensure that they have access to cheap capital and enhance their supervisory roles to minimise employee theft.

Conclusion

The study was undertaken to appraise the impact of employee fidelity on the survival of micro and small scale enterprises in Nigeria. The research made use of four predictor variables namely: employee honesty, employee theft, capital adequacy and competitive pressures. The discriminant function analysis was used for data analysis with the aid of the Statistical Package for the Social Sciences (SPSS V 22). Five years was chosen as baseline for group membership as those firms that survived beyond five years were denoted by (1) while those that couldn't make it up to five years were denoted by (2). With the analysis carried out, it was concluded that capital adequacy and employee theft have positive relationship with the survival of micro and small enterprises but in different ways. While capital adequacy ensures their survival, employee theft will lead to their early demise. Judging from the foregoing analysis, it is instructive to note that employee fidelity is a difficult virtue to achieve globally as employee theft is common in almost every country. While poverty and low moral standards are among some of the compelling factors causing employee theft, some other reasons for the high incidence may include poor supervisory role of the owner/manager including loopholes in receivables management and poor accounting records.

Based on the foregoing, it is hereby recommended that:

1. Owners of micro and small business enterprises should ensure that they have adequate start-up and working capital for their operations;
2. Employers should conduct background checks on all employees before assigning them with sensitive responsibilities;
3. A strong internal check and control mechanism are put in place to minimize theft and other forms of fraud;
4. Authorization of sales, procurement and other financial transactions must be handled by more than one employee; and
5. Owners of small businesses should explore the possibility of procuring employee fidelity insurance to protect themselves against employee theft.

Suggestion For Further Research

The conclusions reached in this study may not be universally applicable as the number of respondents may not be sufficient for unfettered generalizations. Moreover, a different approach to data collection and analysis may produce a different result.

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