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A Comparative Analysis of Risks and Returns of Running Small / Medium Micro Enterprises in North Central Nigeria*

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ABSTRACT The small/medium scale micro enterprises are very important and crucial in the industrialization of any nation. Viewed in this light, this study was conducted to compare empirically, risks and returns in micro enterprises in North central Nigeria. The study was carried out in the two states of Benue and Nassarawa. Of interest were effects of risks and rate of returns on investment decisions. The method rate of returns on investment decisions. The methodological framework adopted was both descriptive and empirical. Using mainly primary data, the study covered three industry types – Agriculture (Livestock- dairy production), Manufacturing (agro-allied processing cassava processing) and Services (Automobile and repair services) in ten (10) centres. In all, sixty (60) respondents (six entrepreneurs in each center) were interviewed. The surveys covered the period December 2002 to November 2003. The findings from the survey reveal that, comparatively, investment in the livestock sub-sector (dairy production) which has a probability rate of 106.48 appear more risky than investment in agro-allied and services sub—sectors which have probability rates of 7.94 and 13.0 respectively. The study thus recommends that policies geared towards the establishment of rural cassava processing cottage industries be put in place to encourage potential investors in this sub-sector because investment opportunities abound in cassava production and processing.