Abstract: This study is on effect of feasibility study on the growth of SMES in Imo-State. The study took a descriptive survey approach and relied on a five point likert scale questionnaire as its major source of data. 9 SMES were randomly selected from Owerri Zone of Imo State. A sample of 30 top management staff members was obtained by employing the purposive sampling technique. The data gathered was analyzed using one sample t-test with the aid of 20.0 version of the statistical package for social sciences (SPSS 20.0). Results obtained from the study shows a p-value (sig.2-tailed) of 0.000 and 0.000 in the two hypotheses, which implies that the t-calculated is lesser than t-tabulated (i.e 0.000<0.05). We therefore rejected the two null hypotheses. Based on the results obtained, the paper made conclusion and recommended among others that SMES should be encouraged to undertake feasibility study when making investment decisions. In order to maximize the benefit of feasibility study, managers of SMES should engage in constant environmental surveillance and scanning in order to identify the changing trends and update their feasibility report as supposed.

Keywords: economic, efficiency, feasibility, innovativeness, productivity, SMES, viability

INTRODUCTION

In Nigeria, small and medium and small scale enterprises (SMEs) fold-up as fast as they are established, this may not be unconnected with their inability to make establishment based on sound market information. Before an investment decision is made it is necessary to determine whether or not the planned investment idea is feasible. The feasibility of an investment has to be considered with respect to several different aspects in order to determine whether the investment
should be realized or not. Carrying out a feasibility analysis is therefore one of the most critical steps in the decision-making process.

A feasibility analysis is an effective analytical tool that can be used to evaluate investments from various perspectives, e.g. technical, social, legal, financial, market, and organizational. Financial feasibility is often a predominant factor in feasibility analysis, as most investments are not realized if they do not generate profit for the venture owners. Importantly, precision and reliability of a feasibility document is determined by the accuracy of information used in the analysis. Since market situations is always changing, it behooves on the promoters of SMEs to seek current and complete information about the market, this can only be achieved through a well designed feasibility study. In this study, we shall take feasibility study to mean a systematic review of the current market situation in order to ascertain the viability of an intended venture.

“viability” is the ability of the business to generate enough cash inflow to support the survival and growth of such venture. Onyegbu (2007) sees feasibility study as a study that helps in taking business management decision on whether to accept, modify or reject a business project based on the analysis of the projects’ merits and demerits. Feasibility study is a comprehensive pre-investment examination of all factors and issues surrounding a contemplated investment plan to determine its practicability and profitability. It establishes the chances of success of an investment opportunity. Thus, Hofstrand and Holz-Clause (2009) noted that the feasibility study focuses on helping answer the essential question of “Should we proceed with the proposed business project?” All activities of the study are directed toward helping answer this question. In this study therefore, we shall investigate how management of SMEs can leverage on feasibility study to drive their growth and overall performance. The areas of organizational growth and performance of interest to this study includes; market growth, efficiency and innovativeness.

Statement of the Problem
The starting of a new SME presupposes that such venture will have to compete with already existing firms in that industry for a share of the market. The quest for SMEs market positioning most times become elusive due to lack of direction and reliable market information. This has crippled their competitiveness and has made their products unattractive, thereby affecting their market growth. Moreover, to survive in a harsh business environment like Nigeria, SMEs must endeavour to operate with a lean and efficient model. In the absence of feasibility study, SMEs may not be able to discover the strategic advantages they have in the environment, hence may be trapped in wasteful organizational practices. Finally, organizational survival and growth requires that organizations reinvent their products to meet market needs at every given time. It then follows that without feasibility study, SMEs will not be able to read the mind of the market in order to appreciate market trends that call for innovation, and this hinders organizational growth and performance.

Objectives of the Study
The general objective of this study is to examine feasibility study as a management tool in encouraging organizational growth and performance, the following specific objectives shall be the focus of this paper
i. Examine feasibility study as a tool to enhanced market growth
ii. Examine feasibility study as a tool to encouraging innovativeness in SMEs
Research Questions
This study is guided by the following questions;

i. What are the roles of feasibility study as a tool to enhanced market growth in SMEs?

ii. What are the roles of feasibility study as a tool to encouraging innovativeness in SMEs?

Hypotheses

H_{01}: \text{feasibility study does not play any significant role in SMEs market growth}

H_{02}: \text{feasibility study does not play any significant role in encouraging innovativeness in SMEs}

REVIEW OF RELATED LITERATURE

Feasibility Study

A feasibility study is designed to provide an overview of the primary issues related to a business idea. The purpose is to identify any “make or break” issues that would prevent your business from being successful in the marketplace. In other words, a feasibility study determines whether the business idea makes sense. In the view of O’Brien & Marakas (2011), a feasibility study evaluates the project's potential for success; therefore, perceived objectivity is an important factor in the credibility of the study for potential investors and lending institutions. It must therefore be conducted with an objective, unbiased approach to provide information upon which decisions can be based. Georgakellos & Marcis (2009), posits that a well-designed feasibility study should provide a historical background of the business or project, a description of the product or service, accounting statements, details of the operations and management, marketing research and policies, financial data, legal requirements and tax obligations.

Adidu and Olaniyi (2006) opined that a good feasibility study helps to determine the viability of a proposed business and the risks associated with it, enables the entrepreneur to reject or accept a business before starting it, reveals if there is market for the proposed business and examines more on marketing requirements of the business ventures, guides the implementation of the business plan, helps in determining the sources of financing the business, reveals the machines, facilities and equipment needed for the proposed business, helps determining the number and nature of staff required for the work of the business and helps in identifying those factors that will create unusual high risks and probability of failure or loss.

Similarly, Hofstrand and Holz-Clause (2009) added that feasibility study gives focus to the proposed business and outline alternatives, identify new opportunities through the investigation process, identifies reasons not to proceed with the proposed business, provides documentation that the business idea was thoroughly investigated and helps attract equity investment. The feasibility study is a critical step in the business assessment process. If properly conducted, it may be the best investment ever made.

To conduct a meaningful feasibility study requires certain skills and competencies. These skills cover the different aspects of the study. Thus, Ifechukwu (2006) identified the following as the types of skills required for conducting a good feasibility study: environmental analytical skills, market analysis skill, technical analysis skills, economic analysis skills and financial analysis skills. Environmental analysis skill according to Inegbenebor (2006) is the ability to examine the
business environment in terms of the legal requirements, location, social factors, government support and regulation among others. Market analysis skill is the ability to examine the target market (customers), suitability of the product for the target market, existing competitors (their strengths and weaknesses), pricing system, and product delivery and extension services among others. Technical analysis skill is the ability needed to assess issues like product design and production process, machines and equipment to be selected, sources of raw materials, number of technical staff needed among others. Financial analysis skill is the ability to examine the inflow and outflow of cash, cost implication, capital requirements, sources of capital, return on investment among others. A well prepared feasibility study covers at least all the aspects of mentioned above although there are other areas.

Importance of Feasibility Study to SMEs

Feasibility study has become a very valuable tool for potential investors, industrialists, bankers, suppliers and others to ensuring that the business concept is technically, financially, socially, economically, legally and profitably sound before investing in it. Hofstrand and Holz-Clause, (2009) put forward a number of reasons to conduct a financial feasibility study:

• Gives focus to the project and outline alternatives;
• Narrows business alternatives;
• Identifies new opportunities through the investigative process;
• Identifies reasons not to proceed with the project;
• Enhances the probability of success by addressing and mitigating factors early on that could affect the project;
• Provides quality information for decision making;
• Provides documentation that the business venture was thoroughly investigated;
• Helps in securing funding from lending institutions and other monetary sources;
• Helps to attract equity investment.

Feasibility studies should be conducted before proceeding with the development of a business idea, and that also applies for financial feasibility analysis. Determining early that a business idea is not financially feasible can prevent loss of money and waste of valuable time. The results from the feasibility study should outline the various scenarios examined and the implications, strengths and weaknesses of each (Hofstrand and Holz-Clause, 2009). Financial feasibility analysis is usually done during the project planning process and the results indicate how the project will perform under a specific set of assumptions regarding technology, market conditions and financial aspects. The study is the first time in a project development process that these assumptions are studied to see if together they create a technically and economically feasible concept. It also illustrates the sensitivity of the business to changes in these basic assumptions. Knowing which assumptions are sensitive to changes can help the analysts to decide which parts of the analysis might need to be examined in more detail in order to get the best estimate on the financial feasibility as possible (Helfert, 2001) Analyzing the feasibility of a venture is an essential part of the decision making process. Even though the analysis is used on the first stages of the decision-making process as a screening method, the analysis should also be used throughout the process and should be updated every time any of the assumptions it is based on changes. As Bennet (2003) puts it, if the results of the analysis show that the proposed venture
does not meet the return on investment requirements of the investor, the business idea is discarded. It is therefore very important to regularly update the analysis and verify that, given the newest information, the venture is financially feasible.

Components of a Feasibility Study

The acronym TELOS is often used to capture the five areas of feasibility - Technical, Economic, Legal, Operational, and Scheduling.

**Technical feasibility:** According to O’Brien & Marakas (2011), this assessment is based on an outline design of system requirements, to determine whether the company has the technical expertise to handle completion of the project. When writing a feasibility report, the following should be taken into consideration:

- A brief description of the business to assess more possible factors which could affect the study
- The part of the business being examined
- The human and economic factor
- The possible solutions to the problem

At this level, the concern is whether the proposal is both technically and legally feasible (assuming moderate cost). The technical feasibility assessment is focused on gaining an understanding of the present technical resources of the organization and their applicability to the expected needs of the proposed system. It is an evaluation of the hardware and software and how it meets the need of the proposed system.

**Economic feasibility:** The purpose of the economic feasibility assessment is to determine the positive economic benefits to the organization that the proposed system will provide. It includes quantification and identification of all the benefits expected. This assessment typically involves a cost/benefit analysis.

**Legal feasibility:** Determines whether the proposed system conflicts with legal requirements, e.g. a data processing system must comply with the local data protection regulations.

**Operational feasibility:** Operational feasibility is a measure of how well a proposed system solves the problems, and takes advantage of the opportunities identified during scope definition and how it satisfies the requirements identified in the requirements analysis phase of system development (Bentley & Whitten, 2007). The operational feasibility assessment focuses on the degree to which the proposed development projects fits in with the existing business environment and objectives with regard to development schedule, delivery date, corporate culture, and existing business processes. Benjamin & Wolt (2010) posits that to ensure success, desired operational outcomes must be imparted during design and development. These include such design-dependent parameters such as reliability, maintainability, supportability, usability, producibility, disposability, sustainability, affordability and others. These parameters are required to be considered at the early stages of design if desired operational behaviors are to be
realized. A system design and development requires appropriate and timely application of engineering and management efforts to meet the previously mentioned parameters. A system may serve its intended purpose most effectively when its technical and operating characteristics are engineered into the design. Therefore, operational feasibility is a critical aspect of systems engineering that needs to be an integral part of the early design phases.

**Schedule feasibility:** A venture will fail if it takes too long to be completed before it is useful. Typically this means estimating how long the system will take to develop, and if it can be completed in a given time period using some methods like payback period. Schedule feasibility is a measure of how reasonable the venture timetable is. Given our technical expertise, are the ventures deadlines reasonable? Some ventures are initiated with specific deadlines. It is necessary to determine whether the deadlines are mandatory or desirable.

According to Michele (2008), other feasibility factors include;

**Market feasibility:** Market feasibility studies typically involve testing geographic locations for a real estate development project, and usually involve parcels of real estate land. Developers often conduct market studies to determine the best location within a jurisdiction, and to test alternative land uses for given parcels. Jurisdictions often require developers to complete feasibility studies before they will approve a permit application for retail, commercial, industrial, manufacturing, housing, office or mixed-use project. Market Feasibility takes into account the importance of the business in the selected area.

**Resource feasibility:** This involves questions such as how much time is available to build the new system, when it can be built, whether it interferes with normal business operations, type and amount of resources required, dependencies, and developmental procedures with company revenue prospectus.

**Financial feasibility:** In case of a new project, financial viability can be judged on the following parameters:

- Total estimated cost of the project
- Financing of the project in terms of its capital structure, debt to equity ratio and promoter's share of total cost
- Existing investment by the promoter in any other business
- Projected cash flow and profitability

The financial viability of a project should provide the following information:

- Full details of the assets to be financed and how liquid those assets are.
- Rate of conversion to cash-liquidity (i.e. how easily can the various assets be converted to cash?).
- Project’s funding potential and repayment terms.
- Sensitivity in the repayments capability to the following factors:
  - Time delays.
Organizational Growth

Generally organizational growth is defined as an increase in the level of sales/service provision and/or number of employees (Weinzierl et al, 1998). Dalton (2006) divided organizational growth into two clusters of organic/internal and nonorganic/external growth. Organic or internal growth is considered as the core growth of an organization which is a result of the effectiveness of organizational procedures and policies. On the other hand, external/nonorganic growth reflects any scale increases from external elements. Non-organic growth is an expansion through takeovers, acquisitions, or mergers. Generally, an organization considers a non-organic growth policy after sustaining an internal growth and empowering the organizational procedures for a certain period of time. Thus, the nature of organizational growth in the start-up stage of organizations is rarely a non-organic one.

Innovativeness

METHODODOLOGY

The survey research method was adopted in this study. A sample of 9 SMEs was randomly selected from six out of the nine Local Government Areas in Owerri Zone. A sample of 30 top management staff members was obtained by employing the purposive sampling technique. The data gathered was analyzed using one sample t-test which is described as:

\[ t = \frac{\bar{X} - \mu}{S\sqrt{n}} \]
T-TEST GROUPS=FS(1 2)
/MISSING=ANALYSIS
/VARIABLES=MKTGR EFF INN
/Criteria=CI(.95).

T-Test

T-test output for hypothesis One

<table>
<thead>
<tr>
<th>One-Sample Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>N</td>
</tr>
<tr>
<td>----</td>
</tr>
<tr>
<td>VAR0000 1</td>
</tr>
<tr>
<td>VAR0000 2</td>
</tr>
<tr>
<td>VAR0000 3</td>
</tr>
<tr>
<td>VAR0000 4</td>
</tr>
</tbody>
</table>

a. t cannot be computed because the sum of caseweights is less than or equal 1.
b. t cannot be computed. There are no valid cases for this analysis because all caseweights are not positive.

<table>
<thead>
<tr>
<th>One-Sample Test</th>
</tr>
</thead>
<tbody>
<tr>
<td>Test Value = 0</td>
</tr>
<tr>
<td>t</td>
</tr>
<tr>
<td>----</td>
</tr>
<tr>
<td>VAR0000 1</td>
</tr>
<tr>
<td>VAR0000 2</td>
</tr>
</tbody>
</table>

T-test output for hypothesis Two
One-Sample Statistics

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Std. Error Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>VAR0000 1</td>
<td>10</td>
<td>1.5000</td>
<td>.52705</td>
<td>.16667</td>
</tr>
<tr>
<td>VAR0000 2</td>
<td>10</td>
<td>6.0000</td>
<td>3.43188</td>
<td>1.08525</td>
</tr>
<tr>
<td>VAR0000 3</td>
<td>0a,b</td>
<td>.</td>
<td>.</td>
<td>.</td>
</tr>
<tr>
<td>VAR0000 4</td>
<td>0a,b</td>
<td>.</td>
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</tr>
</tbody>
</table>

a. t cannot be computed because the sum of case weights is less than or equal 1.
b. t cannot be computed. There are no valid cases for this analysis because all case weights are not positive.

One-Sample Test

<table>
<thead>
<tr>
<th></th>
<th>t</th>
<th>Df</th>
<th>Sig. (2-tailed)</th>
<th>Mean Difference</th>
<th>95% Confidence Interval of the Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mean</td>
<td>Difference</td>
<td>Lower</td>
<td>Upper</td>
<td></td>
</tr>
<tr>
<td>VAR0000 1</td>
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<td>1.5000</td>
<td>1.1230</td>
<td>1.8770</td>
<td></td>
</tr>
<tr>
<td>VAR0000 2</td>
<td>5.529</td>
<td>6.0000</td>
<td>3.5450</td>
<td>8.4550</td>
<td></td>
</tr>
</tbody>
</table>

Discussion of Results: from the result obtained in the tables above the p-value (sig.2-tailed) produced 0.000, 0.000 and 0.000 in all the three. This implies that the t-calculated is lesser than t-tabulated (i.e 0.000<0.05). We therefore reject the null hypothesis, this suggests that market growth, and efficiency and innovativeness as proxies of organizational growth and performance can be enhanced by leveraging on feasibility study as a management tool.

CONCLUSIONS

Sequel to the findings in this study, this paper concludes that Feasibility study is a meaningful management tool in advancing the growth and performance of SMEs

RECOMMENDATIONS

The paper recommends that;

i. SMEs should be encouraged to undertake feasibility study when making investment decisions
ii. Government should help SMEs in the area of documenting reliable market information. This can make feasibility study easy, thereby increasing their interest in it.

iii. In order to maximize the benefit of feasibility study, managers of SMEs should engage in constant environmental surveillance and scanning in order to identify the changing trends and update their feasibility report as supposed

REFERENCES


