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Partnership Business As An Option For Enhancing Economic Development In Nigeria

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Abstract: *Partnership business as an option for enhancing economic development in Nigeria has its inherent challenges. Although partnership is an improved form of running a business when viewed from the angle of sole proprietorship, yet the challenges in partnership business in Nigeria have created a lot of problem in the economic development in Nigeria. This work made use of primary source of data, where as the response to the questions asked were analyzed using ANOVA as the methodology. The findings includes, that there is a problem of inability of the same partners to differentiate the business affairs with their personal affirms due to the result of poor mix, they have been unable to keep personal accurate records. The works concludes that partnership business is still a good form of business, and should be encouraged by educating the partners to guide against artificially created business operations will counts in economic development.*

1. Introduction

Partnership is an improved form of running a business when compared with sole trader, Okafor (2000) but the challenges in partnership business in Nigeria have created a lot of problems in the economic development in Nigeria on the areas which partnership business could have taken care of. Before the advent of the rule in Garmer Vs Murray U.K. 1904 become operational the indebtedness of a partnerships was shared by able partners in their profit or loss sharing ratios of their capital account credit balance as at the last date of their statement of financial position.

Section 1(1) of the Partnership Act 1890 defines a partnership as the relation which subsists between persons carrying on a business in common with a view to make profit. Since economic development could be seen as the efforts that tries to improve the general economic well being and the quality of life for an individual or a community by creating or retaining jobs hence supports or grows incomes thereby enhancing the tax base. Organized partnership business which stands the test of time has a lot to contribute in economic development.

Three (3) ingredients can be identified from the above definition;

(a) There must be a business
(b) The business must be earned on in common
(c) There must be a view of profit

The challenges and the problem in partnership business in Nigeria are as a result of the following reasons of the following reasons.

(i) Inadequate capital
(ii) Inadequate or no agreement that existed between the partners.
(iii) No interest is charge on drawing. The rule in Garnner vs. Murray (U.K 1904) became operational as the indebtedness of a partner's will be shared by other able partners not in their profit and loss sharing ratios but in the ratios of their capital accounts credit balance as at the last balance sheet date. (Atta.http:altevista.digital.com).

2. Partnership Agreement

This can be oral or written and mostly drawn up by a lawyer or a professional accountant (if written) or usually drawn up in the presence of witness if oral. This agreement is known as partnership deed or articles of partnership. This deed tends to lead to fewer possibilities of misunderstandings and disagreement between partners.

3. Contents of the Partnership Deed

a) The nature of the business to be carried on
b) The name of the business
c) Who the partners are
d) The capital to be contributed by each partner
e) The ratio in which profit (or loss) are to be shared
f) The rate of interest (if any) to be given on capital before profit are shared.
g) Right and duties of partners
h) The rate of interest (if any) to be charged on partners drawings
i) Admission of a new partner
j) Dissolution
k) Balances to be paid deserving partners
l) The treat/Trent of goodwill assign on admission or resentments of any partner
m) Access to and custody of partners books of accounts
n) Commencement date
o) Dispute resolution
p) What happen if a partner dies, retires, become bankrupt, medically incapable or insane
q) Hours of work, holidays etc
r) Expulsion of a partner

4. Reason for forming partnership

1. To increase capital
2. To broaden the knowledge and experience available
3. To off©- better service to the public
4. To unite wisdom and experience will youth and vitality
5. To reduce the onerous responsibilities of a one - man business
6. To enable partners rake annual vocation Argus Clearing House (http. www.clearinghouse.net)

5. Conceptual Review

Awoa (2004) sees partnership from the partnership act 1890 as the relation which subsist between persons carrying on a business in common with a view to making profit. Igben (2004) holds that partnership final accounts is much similar to those of a sole trader to a large extent except for the points that partnership prepares an account known as appropriation account, which shows the details of how the net profit or loss of the partnership is allocated to the partners. Also in the presentation of the owners equity on the statement of financial position, a different approach is adopted. Aborode (2004) holds that maximizing loss of partnership business be distributed using profit or loss sharing ratio but any deficit after maximizing loss distribution should attract the rule of Garnner Vs Murray.

Economics development refers to improvement in different indicators like life expectancy, literate rates, standard of living and poverty rate. Although GDP specifically measures economic welfare yet do not take into account some important aspects such as environmental quality, leisure time, social justice and freedom.

Abbott (2003) holds that economic development is often used in a regional sense as being focused on the recruitment of business operations to a region, assisting in the expansion or the retention of operations within a region or assisting in the start up of a new business within a region.

Threats to efficiency operations of partnership business

1. Lack of capital
2. Inadequate and knowledge and experience of business operations
3. Inadequate better services to the public
4. Lack of annual vocation
5. No interest is charged on drawing
6. The rule in Garnner vs. Murray (U.K 1904) became operational as the indebtedness of a partners will be shared by other able partners not in their profit and loss sharing ratios but in terms of their capital account credit balance as at the last date of their statement of financial position (Alta http://altavistadigital.com)

6. Power and liabilities of the partners

According to Ezeanyika (1992) the power of a partner is different from the right of the partners as in the Partnership Act of the 1890, and some of the powers are:

(1) A partner acting within the scope of the partnership deed is binding on all order in the course of his transaction

(2) Partners can take any necessary step within their define deeds to ensure efficiency in their management.

(3) Partner can be sued or be sued on the behalf of others and defend his fellow partners.

(4) He has the power to dismiss an employee on the management set up.

(5) A partner has the right to draw cheque or any negotiable instrument on the behalf of the fellow partners.

7. Liabilities of the partners

A partner liability can equally be equivalent to his right in tire association of any partnership business. This liability includes the following:

(a) They share equal right in the profit or loss according to their contribution ratio.

(b) As long as the partners exist, they are liable to any debt and offence committed for the life time of the partnership.

(c) Until a partner ceases to operate with a firm, he is liable to any owning accrued to the partners

(d) In the case of a partners death when all in the partnership owes, the share of the partners account amount to his percentage owing will be deducted from his account.

(e) A partner is liable to return all the profit made in the partnership on how own.

8. Research Methodology and Design

This research work embraced one way ANOVA method to achieve the objectives. This form of analysis is useful when groups in the study are up to two, (Moore, 1995:571). The ANOVA test is said to be robust against non - normality. This implies that it is possible to rely on the robustness to ignore assessment of normality.

Proposition

The challenges and problems in partnership business in Nigeria are the same.

Table 1

Statements	1	2	3	4	5	6	7	Statement
1. Always attentive to customer								1. Inattentive to customers
2. Encouraging economy of time								2. Wastes too much time
3. Accurate book-keeping								3. Inaccurate records
4. Promptness to payment								4. Delayed payment

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5. Cooperates with customers								5. Uncooperative
6. Conducive office space to customers								6. Lack of space to customers

100 copies of questionnaire were each distributed to some selected partnership business in Nigeria. The data generated and presented.

Table 2

Item		Partnership		
Number	Quality operationalization		Banod	Alfa
1	Attention to customers	2.3	2.0	1.4
2	Economy of time	2.6	2.8	1.1
3	Accurate records	7.0	7.0	7.0
4	Prompt payment	7.0	7.0	7.0
5	Cooperation	4.3	3.2	4.0
6	Conducive office space	5.2	3.0	4.6

(a) The staff of Banod is rated high in their attention to customers. The staff of Alfa and Goson, in that order, follows this.

When it comes to economy of time in handling transaction Alfa is rated high, Banod and Goson follows in this order.

9. Challenges and Problems in Partnership Business in Nigeria

All companies in partnership keep accurate records and make prompt payment. When it comes to cooperate customers to recognize their constraints Banod, Alfa and Goson stands in this order.

Banod and Alfa have appreciable office space for customers when compare with the in Goson.

Applying the ANOVA test. The result is shown in tables 3.3 and 3.4

Table 3

Sources of variation	Sum of squares	Degrees of freedom	Mean square	F	F.05	Remark
Partnership	1.25	2	0.625	0.12	3.68	N/S
Error	79.39	15	5.293			
Total	80.64	17				

Conclusion

The quality of partnership is generally poor. The quality of services is the same within Banod, Goson and Alfa

Workings

The workings are set follows

Table 4

a	Banod	Goson	Alfa	Sum
	2.3	2.0	1.4	5.7
	2.6	2.8	1.1	6.5
	7.0	7.0	7.0	21
	7.0	7.0	7.0	21
	4.3	3.2	4.0	11
	5.2	3.0	4.6	12.8
Sum	28.4	25	25.1	78.5

(b) Correction term, $C = \dfrac{(78.5)^2}{18} = 342.35$

Total (sum of squares)

$= (2.3)^2 + (2.6)^2 + \ldots + (4.6)^2 - 342.35$

$= 422.99 - 342.35 = 80.64$

(d) Partnership(Sum of squares)

$= \dfrac{(28.4)^2 + (25.0)^2 + (25.1)^2}{6(\text{No. of rows})}$

$= 343.60 - 342.35 = 1.25$

(e) Error (Sum of squares) = 80.64 - 1.25 = 79.39

(f) Partnership degree of freedom) = K -1 = 3-1 = 2

(g) Error (degree of freedom) = K(n - 1) = 3(6 -1) = 3(5) = 15

(h) Total (degree of freedom) = nk - 1 = 6(3) - 1 = 17

The tabulated F output (F_{tab}) is $F_{.05}(15, 2) = 3.68$

(i) F output (F_{cal}) $= \dfrac{0.625}{5.293} = 0.12$

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10. Presentation and Analysis of Data

Here this work clarifies and analyze the data using the group of partnership companies as "BLOCK" and quality of accounting service as treatment.

To illustrate this calculation procedure the data generated is reproduced with slight modification.

Table 5

Item		**Partnership Companies**			
Number	Quality operationalization	**Banod**	**Goson**	**Alfa**	**Total**
1	Attention to customers	2.3	2.0	1.4	5.7
2	Economy of time	2.6	2.8	1.1	6.5
3	Accurate records	7.0	7.0	7.0	21
4	Prompt payment	7.0	7.0	7.0	21
5	Cooperation	4.3	3.2	4.0	11.5
6	Conducive office space	5.2	3.0	4.6	12.8
	Total	**28.4**	**25.0**	**25.1**	**2578.5**

The necessary computations are set out below:

Correction term, C = $\frac{(78.5)^2}{18}$ = 342 35

Total (sum of squares) = $(2.3)^2 + (2.6)^2 + ... + (4.6)^{2 - 342.35}$

= 422.99 - 342.35 = 80.64

Quality of service (Sum of squares)

= $\frac{(5.7)^2 + (6.5)^2 + 21^2 + 21^2 + (11.5)^2 + (12.8)^2 - 342.35}{3(\text{No. of column})}$

= 417.61 – 342.35 = 75.26

Partnership (Sum of squares) = $\frac{(28.4)^2 + (25.0)^2 + (25.1)^2}{(\text{No. of rows})}$ - 342.35

= 343.60 – 342.35 = 1.25

Within - group error (sum of squares) = 80.64 - 75.26 – 1.25 = 4.13

Quality of service (degree of freedom) = R - 1 = 6-1 = 5

Partnership (df) = C - 1 = 3 -1 =2,

Error (df) = (R - 1) (c -1) = 5(2) = 10

Total (df) = Rc - 1 = 6 (2) - 1= 17

Conclusion

There are differences in the effectiveness of the 6 types of quality of service (36.44 vs. 3.33). However, the qualities of services are the same within major multinational partnership industries (1.51 vs. 4.10).

11. Summary, Conclusion and Recommendation

Findings

1) There is a problem of inability of the same partners to differentiate the business affair with their personal affairs due to the result of poor mix, they have been unable to keep persona and accurate records.
2) There has been destruction in fast decision taking that can be of great advantage to the enterprise because of the need to consult ail the partners before the decision could be taken.
3) Disagreement among partners often results in the ending of the business.
4) Shortage of stock in the warehouse has been observed in partnership business.
5) Funding of business is many a tickle raised from the borrowing due to lack of finance on the part of the partners.
6) The interest sharing in partnership often constitute problem because of the low return on the partners share capital.
7) Most partners go not business without going into feasibility study about the business and most cases they do not use the plan ahead
8) It was observed that many people also take decision without the comparative analysis and understanding of the national economic trend as well as their personal financial background.

Conclusion

Partnership which is said to be when two or more people come together with a common interest for the actualization of a good goal is still a good form of business. When the partners share in the management and control of the organization it is referred to as in legal term as general partnership. As in the case of sole proprietorship, no registration or the filling fees are required, unless the business is conducted under a trade or an assumed name in other words perhaps can be created under a mere hand shake.

The most obvious advantage of this form of organization over sole proprietorship is that their capital base is broad and made available by combining the asset of the partners and money is usually easier to borrow because the partners equally share their liability by the same ratio.

Recommendations

It is quite obvious the most partnership business operate without agreement of any form. They operate based on the trust they have on their family and relationship and friends. The side effect of this kind of relationship is not only that they end in conflict but bringing the business to an end. Though it is not mandatory that partnership must reach an agreement by law before business commences but it is very important.

There is the need that partners in the partnership business should be educated more on the rules of business success and business failure so that it will guide them in handling the day to day operations of their business. This will turn to contribute to economic growth once the partnership are in smooth business operations.

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Appendix

(1) From the day you were employed in this organization, have there been any problems with anybody? (a) Yes [ ] (b) No [ ]

(2) If yes, how many person? (a) 1 [ ] (b) 2 – 10 [ ]

(3) Who was the person (a) Boss [ ] (b) co-staff [ ] (c) subordinate [ ] (d) an agent [ ]

(4) Are you happy with your salary structure? (a) Yes [ ] (b) No [ ]

(5) Do you think that there is inability to differentiate between their personal affair and business affairs? (a) Yes [ ] (b) No [ ]

(6) What do you think about the source of the organization funds? (a) Bank credit [ ] (b) Trade credit [ ] (c) Loan from friends [ ]

(7) Apart from the salary, do you enjoy any other benefits in your organization? (a) Yes [ ] (b) No [ ]

(8) What problem emanate from inadequate capital? (a) limit to expansion [ ] (b) inability to undertake a meaningful project [ ] (c) Inability to maintain qualify personnel [ ] (d) lack of needed capital [ ]

(9) Do you think that some people with a lot of personal properties find it easy to join or form a partnership business with others? (a) Yes [ ] (b) No [ ]

(10) Please state vital problems that you know that plague the existence of partnership firm?

____
____
____

(11) What measures do you think will be taken to solve the problem?

____
____
____

(12) On the whole are certify with your job? (a) Very certify [ ] (b) Just certify [ ] (c) Not certify [ ] (d) I can't say it [ ]