

# Issues, Challenges and Prospects of Small and Medium Scale Enterprises (SMEs) in Port-Harcourt City, Nigeria

By

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## **Abstract**

The paper discussed Issues, Challenges and Prospects of Small and Medium Scale Enterprises (SMEs) in Port-Harcourt City, Nigeria. This was informed by the high rate of unemployment in the society and the poor performance of SMEs in employment generation. While the research questions addressed the extent to which poor financing, inadequate social infrastructures, lack of managerial skills and multiple taxation constitute major challenges in the performance of SMEs between October 2012 and November 2013, it assumes that government intervention through the provision of financial assistance, social infrastructures and favorable taxation policies will reverse the trend. The paper adopted a descriptive research design using 120 randomly selected registered operators of SMEs in Port-Harcourt City. Data collected were analyzed using descriptive statistics while formulated hypotheses were tested using z-test. Results from the data analysis indicated that poor financing, inadequate social infrastructures, lack of managerial skills and multiple taxation were major challenges confronting SMEs in Port-Harcourt City, thus recommended: provision of soft loans to SMEs operators, government guaranteeing of long-term loans to SMEs operators, establishment of SMEs funding agency, public/private sector partnership in infrastructural provision, capacity building for SMEs operators and provision of tax incentives for SMEs operators.

*Keywords:* Small and Medium Scale Enterprises, SME operators, Port-Harcourt City, Nigeria.

## **1. Introduction**

Small and medium scale enterprises (SMEs) are generally regarded as the engine of economic growth and equitable development in developing economies. They are labour intensive, capital saving and capable of helping create most of the one billion new jobs the world will need by the end of the century [1]. They are also perceived as the key to Nigeria's economic growth, poverty alleviation and employment generation. But their

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unimpressive performance in employment generation in recent years has generated a lot of research interests on their challenges and prospects.

After Nigeria's independence in 1960, much emphasis has been laid on the growth of small and medium scale industries as a means of reducing the incidence of poverty and unemployment in the country. Since the adoption of the economic reform programme in 1986, there has been a decisive shift from grandiose, capital intensive and large scale industrial projects based on import substitution to small scale industries with immense potentials for developing domestic linkages for sustainable industrial development.

Apart from SMEs potential for self-reliant industrialization using local raw materials, they are in a better position to boost employment, guarantee even distribution of industrial development and facilitate the growth of non-oil exports. Fissaeha [2], states that SMEs employ 22% of the adult population in developing countries while Fabayo [3] observed that small firms are major source of employment opportunities for a wide cross-section of the workforce: the young, old part-time workers and the cyclically unemployed. Kombo, etal [4], submitted that "SMEs have contributed greatly to the growth of Kenyan economy, accounting for 12-14% of GDP, through creating employment opportunities, training entrepreneurs, generating income and providing a source of livelihood for the majority of low income households in the country".

Hence, promotion of such enterprises in developing economies like Nigeria will bring about great distribution of income and wealth, economic self-dependence, entrepreneurial development and a host of other positive economic uplifting factors [5].

SMEs are veritable engines for attainment of national objective in terms of employment generation at low investment cost, development of entrepreneurial capabilities and indigenous technology. They reduce the flow of people from rural to urban areas and can easily be established with minimal skill. They also contribute substantially to the country's gross domestic product, export earnings and development of employment opportunities.

Most SMEs in Port-Harcourt city operate as family/sole proprietorship business and are generally classified into commercial, industrial and agricultural categories depending on their activities though commercial SMEs constitute more than 90% of the entire number. There are 1,200 registered SMEs in Port-Harcourt city offering various products/services to the general public. Because, SMEs can be established with minimal capital/registration/managerial skill, there are in the most vantage position for employment generation and promotion of entrepreneurial capacity at the local level.

Despite the presence of many SMEs in Port-Harcourt city, the high rate of unemployment (28%) in a population of 157,791,115 persons suggests that these SMEs are experiencing some major challenges that are hindering their performance. It is against this background that it becomes pertinent to discuss the issues, challenges and prospects of small and medium scale enterprises (SMEs) in Port-Harcourt City.

### **1.1. Statement of the Problem**

Most SMEs in Nigeria die within their first five years of existence, a smaller percentage goes into extinction between the sixth and tenth year while only about five to ten percent survive, thrive and grow to maturity [6]. Many factors have been identified contributing to this premature death of SMEs. Key among them include: insufficient capital, irregular

power supply, infrastructural inadequacies (water, roads etc.), lack of focus, inadequate market research, over-concentration on one or two markets for finished products, lack of succession plan, inexperience, lack of proper book keeping, lack of proper records or lack of any records at all, inability to separate business and family or personal finances, lack of business strategy, inability to distinguish between revenue and profit, inability to procure the right plant and machinery, inability to engage or employ the right caliber of staff, cut-throat competition[7].

Beckman [8] contend that most of the problems of SMEs are external to it, among them are those related to capital shortage, taxation and regulations, product liability patent and franchising abuses. The internal problems of SMEs in Nigeria include: inadequate working capital, stiff competition from larger companies, difficulties in sourcing raw materials, low capacity utilization, lack of management strategies, poor educational background of operators, and huge financial problems while the external problems include: policy inconsistencies, multiple taxation, harsh regulatory requirements and trade groups[9]. It is also important to note that SMEs in Port-Harcourt City are not immune from the aforementioned challenges in their day to day operations hence it becomes necessary to embark on a study that investigates the issues, challenges and prospects of small and medium scale enterprises in Port-Harcourt City.

## 1.2. Research Objectives

The research objectives are as follows:

1. To determine whether poor financing constitute a major challenge in the performance of SMEs in Port-Harcourt City.
2. To ascertain whether inadequate social infrastructures constitute a major challenge in the performance of SMEs in Port-Harcourt City.
3. To determine whether lack of managerial skills constitute a major challenge in the performance of SMEs in Port-Harcourt City.
4. To ascertain whether multiple taxation constitute a major challenge in the performance of SMEs in Port-Harcourt City.

## 1.3. Research Questions

From the above research objectives, the following research questions were formulated:

1. Does poor financing constitute a major challenge in the performance of SMEs in Port-Harcourt City?
2. Do inadequate social infrastructures constitute a major challenge in the performance of SMEs in Port-Harcourt City?
3. Does lack of managerial skills constitute a major challenge in the performance of SMEs in Port-Harcourt City?
4. Does multiple taxation constitute a major challenge in the performance of SMEs in Port-Harcourt City?

## 1.4. Research Hypotheses

In view of the above research questions, the following null hypotheses were formulated:

1.  $H_0$ : Poor financing does not constitute a major challenge in the performance of SMEs in Port-Harcourt City.

2.H<sub>0</sub>: Inadequate social infrastructures do not constitute a major challenge in the performance of SMEs in Port-Harcourt City.

3.H<sub>0</sub>: Lack of managerial skills does not constitute a major challenge in the performance of SMEs in Port-Harcourt City.

4.H<sub>0</sub>: Multiple taxation does not constitute a major challenge in the performance of SMEs in Port-Harcourt City.

### 1.5. Literature Review

Small and medium enterprises (SMEs) are considered the backbone of economic growth in all countries [10]. They play an important role in Nigerian's economic growth, as they constitute 97.2% of the companies in Nigeria [11]. They also contribute to national development by positively influencing the distribution of income in both functional and nominal terms [12].

In emphasizing the importance of SMEs, Rogers[13] stated that: they enhance capacity building as they serve as entrepreneurial training avenues; they create more employment opportunities per unit of investment because of their labour intensive operations; they achieve a much more relative high value added operations because they are propelled by basic economic activities that depend mostly on locally sourced raw materials; they provide feeder industry services as they serve as major suppliers of intermediate goods and components to large-scale industries as well as major agents for the distribution of final products of such industries; they provide opportunities for the development of local skills and technology acquisition through adaptation. Despite the catalytic role of SMEs in the economic emancipation of countries, some of their major operational challenges in Nigeria Include:

**Financial Problems:** About 80% of Small and medium enterprises are stifled because of poor financing and other associated problems [14]. The problem of financing SMEs is not so much the sources of funds but its accessibility. Factors identified inhibiting funds accessibility are the stringent conditions set by financial institutions, lack of adequate collateral and credit information and cost of accessing funds [15]. Harper [16] believes that the capital shortage problem in the small firm sector is partly one, which stems for the uneconomic deployment of available resources by the owner-managers. This view was shared by Ihyembe [17] who claimed to have seen businessmen take loan for expansion projects only to turnaround to marry new wives, acquire chieftaincy titles or buy houses abroad. Bruch and Hiemenz [18] in a study of SMEs in Asia observed that financing working capital needs was the most frequently mentioned problem. Binks and Ennew [19] expressed the view that the funding problem of SMEs is primarily due to the behavior of banks and imperfection of the capital markets.

**Management Problems:** Lack of trained manpower and management skills also constitute a major challenge to the survival of SMEs in Nigeria. According to West and Wood [20], "...90% of all these business failures result from lack of experience and competence." Rogers [13], also added that inefficiency in overall business management and poor record keeping is also a major feature of most SMEs; technical problems/competence and lack of essential and required expertise in production, procurement, maintenance, marketing and finances have always led to funds misapplication, wrong and costly decision making.

***Inadequate Basic Infrastructure:*** Government has not done enough to create the best conducive environment for the striving of SMEs, the problem of infrastructures ranges from shortage of water supply, inadequate transport systems, lack of electricity to improper solid waste management. Nigeria's underdeveloped physical and social infrastructures create a binding constraint to SMEs growth, since; they heavily rely on the inefficiently provided state infrastructures and cannot afford the cost of developing alternatives [21].

***Socio-Cultural Problems:*** Most Nigerian Entrepreneurs do not have the investment culture of ploughing back profits. Bala [22] stressed that the attitude of a typical Nigerian entrepreneur is to invest today and reap tomorrow. Also, the socio-political ambitions of some entrepreneurs may lead to the diversion of valuable funds and energy from business to social waste. The problem of bias against made in Nigeria goods is significant. Most Nigerians have developed a high propensity for the consumption of foreign goods as against their locally made substitutes.

***Strategic Planning Problems:*** SMEs often do not carry out proper strategic planning in their operations. Ojiako [23] stated that one problem of SMEs is lack of strategic planning. Sound planning is a necessary input to a sound decision-making.

***Location/Economic Problems:*** Market stores are dominated by absentee landlords who charge exorbitant rates. The ownership of market stores by politicians is crowding real small-scale operators out of the market. The high rents charged by store owners on good locations have forced real small-scale operators into the streets or at best into accessible places [24]. Also, domestic economic problems of deregulation and removal of protection as well as the global financial crisis have been detrimental to SMEs.

***Poor Accounting System:*** The accounting system of most SMEs lack standards hence, no proper assessment of their performances. This creates opportunity for mismanagement and eventually leads to the downfall of the establishment.

***Multiple taxation:*** This has become a major problem especially given the role of tax consultants and agents hired by local governments. They are often crude in their operation, excessive in their assessment and destructive in their relationship with the production process. They tax everything in their bid to generate revenue without considering the net effect to household incomes and employment.

***Unstable policy environment:*** Instability in government policies have caused some SMEs to collapse. One of such policies is that of the 1980s when government specified that cocoa should not be exported in raw or unprocessed form after a specified deadline. Many SMEs had to import machineries only for government to reverse this policy. This negatively affected so many SMEs in the cocoa industry.

The present high mortality rate of SMEs in Nigeria is awful to contemplate and constitute danger to the entire economic system. It represents serious financial pressure on the nation's economy as well as a waste of valuable resources. The business owner should always consider challenging situations and be prepared to meet them with pre-planned strategies [25]. The survival of SMEs is only possible through a systematic analysis of the problems they are facing and mapping out appropriate strategies of overcoming them, through a proper understanding of the business environment [26].

For a business to survive in unfriendly environmental conditions it should adopt a strategy that utilizes its strengths to exploit opportunities while avoiding its weaknesses

[27]. Nwoye [28], argued that strategic changes might take place in a firm without initial formulations, such decision could be informed by expansion strategy, preference to cash sales policy, innovation strategy, change in production techniques, local sourcing or use of alternative materials, backward integration and merger. Thus, any entrepreneur who wants to succeed must identify business opportunities, be creative, visionary, daring, risk taking, courageous and sensitive to changes in the business environment.

### **1.6. Conceptual Framework**

SMEs in Nigeria are seen as the backbone of the economy and a key source of economic growth, dynamism and flexibility. A study done by the Federal Office of Statistics shows that 97% of all businesses in Nigeria employs less than 100 employees, implying that 97% of all businesses in Nigeria are "small businesses". The SME sector provides, on average, 50% of Nigeria's employment and 50% of its industrial output [11]. Indeed, there appears to be an agreement that the development of SMEs in Nigeria is a step towards building a vibrant and diversified economy [29].

The definition of SMEs depends mainly on the level of development of the country. In most developed market economies like the United States of America (USA), U.K. and Canada the definition criterion adopted a mixture of annual turnover and employment levels. In Nigeria, the Small and Medium Industries Enterprises Investment Scheme (SMIEIS) defines SME as any enterprise with a maximum asset base of N200 million excluding land and working capital and with a number of staff employed not less than 10 or more than 300. Nwokoye [30] defines Small and Medium-Scale business as "any enterprise employing between five and one hundred workers with an annual turnover of about four hundred thousand Naira (N400, 000). The Federal Ministry of Commerce and Industry defines SMEs as firms with a total investment (excluding cost of land but including capital) of up to N750, 000, and paid employment of up to fifty (50) persons.

SMEs exist in the form of sole proprietorship and partnership, though some could be registered as limited liability companies and characterized by: simple management structure, informal employer/employee relationship, labour intensive operation, simple technology, fusion of ownership and management and limited access to capital. The seven major sources of funding available to SMEs in Nigeria include: personal resources, family and friends, partners or business associates, informal financial markets, banks, specialized funding facilities e.g. NERFUND and specialized financial institutions e.g. NBCI, BOI, NIDB etc.[31]. Their role in economic development includes: technological/industrial development, employment generation, technology acquisition, capacity building, promotion of economic growth, increased standard of living, industrial dispersal or spread, servicing of large-scale industries, export promotion, structural transformation of rural areas, flexibility and low take-off requirements [32].

### **1.7. Theoretical Framework**

This research is based on the active learning model of Erickson and Pakes [33] which states that a firm explores its economic environment actively and invests to enhance its growth under competitive pressure from both within and outside the firm. The potential and actual growth changes over time in response to the outcomes of the firm's own investment and those of other actors in the same market. According to this model of

learning, owners or managers of SMEs could raise their efficiency through formal education and training that increases their endowments while government may support their activities through the creation of the enabling environment.

Entrepreneurs or managers of SMEs with higher formal education, work experience, training and government assistance would therefore be expected to grow faster than those without these qualities. This implies that SMEs in Nigeria have prospects of experiencing growth and contributing meaningfully to employment generation only when appropriate investments are made into them by all the stakeholders. This could best be achieved by government intervention through the provision of financial assistance, social infrastructures, capacity building of SME operators and favourable taxation policies.

## **2. Materials and Methods**

The scope of this research is limited to the 120 randomly selected operators of SMEs in Port-Harcourt city. It is assumed that responses obtained from the sample respondents would be representative of the opinions of all SME operators in the city while the duration of study is between October 2012 and November 2013. The study adopted a cross sectional survey research design using 120 randomly selected operators of SMEs in Port-Harcourt city for the purpose of questionnaire administration. The population of study consists of the 1,200 registered operators of SMEs in Port-Harcourt city while the sample size of 120 was judgmentally determined from 10% of the population size. The sample respondents were selected using shuffling of cards method (without replacement) in which each registered SME operator's name was written on a small card and the name on the topmost card was selected each time, the cards were shuffled until all the sample respondents were selected. Data collected were presented using tables, analyzed using non-parametric simple percentages while the z-test statistical technique was used in confirming stated hypotheses. A total of 120 copies of the questionnaire were administered, 10(8.33%) were not returned while 110(91.67%) were used for the analysis.

## **3. Results and Discussion**

### **3.1 Distribution of Responses on Research Questions**

#### **3.1.1 Question number 1**

Does poor financing constitute a major challenge in the performance of SMEs in Port-Harcourt City? Table 1, indicates that a total of 70 i.e. 63.64% of the respondents were of the opinion that poor financing to a large extent constitute a major challenge in the performance of SMEs in Port-Harcourt City, 30 i.e. 27.27% of the respondents expressed a mild extent opinion while 10 respondents i.e. 9.09% expressed a poor extent view that poor financing constitute a major challenge in the performance of SMEs in Port-Harcourt City. We therefore conclude that poor financing constitute a major challenge in the performance of SMEs in Port-Harcourt City as evidenced by the 63.64% large extent response of the sample respondents. This conclusion is buttressed by the observation of Fatai [14], that about 80% of small and medium enterprises in Nigeria are

stifled because of poor financing and other associated problems. Also, Bruch and Hiemenz [18] in a study of SMEs in Asia observed that financing working capital needs was the most frequently mentioned problem.

**Table 1.** Response Pattern on whether poor financing constitute a major challenge in the performance of SMEs in Port-Harcourt City

Responses Provided	Number of Respondents	Percentage of Respondents
Large Extent	70	63.64%
Mild Extent	30	27.27%
Poor Extent	10	9.09%
Total	110	100%

Source: Field Survey, 2013.

### **3.1.2 Question number 2**

Do inadequate social infrastructures constitute a major challenge in the performance of SMEs in Port-Harcourt City? Table 2, shows that a total of 80 i.e. 72.73% of the respondents were of the view that inadequate social infrastructures to a large extent constitute a major challenge in the performance of SMEs in Port-Harcourt City, 25 i.e. 22.73% of the respondents expressed a mild extent opinion while 5 respondents i.e. 4.54% expressed a poor extent opinion. We therefore conclude that inadequate social infrastructures constitute a major challenge in the performance of SMEs in Port-Harcourt City as evidenced by the 72.73% large extent response of the sample respondents. This conclusion is buttressed by the observation of Tendler and Amorim [21], that Nigeria's underdeveloped physical and social infrastructures create a binding constraint to SMEs growth.

**Table 2.** Response Pattern on whether inadequate social infrastructures constitute a major challenge in the performance of SMEs in Port-Harcourt City

Responses Provided	Number of Respondents	Percentage of Respondents
Large Extent	80	72.73%
Mild Extent	25	22.73%
Poor Extent	5	4.54%
Total	110	100%

Source: Field Survey, 2013.

### **3.1.3 Question number 3**

Does lack of managerial skills constitute a major challenge in the performance of SMEs in Port-Harcourt City? Table 3, shows that a total of 68 i.e. 61.82% of the respondents were of the opinion that lack of managerial skills to a large extent constitute a major challenge in the performance of SMEs in Port-Harcourt City, 27 i.e. 24.55% of the respondents expressed a mild extent opinion while 15 respondents i.e. 13.63% expressed a poor extent opinion. We therefore conclude that lack of managerial skills constitute a major challenge in the performance of SMEs in Port-Harcourt City as evidenced by the 61.82% large extent response of the sample respondents. This conclusion is buttressed by the observation of West and Wood [20], that 90% of all these business failures result from lack of experience and competence.



**Table 3.** Response Pattern on whether lack of managerial skills constitutes a major challenge in the performance of SMEs in Port-Harcourt City

Responses Provided	Number of Respondents	Percentage of Respondents
Large Extent	68	61.82%
Mild Extent	27	24.55%
Poor Extent	15	13.63%
Total	110	100%

Source: Field Survey, 2013.

### 3.1.4 Question number 4

Does multiple taxation constitute a major challenge in the performance of SMEs in Port-Harcourt City? Table 4, indicates that a total of 75 i.e. 68.18% of the respondents were of the opinion that multiple taxation to a large extent constitute a major challenge in the performance of SMEs in Port-Harcourt City, 25 i.e.22.73%of the respondents expressed a mild extent opinion while 10 respondents i.e.9.09% expressed a poor extent opinion. We therefore conclude that multiple taxation constitutes a major challenge in the performance of SMEs in Port-Harcourt City as evidenced by the 68.18% large extent response of the sample respondents.

**Table4.** Response Pattern on whether multiple taxation constitutes a major challenge in the performance of SMEs in Port-Harcourt City

Responses Provided	Number of Respondents	Percentage of Respondents
Large Extent	75	68.18%
Mild Extent	25	22.73%
Poor Extent	10	9.09%
Total	110	100%

Source: Field Survey, 2013.

### 3.2 Test of the First Hypothesis

**H<sub>0</sub>:** Poor financing does not constitute a major challenge in the performance of SMEs in Port-Harcourt City.

**H<sub>1</sub>:** Poor financing constitutes a major challenge in the performance of SMEs in Port-Harcourt City.

As shown in appendix 1 the calculated  $Z = 5.87$  is greater than the critical  $Z = 1.96$ . Hence, the null hypothesis is rejected while the alternative is accepted. This shows that poor financing constitutes a major challenge in the performance of SMEs in Port-Harcourt City.

### 3.3 Test of the Second Hypothesis

**H<sub>0</sub>:** Inadequate social infrastructures do not constitute a major challenge in the performance of SMEs in Port-Harcourt City.

**H<sub>1</sub>:** Inadequate social infrastructures constitute a major challenge in the performance of SMEs in Port-Harcourt City.

As shown in appendix 2 the calculated  $Z = 9.54$  is greater than the critical  $Z = 1.96$ . We thereby reject the null hypothesis and accept the alternative hypothesis. This shows that

inadequate social infrastructures constitute a major challenge in the performance of SMEs in Port-Harcourt City.

### 3.4 Test of the Third Hypothesis

**H<sub>0</sub>:** Lack of managerial skills does not constitute a major challenge in the performance of SMEs in Port-Harcourt City.

**H<sub>1</sub>:** Lack of managerial skills constitutes a major challenge in the performance of SMEs in Port-Harcourt City.

As shown in appendix 3 the calculated  $Z = 4.96$  is greater than the critical  $Z = 1.96$ . We thereby reject the null hypothesis while the alternative is accepted. This shows that lack of managerial skills constitutes a major challenge in the performance of SMEs in Port-Harcourt City.

### 3.5 Test of the Fourth Hypothesis

**H<sub>0</sub>:** Multiple taxation does not constitute a major challenge in the performance of SMEs in Port-Harcourt City.

**H<sub>1</sub>:** Multiple taxation constitutes a major challenge in the performance of SMEs in Port-Harcourt City.

As shown in appendix 4 the calculated  $Z = 7.63$  is greater than the critical  $Z = 1.96$ . Hence, the null hypothesis is rejected while the alternative is accepted. This shows that multiple taxation constitutes a major challenge in the performance of SMEs in Port-Harcourt City.

## 4. Conclusion and Recommendations

The paper discussed issues, challenges and prospects of small and medium scale enterprises (SMEs) in Port-Harcourt City, Nigeria. It assumes that government intervention through the provision of financial assistance, social infrastructures and favorable taxation policies will go a long in addressing the major challenges of SMEs. The four major findings of the research are as follows:

- ❖ Poor financing constitutes a major challenge in the performance of SMEs in Port-Harcourt City.
- ❖ Inadequate social infrastructures constitute a major challenge in the performance of SMEs in Port-Harcourt City.
- ❖ Lack of managerial skills constitutes a major challenge in the performance of SMEs in Port-Harcourt City.
- ❖ Multiple taxation constitutes a major challenge in the performance of SMEs in Port-Harcourt City.

Arising from the findings of this paper, it is suggested that Rivers State government should take the following steps to address the major challenges of SMEs in Port-Harcourt City:

**1. Provision of soft loans to SMEs:** Rivers state government should encourage banks in Port-Harcourt City to set aside 20% of their annual profits before tax as soft loans to SMEs at a very low interest rate.

**2. Government guaranteeing of long-term loans to SMEs:** Rivers state government should guarantee long term loans to SMEs in Port-Harcourt City since they lack the necessary collateral to access such funds from financial institutions.

**3. Establishment of SMEs funding agency:** Rivers state government should set up an agency that will assess the working capital requirement of SMEs in Port-Harcourt City and make such funds available to them at a very low interest rate with long term repayment period.

**4. Public/Private sector partnership in infrastructural provision:** Rivers state government should partner with the private sector in the provision of efficient public utilities (power supply, water supply, good transport/communication facilities etc.) in Port-Harcourt city to ensure uninterrupted supply of these public utilities.

**5. Capacity building for SMEs operators:** Rivers state government should liaise with the Port-Harcourt chamber of commerce and other non-governmental agencies in the organization of regular training programmes/seminars for potential and actual SME operators, where they should be educated on how to plan, organize, direct and control their businesses.

**6. Provision of tax incentives for SMEs operators:** Rivers state government should abolish multiple taxation of SMEs operators in Port-Harcourt city. The use of private revenue contractors/task force in the assessment/collection of taxes from SME operators should be discouraged.

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### Competing Interests

The authors have declared that no competing interests exist.

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### Appendix 1

#### Computation of calculated Z for the first hypothesis

From table 1, we have

$$P = 70, \quad 63.64\% = 0.6364, P_0 = 0.5, N = 110$$

$$Z = \frac{0.6364 - 0.5}{\frac{0.5(1-0.5)}{\sqrt{110}}} = \frac{0.14}{0.25} * \sqrt{110} = \frac{0.14 * 10.4881}{0.25} = 5.8733$$

$$\mathbf{Z = 5.87}$$

### Appendix 2

#### Computation of calculated Z for the second hypothesis

From table 2, we have

$$P = 80, \quad 72.73\% = 0.7273, P_0 = 0.5, N = 110$$

$$Z = \frac{0.7273 - 0.5}{\frac{0.5(1-0.5)}{\sqrt{110}}} = \frac{0.2273}{0.25} * \sqrt{110} = \frac{0.2273 * 10.4881}{0.25} = 9.5358$$

$$\mathbf{Z = 9.54}$$

### Appendix 3

#### Computation of calculated Z for the third hypothesis

From table 3, we have

$$P = 68, \quad 61.82\% = 0.6182, P_0 = 0.5, N = 110$$

$$Z = \frac{0.6182 - 0.5}{\frac{0.5(1-0.5)}{\sqrt{110}}} = \frac{0.1182}{0.25} * \sqrt{110} = \frac{0.1182 * 10.4881}{0.25} = 4.9588$$

$$\mathbf{Z = 4.96}$$

#### **Appendix 4**

##### **Computation of calculated Z for the fourth hypothesis**

From table 4, we have

$$P = 75, \quad 68.18\% = 0.6818, \quad P_0 = 0.5, \quad N = 110$$

$$Z = \frac{0.6818 - 0.5}{\frac{0.5(1-0.5)}{\sqrt{110}}} = \frac{0.1818 * \sqrt{110}}{0.25} = \frac{0.1818 * 10.4881}{0.25} = 7.6269$$

$$\mathbf{Z = 7.63}$$