

SMALL AND MEDIUM ENTERPRISES IN THE ECONOMY OF NIGERIA: PROBLEM AND PROSPECT

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CERTIFICATION

I hereby certify that this project was carried out by Adebayo Ridwan O. Matric Number 18012501097 in the Department of Business Education, School of VOTED, Tai Solarin College of Education, Omu – Ijebu under my supervision

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DEDICATION

This project is dedicated to Almighty Allah who remains the solid rock on which I stand.

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Behind my successful steps in life, there is always an inspiration from above. My unending thanks goes to almighty God the author and finisher of my faith for how far he has helped me throughout my stay in this citadel of learning. Though, it looked very impossible for me at the beginning but the almighty God, the most high showed his faithfulness. Despite all odds, he allowed me to run a very good race (right from the day I stepped in till this very moment).

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We shall all meet at the top by God's grace.

ABSTRACT

The role of small and medium scale enterprises (SMEs) cannot be overemphasized given its relevance's in resources mobilization, utilization and overall contribution of gross domestic product (GDP) of a nation. It serves as the engine of rapid economic growth and development as it respond to the macro economic problems militating against developing nation like Nigeria. Therefore, this paper examines the meaning of SMEs factors to be considered in establishing SMEs problem of SMEs, importance of SMEs to the Nigeria economy, government past and present efforts towards SMEs problem associated with government efforts. The paper included that if policy implementation is enhanced through efficient monitoring and period review as well as provision of infrastructure, the SMEs, will be empowered which could serve then as an engine of growth to the Nigeria economy. The role of small and medium scale industries in developing countries, Nigeria in particular progressively becoming significant. Significant in the sense that all available resources in any given situation in the economic well being of a nation must be developed for industrialization and ultimately consumption through the small scale businesses.

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CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND TO THE SUBJECT MATTER

Small and Medium Enterprises (SMEs) as defined by the National Council of Industries refer to business enterprises whose total costs excluding land is not more than two hundred million naira (N200, 000,000.00) only. A lot has been said and written about SMEs the world over. It has also formed the subject of discussions in so many seminars and workshops both locally and internationally. In the same token, governments at various levels (local, state and Federal levels) have in one way or the other focused on the Small and Medium Enterprises. While some governments had formulated policies aimed at facilitating and empowering the growth and development and performance of the SMEs, others had focused on assisting the SMEs to grow through soft loans and other fiscal incentives.

International agencies and organisations (World Bank, United Nations Industrial Development Organisation (UNIDO), International Finance Corporation (IFC), United Kingdom Department For International Development (DFID), European Investment Bank (EIB) etc are not only keenly interested in making SMEs robust and vibrant in developing countries but have also heavily invested in them. Locally, the several Non-Governmental Organisations such as Fate foundation, Support and Training Entrepreneurship Programme (STEP), the Nigerian Investment Promotion Commission (NIPC), the Association of Nigerian Development Finance Institutions (ANDFI), as well as individual Development Finance Institutions (DFIs) have been promoting the growth of SMEs in Nigeria through advocacy and capacity-building initiatives, and have continued to canvass for better support structures for operators in the SME subsector.

All the massive attention and support given to SMEs relate to the widely acclaimed fact that SMEs are job and wealth creators. In justifying the introduction of SMIEIS in 2003, the then Governor of the Central Bank of Nigeria, Chief Joseph Sanusi said “With a concerted effort and renewed commitment from all stakeholders, this scheme will surely succeed and realize its intended objective of revamping the SMEs as engines of growth in the economy and a veritable tool for the development of indigenous technology, rapid industrialization, generation of employment for our teeming youths and the pivot for sustainable economic development in Nigeria”.*

1.2 STATEMENT OF GENERAL PROBLEM

Small and Medium Enterprises (SMEs) in Nigeria have not performed creditably well and hence have not played the expected vital and vibrant role in the economic growth and development of Nigeria. This situation has been of great concern to the government, citizenry, operators, practitioners and the organised private sector groups. Year in year out, the governments at federal, state and even local levels through budgetary allocations, policies and pronouncements have signified interest and acknowledgement of the crucial role of the SME sub-sector of the economy and hence made policies for energizing the same. There have also been fiscal incentives, grants, bilateral and multilateral agencies support and aids as well as specialized institutions all geared towards making the SME sub-sector vibrant. Just as it has been a great concern to all and sundry to promote the welfare of SMEs, it has also been a great cause of concern to all, the fact that the vital sub-sector has fallen short of expectation. The situation is more disturbing and worrying when compared with what other developing and developed countries have been able to achieve with their SMEs. It has been shown that there is a high correlation between the degree of poverty hunger, unemployment, economic well being

(standard of living) of the citizens of countries and the degree of vibrancy of the respective country's SMEs.

In spite of the fact that SMEs have been regarded as the bulwark for employment generation and technological development in Nigeria, the sector nevertheless has had its own fair share of neglect with concomitant unsavory impacts on the economy. In a seminar titled "Career Crisis and Financial Distress- The Way Out", the General Manager of Enterprise and Financial Support Company Limited, Mr. Oluseyi Oluboba, identified in his paper the following as the main problems of SMEs, which are however not insurmountable: low level of entrepreneurial skills, poor management practices, constrained access to money and capital markets, low equity participation from the promoters because of insufficient personal savings due to their level of poverty and low return on investment, inadequate equity capital, poor infrastructural facilities, high rate of enterprise mortality, shortages of skilled manpower, multiplicity of regulatory agencies and overbearing operating environment, societal and attitudinal problems, integrity and transparency problems, restricted market access, lack of skills in international trade; bureaucracy, lack of access to information given that it is costly, time consuming and complicated at times.

The problems and challenges that SMEs contend with are enormous no doubt but it is curious to know that some SMEs are able to overcome them. This gives hope and should provide a basis for optimism that there is a way out. There must be some survival strategies, which are not known to many SME promoters. This research is also intended to explore and unravel some of the key business survival strategies, which have worked for a few thriving SMEs.

1.3 THE OBJECTIVES OF THE STUDY

The high degree of poverty and unemployment with their attendant high crime rate in Nigeria has been of great concern to the various governments (federal, state and local) as well as the civil society. All and sundry have been seriously agitated as to what to do in order to reduce the crippling poverty, high level of ignorance, disease, high infant-mortality rate, and the rather embarrassing high unemployment rate in Nigeria. Given the vital and salutary role and contributions, which SMEs play in other developed and developing economies, and considering the on-going reforms by the government of Nigeria, which are primarily aimed at creating wealth, reducing poverty, generating employment, re-orientating values, and stimulating real economic growth, it becomes compelling for the SME sub-sector to be revamped, overhauled and energised towards playing its expected roles. The SMEs remain a veritable vehicle for such an expected complete turnaround in the economy of Nigeria. In other words, if the governments are to realize the lofty objectives of the NEEDS and SEEDS programmes, the SME sub-sector has to be thoroughly revamped and focused on for a while. This is one of the ways that the government can be sure of realizing the objectives of the well-intended reforms and be sure of moving the economy forward to the delight of all stakeholders.

This research is thus intended to identify all the problems, challenges, and constraints militating against the success of SMEs and also make appropriate recommendations for readdressing and eliminating them so that the SME could occupy their pride of place in the Nigerian economy and hence play the vital role they are expected to play in the economic growth and development of Nigeria.

The overall objective of this research is to identify ways and means, which will establish and sustain the vibrancy for Nigerian SMEs so that they (SMEs) can play the expected

vital role as the engine of growth in our economic development efforts. In order to achieve this, the research will attempt the following:

- i. To identify the major problems, challenges and constraints, which have militated against the SMEs from playing the vital role in the Nigerian economic growth and development;
- ii. To find out the key causes of the low utilization or patronage by SMEs of the Small and Medium Industries Equity Investment Scheme (SMIEIS)
- iii. To ascertain first hand, the opinions, feelings, and the pulse of some key SME operators as well as professionals in the SME sub-sector of the economy with respect to the unhealthy state of SMEs in Nigeria.
- iv. To make appropriate recommendations for solving or at least alleviating the identified problems and challenges of the SMEs.
- v. Production: the objective is to produce goods and services for human satisfaction from which utility would be derived so as to increase profit as well as improve the standard of living of the populace
- vi. Profit maximization: this consist of all planned and expected result through which a business seeks a reasonable return on human, material and capital invested

1.4 SIGNIFICANCE OF THE STUDY

The benefit of small scale and medium enterprises (SMEs) to any economy are easily noticeable, they include: contribution to the economy in terms of output of goods and services, creation of jobs relatively low capital cost, especially in the fast growing service sector, provide a vehicle for reducing income disparities, develop a pool of skilled and semi – skilled workers as a basis for the future industrial expansion, improve forward and backward linkages between

economically, socially and geographically diverse sector of the economy, provided opportunities for developing and adapting appropriate technological approaches and so on.

1.5 RESEARCH QUESTIONS

In order to examine these issues, the following research question have been raised:

- I. What are the characteristics of the small and medium enterprises (SMEs) with, reference to the educational background of the operators, their training and experience before embarking on the business, the type of business they operate, and the size of the enterprises?
- II. What are their sources of funds (formal and informal institution)?
- III. Is there any relationship between the two markets as shown in the service they provide?
E.g. are these two market complementary, competitive, dualistic, or is one a substitute for the other
- IV. How have government policies affected the development of small and medium enterprises and their sources of funds

1.6 LIMITATIONS OF THE STUDY

Certain Limitations were encountered in the course of this study. Key among these include:

Unavailability Of Data:

One of the greatest challenges the researcher encountered in this study relates to access to and collection of hard data due to extreme data gaps and paucity. This compelled the researcher to limit the study to Small and Medium Scale Enterprises thus excluding Cottage and Micro Enterprises whose challenges though comparable, could be fundamentally different from those of SMEs. The Cottage and the Micro Enterprises have been acclaimed to have

significantly impacted on the grassroots by way of poverty alleviation and reduction. On a quite related note, there also appears of late to be a lot of Non Governmental Organizations, Bilateral and Multilateral Agencies and Organizations, which focus their attention on and channel their support and donations towards the Micro and Cottage Enterprises in order to contribute towards poverty reduction.

Research has also proved that Micro and Cottage Enterprises have a better credit rating than the SMEs.

Time And Funds:

Another limitation of this study relates to time, funds and logistics constraints, which limited the intensity of the spread or area of coverage of the study. Even though SMEs are spread through out the length and breadth of Nigeria though with negligible concentrations in some States and less urban areas, this study focused largely on SMEs in Lagos and its environs where there is a relatively high concentration of about eighty percent (80%) of the SMEs.

Materials:

Mass literature on SMEs in scattered form abound but published data on categorizing and ranking of problems facing SMEs in Nigeria as well as the contributions of SMEs to our national economic growth and development proved rather difficult to come by. It was easier for the researcher to access data relating to the performer of SMEs in other parts of the world especially the Asian and Western Countries than those pertaining to SMEs in Nigeria. This factor thus limited the depth of discussions in the area of contributions of SMEs in Nigeria to our economic development and growth.

1.7 DEFINITION OF TERMS

Various bodies, organizations and institutions have defined SMEs differently depending upon their purpose, objective and use. For this research, the following definitions have been adopted:

- **Micro Enterprise:** A firm, whose total cost including working capital but excluding cost of land is not more than ten million naira (N10,000,000) and/or with a labor size of not more than thirty (30) full-time workers and/or a turnover of less than two million naira (N2,000,000) only.
- **Small Enterprise:** An enterprise whose total cost including working capital but excluding cost of land is between ten million naira (N10,000,000) and one hundred million naira (N100,000,000) and/or a workforce between eleven (11) and seventy (70) full-time staff and/or with a turnover of not more than ten million naira (N10,000,000) in a year.
- **Medium Enterprise:** A company with total cost including working capital but excluding cost of land of more than one hundred million naira (N100,000,000) but less than three hundred million naira (N300,000,000) and/or a staff strength of between seventy-one (71) and two hundred (200) full-time workers and/or with an annual turnover of not more than twenty million naira (N20,000,000) only.
- **Large Enterprise:** Any enterprise whose total cost including working capital but excluding cost of land is above three hundred million naira (N300,000,000) and/or a labour force of over two hundred (200) workers and/or an annual turnover of more than twenty million naira (N20,000,000) only.

- **NASME:** Nigerian Association of Small and Medium Enterprises, which is an umbrella association of all SMEs
 - **MAN:** Manufacturers Association of Nigeria is the official association of manufacturing companies in Nigeria
 - **NACCIMA:** Nigerian Association of Chambers of Commerce, Industry, Mines and Agriculture is an association of various Chambers of Commerce in Nigeria
 - **NASSI:** Nigerian Association of Small Scale Industries is the umbrella association of all the Small Scale Enterprises in Nigeria
 - **DFIs:** Development Finance Institutions are companies involved in project and development finance such as the Bank of Industry (BOI)
- SMEs:** Small and Medium Enterprises are those firms, which satisfy the definitions given above

CHAPTER TWO

LITERATURE REVIEW

2.1 INTRODUCTION

Copious literature exists on Small and Medium Enterprises (SMEs) written by various authors and in different languages and for various purposes. This fact underscores the essence, importance and relevance of this sub-sector in the development of any given economy. The experiences of developed economies in relation to the roles played by SMEs buttresses the fact that the relevance of SMEs cannot be overemphasized especially among the Less Developed Countries (LDCs) or rather Developing Countries. In order to highlight the significance of SMEs in relation to the growth and development of a given economy, SMEs have been variously referred to as the “engine of growth”. This stems from the fact that almost all countries that have focused on the SMEs sector and ensures its vibrancy have ended up succeeding in the significant reduction and its attendant enhancement in the quality and standard of living, reduction in crime rate, increase in per capita income as well as rapid growth in GDP among other salutary effects.

There is a consensus that if all stakeholders are to show serious commitment to the development of the SMEs sub-sector, it follows that the economy must necessarily witness meaningful transformation and prosperity. A dynamic SME sub-sector is vital and imperative for the overall economic development of the country. Aside from providing opportunities for employment generation, SMEs help to provide effective means of curtailing rural-urban migration and resource utilization. By largely producing intermediate products for use in large-scale companies, SMEs contribute to the strengthening of industrial inter-linkages and

integration. A vibrant, efficient and effective SME sub-sector generates many resultant benefits for stakeholders, employees, customers, employers as well as the entire economy's benefits.

Many International Development Agencies, organisations, and financiers not only appreciate the great roles played by SMEs in poverty alleviation and overall economic development, but also invest a significant percentage of their resources in them (SMEs). A review of World Bank Operations revealed that it invested a whopping \$1.597 billion in SMEs in 2004 fiscal year, with Africa getting a sizeable share of over \$89 million. This sum was channelled through the four major development arms of the bank: the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA), the International Bank for Reconstruction and Development (IBRD), and the International Development Association (IDA). Nigeria, Kenya and Uganda benefited from part of the new joint pilot programme executed by IFC and IDA for SME development in 2004 to the tune of \$70million.

The 2004 annual review

of the IFC's Small Business Activities indicate that the IFC and IDA began SME project development in Nigeria worth \$32 million.

The Managing Director of the Bank of Industry, Dr. Lawrence Osa-Afiana also confirmed that twenty nine (29) of the 594 loan applications received by the bank since 2001 received approval adding that N20.8 million or 19.1 percent of the total approved loans went to the SME sub-sector. One major drawback in Nigeria's quest for industrial development over the past years has been the absence of a strong, vibrant and virile SME sub-sector. Given a population of well over 120million people, vast productive and arable land, rich variety of mineral deposits, as well as enormous human and other natural resources, Nigeria should have

been a haven for Small and Medium Enterprises with maximum returns as it also has the location advantage as a marketing hub for the West and even East African Countries.

2.2 ROLE OF THE SME SUB-SECTOR IN THE ECONOMY

A review of historical experience of economic growth and development in various countries is replete with success stories of the salutary effect and positive impact and contributions of SMEs in industrial developments, technological innovations and export promotion. The Industrial Revolution of 1760-1850 represents a good testimony of the inherent innovative spirit of SMEs, which is increasingly challenged in the present century particularly after winds of economic change cum technological innovations and industrial liberalisation have swept various economies of the world. These challenges notwithstanding, SMEs have remained as much important and relevant economic catalysts in industrialized countries as they are in the developing world. In many developed countries, more than 90% of all enterprises are within the SME sub-sector while 80% of the total industrial labour force in Japan, 50% in Germany and 46% in USA small businesses contribute nearly 39% of the country's national income. Comparable figures in many other developed countries are even higher. Studies have indicated that the sustenance of interest in SMEs in the developed economies is due to technological as well as social reasons more so as those economies are currently driven by knowledge, skill and technology as opposed to material and energy-intensiveness. This is also as a result of a paradigm shift to new processes of manufacturing that are based on flexible systems and processes of production driven by sophisticated software on robust hardware platforms. The social reasons include the need for generation of more employment and poverty reduction through self-employment ventures and decentralised work centres.

In developing countries, the role of SMEs is even more important since SMEs often offer the only realistic prospects for creating additional employment and thus reducing poverty and enhancing the quality of lives. A healthy SME sub-sector is a *sine qua non* for inclusive and socially sustainable development even though institutions that provide support services where available are often limited in capacity and coverage in developing economies. Exports by SMEs usually range between 30 and 50 percent of total industrial exports in developed and developing countries. In tune with the latest developments in the world economy and the attendant globalisation effects, the role of SMEs going forward is bound to be even greater and more pervasive, with a demonstrable impact on the emerging world trading order.

2.3 SIGNIFICANCE OF THE SMALL AND MEDIUM ENTERPRISES (SMEs) SUB-SECTOR IN THE NIGERIAN ECONOMY

The SMEs operating in Nigeria are not shielded or immune from the typical problems and constraints of SMEs in other developed countries. Almost every country assists her SMEs largely because of the crucial inherent role they play in the economic growth and development. The assistance is usually in the form of facilities and supportive services than on protection and subsidies. Other services provided by some governments include commercial finance, venture capital, information training and retraining, Research and Development (R&D) support, infrastructure and tax incentives. Some of these facilities are provided through local authorities and industry associations at times with the involvement of non-governmental organizations (NGOs).

In recognition of the crucial roles played by SMEs with respect to economic growth and development, succeeding governments in Nigeria had various initiatives aimed at promoting the cause of SMEs in the country. The most tangible among the different incentive packages that

varied with almost every change in government leadership was the focus on enhancing the financial opportunities for the SMEs. Some of the support institutions and opportunities created by the government to enable SMEs access funding in the past 30 years include:

1. Small Scale Industries Credit Scheme (SSICS) 1971
2. Nigerian Bank for Commerce and Industries (NBCI) 1973
3. Nigerian Industrial Development Bank (NIDB) 1964
4. SME Apex Unit of Central Bank (1989)
5. National Economic Reconstruction Fund (NERFUND) 1989
6. The African Development Bank/ Export Stimulation Loan (ADB/ESL) 1989
7. Nigerian Export Import Bank (NEXIM)
8. National Directorate of Employment (NDE)
9. Industrial Development Co-ordinating Centre (IDDC)
10. Community Banks
11. People's Bank
12. Family Economic Advancement Programme (FEAP)
13. State Ministry of Industry SME Schemes
14. Small and Medium Industries Equity Investment Scheme (SMIEIS)
15. Bank of Industry (BOI)
16. Small and Medium Enterprises Developing Agency of Nigeria (SMEDAN)
17. Credit Guarantee Scheme for SMEs (underway)

The above well-intentioned institutions designed to provide succor to SMEs notwithstanding the sub-sector is yet to find its bearing in the murky waters of Nigeria's business environment. These account for the government's recent introduction of the last three

support schemes i.e. BOI, SMEDAN and the Credit Guarantee Scheme, discussions on which have reached an advanced stage and the Bankers Committee's decision to institutionalize SMIEIS. It is expected that the Credit Guarantee Scheme would enhance and facilitate easy access to credits by the SMEs while SMIEIS would boost access to equity financing while SMEDAN would provide other needed non-financial support and leverage for the SMEs to thrive

2.4 PROBLEMS OF SMEs IN NIGERIA

The fact that SMEs have not made the desired impact on the Nigerian economy in spite of all the efforts and support of succeeding administrations and governments gives a cause for concern. It underscores the belief that there exists fundamental issues or problems, which confront SMEs but which hitherto have either not been addressed at all or have not been wholesomely tackled.

A review of literature reveals indeed the following plethora of problems, which are enormous, fundamental and far-reaching:

1. Inadequate, inefficient, and at times, non-functional infrastructural facilities, which tend to escalate costs of operation as SMEs are forced to resort to private provisioning of utilities such as road, water, electricity, transportation, communication, etc.
2. Bureaucratic bottlenecks and inefficiency in the administration of incentives and support facilities provided by the government. These discourage would-be entrepreneurs of SMEs while stifling existing ones.
3. Lack of easy access to funding/credits, which can be traceable to the reluctance of banks to extend credit to them owing, among others, to poor and inadequate documentation of

business proposals, lack of appropriate and adequate collateral, high cost of administration and management of small loans as well as high interest rates.

4. Discrimination from banks, which are averse to the risk of lending to SMEs especially start-ups
5. High cost of packaging appropriate business proposals
6. Uneven competition arising from import tariffs, which at times favour imported finished products
7. Lack of access to appropriate technology as well as near absence of research and development
8. High dependence on imported raw materials with the attendant high foreign exchange cost and scarcity at times
9. Weak demand for products, arising from low and dwindling consumer purchasing power aggravated by lack of patronage of locally produced goods by the general-public as well as those in authority.
10. Widespread corruption and harassment of SMEs by some agencies of government over unauthorized levies and charges
11. Unfair trade practices characterized by the dumping and importation of substandard goods by unscrupulous businessmen. This situation is currently being aggravated by the effect of globalization and trade liberalization, which make it difficult for SMEs to compete even in local/home markets.
12. Lack of appropriate and adequate managerial and entrepreneurial skills with the attendant lack of strategic plan, business plan, succession plan, adequate organizational set-up, transparent operational system, etc on the part of many founders and managers of SMEs in

Nigeria. As a fallout of this, many of the SME promoters purchase obsolete and inefficient equipment thereby setting the stage *ab initio* for lower level productivity as well as substandard product quality with dire repercussions on product output and market penetration and acceptance.

A recent survey by Business Day reveals that power supply ranks top on areas SMEs would want improved in the New Year. Other factors identified by those sampled include government policies, infrastructure, and access to funds. Some of those interviewed asserted that the year 2004 was catastrophic as far as power and policy are concerned. Some firms had to close down because of government's decision to ban the importation of some items. A specific case was a carpet-producing company in Ota. Some others observed that the greatest problem confronting the development of entrepreneurship in Nigeria is corruption given that huge sums of stolen funds are taken out of the country instead of being used to develop the country.

2.5 PROSPECTS OF SMEs IN NIGERIA

The identified problems of SMEs notwithstanding their enormous depth, breadth and intensity, it is only fair and proper to acknowledge the fact that the government did not fold its arms to watch the SMEs wallow in the gamut of problems. Doubtless, the government fully appreciates the opportunities SMEs create for employment, their contributions to economic growth and development as well as the constraints and difficulties in their operating environment. These explain why in the past forty-five years or so, the government has established various support institutions and relief measures specially structured to render assistance and succor to minimize the constraints, which SMEs typically face if not to eliminate

them. The support institutions established by the government range from specialized banks designed to focus on the funding of SMEs to agencies and departments all meant to give a flip to the fortunes of SMEs.

It is also pertinent to note that government policies behind the establishment and operations of the SME support institutions had not been effective and productive. From all indications, as well as observed lapses inherent in them, the policies were either defective in their formulation and conceptualisation, or were not truly and religiously implemented. Our investigations also revealed that part of the reason why the policies were not effective could be explained by the fact that the operators, managers or proprietors of the SMEs were neither consulted nor involved in the formulations of the policies, which were expected to solve their problems; hence, there were apparent misplacements of priorities and emphases. All the stakeholders in the SME sub-sector should be involved in policy formulations and implementation for them to be effective and yield expected results.

As regards SMEs challenges in Nigeria, the IOD president had this to say: “Unfortunately, these SMEs over the years, have been bedevilled by several inhibitions, which tend to make their growth perpetually stunted by infrastructural decay, insecurity of lives and property, multiplicity of taxation, lack of access to good and modern technology, lack of research and development as well as good entrepreneurship, difficulties in building coalitions and business linkages among others”.

Similarly, during the commissioning of the headquarters of the Small and Medium Enterprises Development Association of Nigeria (SMEDAN) on March 1, 2005, President Olusegun Obasanjo charged the Central Bank of Nigeria (CBN) to ensure the realization of the primary objective of the Small and Medium Industries Equity Investment Scheme (SMIEIS),

which is expected to complement the development efforts of the financial institutions like the Bank of Industry (BOI), the Nigeria Agricultural Cooperative and Rural Development Bank (NACRDB), which provide a medium for long-term financial resources to enterprises in Nigeria.

The census/survey will also enable SMEDAN to determine and assess the major operating difficulties of MSMEs relating to both market functions (such as demand-pricing factors, supply factors, raw materials, technology infrastructure, etc) and policy environment as it relates to regulatory, incentive and support regimes. The overall benefits of the census/survey would hinge on the expected robust data and information, which SMEDAN would employ as a basis for policy formulation, implementation and intervention, effective developmental planning, vital advice on new investments, grow and profitable areas, raw materials availability as well as available technology, available markets, available sources of funds and assistance.

The survey exercise is also expected to adequately equip and empower SMEDAN to effectively do the following, Establish a befitting business support centre for each state in the federation. Map out effective strategies for revamping and reforming the MSMEs sub-sector through appropriately advising the government on policy formulation and execution. Recommend the right operators for various incentives and support by government including funding, be it loan, equity and grants.

Identify viable projects with export potentials and also identify and advise on the appropriate foreign markets in order to boost foreign exchange earnings. Facilitate the promotion and government patronage of quality local products of MSMEs for either local consumption or export or both. Identify and assess MSMEs critical requirements in the areas of capacity building, skills gap, knowledge, skills and process and liaise with the relevant

institutions and agencies of government like the National Poverty Eradication Programme (NAPEP), the Centre for Management Development (CMD), the National Directorate of Employment (NDE), etc.

2.6 A COMPARATIVE ANALYSIS BETWEEN INDIA'S SMALL SCALE INDUSTRIES (SSIs) AND NIGERIA'S SMEs

The magnitude of contributions as well as the impact of SSIs on the economic growth and development of India is highly significant as evidenced by the following figures. The SSIs represent ninety-five percent (95%) of the total industrial units in India, contribute forty-five percent (45%) of the total industrial output, account for eighty percent (80%) of all employment in the industrial sector, and contribute thirty-five percent (35%) each of total exports and value added by the entire manufacturing sector respectively in India. Between 1990 and 1991, SSI real growth in India recorded between a low of 7.1% in 1993/94 and a high of 11.3% in 1996/97. As a result of commitment and focus on SSIs and driven by their all important role in the economic development, the government of India had as far back as in 1948 put in place, an effective and efficient industrial policy for developing SSIs such that by the year 2000, India had three (3) million SSIs with a production value of US\$ 110billion, export volume of US\$ 10billion and staff strength or employment figure of eighteen (18) million. Even though SMEs' performance in Nigeria shows that technology and fiscal incentives had made little positive impact on the sub-sector given the obvious lapses in implementation modalities as well as the constraining policy and infrastructural environment, recent estimates have put the contribution of SMEs to total industrial employment in Nigeria at seventy percent (70%) and to total manufacturing output at 10 – 15 percent. SMEs in Nigeria have been quite active in promoting the use of local raw materials with many of them also engaged in the processing of local inputs

into either intermediate or final products especially agro-allied and solid minerals products. Many SMEs have also successfully adopted imported plant and machinery for local use and thus positioning themselves as veritable tools for promoting technical expertise and development of indigenous entrepreneurship. The Nigerian SMEs are mostly resource-based and dispersed throughout the country (in urban, suburban and rural areas) and hence have to some extent, facilitated the opening up of the rural areas, mitigated rural-urban drift, and significantly contributed to poverty alleviation.

The following represent a brief comparison between Nigeria's SMEs and India's SSIs:

2.7 DEFINITION:

Nigeria's SMEs cover enterprises with total cost of N200million excluding land and total employees of between 10 and 300 people.

India's SSIs are defined as units in the manufacturing, processing or preservation of goods with investment in plant and machinery not exceeding Rupees 10million (\$210,000). The difference here hinges on the fact that India has no provision for medium scale enterprises; their focus is on the real sector thus excluding trading and services.

(ii) Credit Dispensation:

In Nigeria, there are universal banks, development banks, and other special institutions, which provide credit but not at subsidized rates.

In India, there is a multi-agency system for credit flows; term loans are provided by term lending institutions and working capital is provided by commercial banks.

(iii) Funding Arrangements:

In Nigeria, no minimum quantum of credits to SMEs is mandatory anymore. In the past, a percentage of total credits used to be mandatory for SMEs. However, 10% of banks' annual

Profit Before Tax (PBT) is mandatory for equity investment in SMEs under the SMIEIS program.

In India, 40% of total advances go to the priority sector, and 60% of net bank credit to the priority sector goes to SSIs.

(iv) Management of funds invested in SMEs/SSIs:

In Nigeria, the funds can be managed directly, or through a subsidiary or through a venture capital manager.

In India, the credits to SSIs are driven need-based limits on liberal terms with level and profitability as key factors and not linked to security or collateral. Flexibility is the watchword with each activity assessed on its own merit.

(v) Structure of Businesses:

In Nigeria, an SME must be a limited liability company

In India, an SSI could be a limited liability company, or a partnership or a proprietary firm

(vi) Incentives and support to the SME/SSI sector:

In Nigeria, it is mandatory for banks to set aside 10% of their annual profit before tax in support of SMEs. The Bank of Industry (BOI) is expected to provide credits to SMEs but not on soft lending rates. It is only the Nigerian Export Import Bank (NEXIM) that provides soft loans to export oriented SMEs.

In India, the incentive and support schemes available to SSIs are much more elaborate and include official general and organisational support as well as support by other agencies. The nature and levels of key incentives and support include but are not limited to the following:

(a) General:

Bank credits to SSIs are on soft lending terms. There is selective exemption from and preferential treatment in excise duties, sales tax, etc. Capital funds are available for the development of the software and IT industry Credit guarantees to cover loans to SSIs are available

There is capital investment and transport subsidy under specific schemes some items are reserved for exclusive manufacture by SSIs

There is a price and purchase preferential scheme for SSI products

Marketing and training needs support is provided Industrial estates and parks, industrial growth centres, functional export processing zones, integrated infrastructure development centres and cluster development centres are among the infrastructural facilities provided.

It is thus less surprising, the development gap between the SSIs of India and the Nigerian SME sub-sectors and hence the significant role SSIs are playing in the economic growth and development of India. The continuous reinforcement of incentives and support to SSIs by the government of India underscores the high degree of appreciation of the importance of the SSI subsector to the future of the Indian economy.

The continuous focus and impetus on SMEs are in fact not limited to developing countries. In developed and great economies like the U.S.A, Germany, Japan, Canada, U.K, Italy, France, China, etc, SMEs have remained the driving force behind them. In the words of Dr. Werner Multer, Federal Minister of Economics and Technology in Germany (2002), “Small and medium sized companies form the backbone of our economy. For instance, the SMEs, which currently stand at 3.3 million in Germany, are responsible for 57% of gross net output as well as 70% of the workforce and are training 80% of all apprentices. The *mittelstand*

companies provide 80% of all available training opportunities and about 1.3 million people are currently in some form of company training hence the SMEs hold the key to the future growth and development of Germany's economy. The men and women who run the *mittelstands* are mature personalities who are over 40 years of age and also own them.

CHAPTER THREE

3.0 METHODOLOGY

3.1 INTRODUCTION

This chapter presents the research design, selection, procedure, how validity and reliability was maintained this chapter also highlight the procedure used for carrying out the field study and data analysis

3.2 RESEARCH METHODS AND APPROACHES USED

The methodology employed in this research also entailed a combination of questionnaire, personal interview, and library and desk research. The researcher constructed two sets of questionnaires. One set was for universal banks that are expected to fund the SMEs through the SMIEIS programme, conventional loans or specialized loans such as ADB, IFC or other donoragency related funds. The other set of questionnaires was for SME operators, SME owners, DFIs and professional services providers to SMEs like accounting firms, auditors and legal practitioners, which are members of the NASME, LCCI or NACC.

3.3 RESEARCH POPULATION AND SAMPLE SIZE

As act 2006/2007, population census in odogbolu local government 127.123 was recorded. Given the nation – wide spread of the small and medium enterprises (SMEs) and the potential salutary impact a vibrant SME sub – sector is expected to have on the national economic growth and development absolute care and effort were exercised in the selection of the population and sample for this study. The research adopted ten banks (10) and all the active small and medium enterprises (SMEs) registered with some association.

3.4 SAMPLING PROCEDURES EMPLOYED

A simple random sampling was employed in selecting of the 100 SMEs and 10 banks used in the study.

The researcher had to employ telephone calls, personal visits and interviews to follow up on the respondents to ensure that they complete the questionnaires, and drop them at their Association's secretariat. The researcher also had to go to pick up the completed questionnaires for those respondents who opted for that choice.

3.5 RESEARCH INSTRUMENTS/TOOLS USED

The instruments used in the collection and gathering of data include questionnaires, personal interviews, and library and desk research while the Statistical Package for Social Sciences (SPSS) was used in the analysis of the data collected.

3.6 VALIDITY AND RELIABILITY

In order to ascertain the validity of instrument, expert opinion was sought from the supervisor, lecturers and peers on face, content and format of the questionnaire, interview and group organization. Consultation with the supervisor, other lecturers and peers helped to identify error and offered the opportunity to modify and improve the instrument.

3.7 METHOD OF DATA COLLECTION

The method used in gathering analyzing and recording all information relating methodology is the study of methods. It is the process of arriving at empirical solutions to the problem. There are three methods that are used for this study, they are:

➤ QUESTIONNAIRES:

A carefully crafted but wide-ranging questionnaire aimed at eliciting right responses was constructed and piloted in order to detect any ambiguities or inherent problems. From the

comments and remarks from the pilot questionnaire respondents, the entire questionnaire was revamped and improved on. While some questions were open-ended a few were in a “Yes” or “No” answer format. One set of the questionnaire designed for SME operators, owners, services providers and professionals in the SME sub-sector had 76 questions to which the participants responded. The questionnaire was designed to capture detailed profile of the respondents in addition to what they consider as the major problems (in order of intensity, beginning with the worst) of SMEs.

➤ **PERSONAL INTERVIEWS:**

In order to complement the responses from the respondents to the questionnaires, the researcher also conducted face-to-face interviews with some of them together with other SME stakeholders, largely SME consultants, DFIs, banks and professional services providers to SMEs (Auditors, Accountants, etc). As was the case with the questionnaires, the interviews were basically focused on the reasons why the Nigerian SMEs have performed below expectations and hence have failed to significantly contribute to the country’s economic growth and development.

STATISTICAL TOOL USED:

The Statistical Package for Social Sciences (SPSS) was used in the analysis of the data collected in this research as the researcher deemed it the most appropriate given its versatility and considering the nature of the data collected.

3.8 METHOD OF DATA ANALYSIS/STATISTICAL TECHNIQUES USED IN THE DATA ANALYSIS

The statistical techniques used in the analysis of the data for this research include frequency distribution, the standard deviation, the distribution of means, analysis of variance

(ANOVA), Pearson chi-square, pie chart, histogram, contingency table, etc. The Statistical Package for Social Sciences (SPSS) was used in the analysis of the data. The chi-square test statistic and the distribution of means were used in the testing of the hypotheses. The justification for the use of chi-square distribution, with $k-1$ degrees of freedom, where k is the number of categories, is driven by the fact that the responses fall into categorical data. This is to say that once a respondent states that infrastructural problem is his greatest drawback he cannot again claim that access to finance is his greatest challenge. Similarly, those who rated managerial capacity as their greatest problem could not at the same time rate access to finance or any other factor for that matter as their greatest challenge.

CHAPTER FOUR

4.0 DATA PRESENTATION AND ANALYSIS

4.1 DATA INTERPRETATION

The purpose of this study is to investigate the impact and the prospect on small and medium business on nation development. This chapter present result analysis of data and discussion of findings. In an attempt to collect data for the research work, the primary source of data collection was used i.e. questionnaire which is expected to be verified through the use of chi – square test.

Fifty copies of questionnaire were administered on selected respondents from Odogbolu local government area. At the end of the study, the researcher was able to administered questionnaire for presentation and analysis.

4.2 DATA ANALYSIS

The data analysis covered the questionnaire in this work. In all a total number of fifteen questions were asked in which the research hypothesis will be tested based on the purpose of the respondent. Each of the items in the questionnaire is analyzed on chi – square. Also, the background information is analyzed as well

BACKGROUND INFORMATION ANALYSIS SEX

Male	22	44%
Female	28	56%
Total	50	100%

The table above indicated that 22 male and 28 female were examined in this research. This also showed that 44% of the respondent were male while 56% of the respondent were female.

AGE DISTRIBUTION

AGE	FREQUENCY	PERCENTAGE
18-25	38	76%
26-35	12	24%
36 and above	0	0%
Total	50	100%

The analysis on age revealed that three (3) categories of age were considered (16-25), (26-35) and (36 and above). 16-25 showed that it only has thirty – eight (38) respondents while 26 – 35 has twelve (12) respondent and 36 and above has zero (0) respondent. Moreso, this could be analysed further that seventy – six (76)% of the respondents belong to age 16-25, twenty-four (24%) belong to age 26-35 and zero (0)% belong to age 36 and above

MARITAL STATUS

STATUS	FREQUENCY	PERCENTAGE
Single	44	88%
Married	6	12%
Total	50	100%

The table above indicate that forty – four (44) respondents were single and six (6) of them were married. It further revealed that eighty – eight (88)% of the respondents were single while twelve (12)% were married.

RELIGION

RELIGION	FREQUENCY	PERCENTAGE
Christian	25	50
Muslim	25	50
Other	0	0
Total	50	100%

The table above, religion were grouped into three (3) Christian, Muslims and other in which twenty – five (25) were Christian, twenty – five (25) were also Muslim and none were others religion worshipper. This is analyzed further as Christian having fifty (50)%, Muslim having 50% and other religion having zero percentage (0)%

EDUCATIONAL QUALIFICATION

QUALIFICATION	FREQUENCY	PERCENTAGE
Primary	1	1%
Secondary	8	16%
Tertiary	41	82%
Total	50	100%

Information from educational qualification were as follows: primary school leavers, one secondary school holders, eight (8) and tertiary school holders were forty-one (41). It indicated

further that 1% of the respondents were primary school leavers while 16% of the respondents were secondary school holders and 82 % of the respondent were tertiary school holders.

QUESTIONNAIRE ITEMS

ALTERNATIVE	FREQUENCY	PERCENTAGE
Strongly agreed	328	43.7%
Agreed	237	31.6%
Strongly disagree	132	17.6%
Disagree	53	7.1%
Total	750	100%

This table indicate that 328 respondent strongly agreed and 43.7% was recorded. 237 was recorded for agreed while the percentage was 31.6%

It is also shown that 132 respondents was recorded for strongly disagree while the percentage was 17.6% and 53 respondents was recorded for disagree while the percentage was 7.1%

Applying the chi – square X^2 formular gives

$$E = \frac{(0 - e)^2}{e}$$

$$x^2 = \frac{(0 - e)^2}{ef}$$

Degree of freedom

$$Df = (R - 1) (C - 1)$$

$$(4 - 1) (15 - 1)$$

$$3 \times 14 = 42$$

Where R = row, C = column

The significant level = 0.05

SA		A		SD		D		TOTAL	X ²
OB	EX	OB	EX	OB	EX	OB	EX		
28	21.9	9	15.8	9	8.8	4	3.5	50	4.701
22	21.9	22	15.8	6	8.8	0	3.5	50	11.39
19	21.9	19	15.8	7	8.8	5	3.5	50	2.043
18	21.9	22	15.8	8	8.8	2	3.5	50	3.848
23	21.9	15	15.8	10	8.8	2	3.5	50	0.903
25	21.9	16	15.8	3	8.8	6	3.5	50	8.579
17	21.9	18	15.8	12	8.8	3	3.5	50	2.638
29	21.9	11	15.8	13	8.8	4	3.5	50	5.836
22	21.9	11	15.8	13	8.8	4	3.5	50	8.1
21	21.9	21	15.8	7	8.8	1	3.5	50	3.426
20	21.9	18	15.8	8	8.8	4	3.5	50	0.622
27	21.9	6	15.8	10	8.8	7	3.5	50	6.761
15	21.9	22	15.8	7	8.8	6	3.5	50	6.761
19	21.9	13	15.8	16	8.8	2	3.5	50	7.414
23	21.9	14	15.8	9	8.8	4	3.5	50	0.335

HYPOTHESIS

H₀: Access to finance/Capital does not represent the greatest problem confronting SMEs in Nigeria.

H₁: The major problem challenges and constraints which have militated against the small and medium enterprises from playing the vital role in the Nigerian economic growth and development.

H₂: Management does not represent the greatest problem facing the manufacturing sub-sector of SMES in Nigeria.

From the hypothesis 1 above, 22.885 and 28.21% of the respondents' ranked access to finance/capital as their worst, second worst and third worst problem among the fifteen key problems facing small and medium enterprises in Nigeria.

The graphical representation shown in Figure 1 clearly complements the appreciation and understanding of the significance of access to finance/capital as a key problem of the small and medium enterprises. Only negligible percentages of the respondents ranked these factors as their fourth and fifth worst problem.

TABLE 2

From the table above, the hypothesis 2 revealed that 28.579 of the respondents agreed that the major problem, challenges and constraints which have militated against the small and medium enterprises from playing the vital role in the Nigerian Economy Growth and Development as either number 1 or 2 among all the key problem facing them. In the table frequency count on the total agreement is more than that of the total disagreement.

TABLE 3

Hypothesis three (3)

Distribution of Ranking of Management and Infrastructure problems By Participant SMEs.

As evidence from table three (3) all the 50 participants ranked management problems as either number 1, 2 or 3 greatest problem confronting them. 25.893 or 21% rated management as their

greatest problem emerged the only problem, which all the challenges facing small and medium enterprises in Nigeria. This speaks volumes with respect to what havoc managerial capacity is wrecking on small and medium enterprises in Nigeria. The situation becomes even more significant with a closer look at table three (3) which reveals that 40% or 45% SMEs ranked managerial problems as either number 1 or 2 among all the key problem facing them. The very low range of 2 among the ranking of the managerial problem also depicts the consistency, near unanimity and validity of the management problems as the greatest problem facing SMEs in Nigeria. Table three (3) also vividly illustrates the gravity of management problems. The bar graph shows the concentration of the rating of management problems as the first or second worst problem.

CHAPTER FIVE

5.0 SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATION

5.1 SUMMARY OF FINDINGS

SMEs have been fully recognized by governments and development experts as the main engine of economic growth and a major factor in promoting private sector development and partnership. The development of the SME sector therefore represents an essential element in the growth strategy of most economies and holds particular significance in the case of Nigeria. SMEs not only contribute significantly to improved living standards, employment generation and poverty reduction but they also bring about substantial domestic or local capital formation and achieve high levels of productivity and capability. From a planning standpoint, SMEs are increasingly recognized as the principal means for achieving equitable and sustainable industrial diversification, growth and dispersal. In most countries, including the developed countries like Japan, USA, UK, etc, SMEs account for well over half of the total share of employment, sales, value added and hence contribution to GDP.

A major gap in Nigeria's industrial development process in the past years has been the absence of a strong and virile SME sub-sector. With over 120 million people, vast productive and arable farmland, rich variety of mineral deposits and other natural resources, Nigeria should have been a haven for SMEs. Unfortunately, SMEs have not played the significant and crucial role they are expected to play in Nigeria's economic growth, development and industrialization. It is difficult to fathom out the reason why the SMEs would not lead Nigeria to the socio-economic development and industrial transformation as the same has led other countries to their industrial developments and quality living standards.

The findings of this research point to two main causative factors as to why Nigerian SMEs are performing below standard. One is 'internal' and relates to our attitudes, habits and way of thinking and doing things while the other relates to our environment including our educational system, culture, government, lackluster approach to policy enunciation and poor implementation among others. The solution to the problems of Nigerian SMEs can only be realized if both the leaders and the citizens concertedly work together. The government has to take the lead by extending the current reforms to the educational and industrial sectors especially as regards policy formulation and implementation, ports reforms, transportation sector reforms, revamping the infrastructural facilities, value reorientation and reduction of bribery and corruption to the barest minimum if not total eradication. Given efficient and effective execution of all these as well as the political will and good leadership and good followership, the SME sector will certainly be an effective tool for a rapid industrialization of the Nigerian economy.

Small and Medium Enterprises (SMEs) in Nigeria are largely not properly structured, are informal, labour intensive, have centralized or concentrated management, are basically involved in trading activities and disorganised as a result of low-level capacity in management, marketing and technical know-how as well as low level knowledge of legal and regulatory practices, policies and accounting practices. The SME sector in Nigeria is replete with a multitude of problems some of which are intrinsic to it while others such as the lack of an enabling environment in terms of poor or non-existent infrastructure like bad roads, water, power, and access to finance are largely external.

5.2 CONCLUSIONS

Contrary to the generally believed notion or assumption, this research found out that access to finance or capital is not the greatest problem facing SMEs in Nigeria. The greatest or worst problem confronting SMEs in Nigeria is managerial capacity. Access to capital or finance is necessary but not a sufficient condition for successful entrepreneurial development. If one has the entire funds in the world and does not have the capacity to manage that fund and does not have the necessary information as to what he/she should do, the money would go down the drain.

The top ten key problem areas facing SMEs generally in Nigeria in descending order of intensity include management problems, access to finance/capital, infrastructure, government policy inconsistency and bureaucracy, environmental factors related problems, multiple taxes and levies, access to modern technology, unfair competition, marketing problems and the non-availability of raw materials locally. The mortality rate among SMEs in Nigeria is very high within their first five years of existence. The reasons for the high mortality rate include the following among others: Many prospective entrepreneurs do not have a clear vision and mission of what they intend to do. Many of the SMEs are not business specific and hence have no focus and are easily blown away by the wind.

They tend to emulate or copy other successful SMEs without any planning of their own. Many fail to plan well and waste a lot of resources on brochures and other non-essentials as a result of no focussed and logical procedure or articulated plan of actions. Other mistakes by start up SMEs include placing advertisements without quality and commensurate goods and services to match, promoting themselves (promoters) instead of the business per se, promoting the business in the wrong environment, quitting at experiencing a slight setback or

disappointment, not researching the market well ahead of commencement, not being original and stopping marketing too soon. The rate of growth of SMEs in Nigeria is stunted due to the following key reasons: lack of entrepreneurial spirit and drive, fear of failure of the enterprise, fear of starvation for a few months after quitting a paid job, inability to produce or pay for a feasibility study or business plan, mind set that “it will not work” or “I won’t succeed” and the likes.

Capacity building especially in terms of business knowledge, self confidence, skills and attitude, acquisition and development of entrepreneurial spirit and right business motivation and ability to set goals are imperatives for entrepreneurial success. Infrastructure has remained the greatest problem of the manufacturing subsector of SMEs in Nigeria. Power supply poses the greatest challenge as most of them have turned to generating sets for regular power supply at a debilitating cost. Many also have to contend with constructing their own road network and providing their own water system also at huge costs. Many SMEs in Nigeria are not aware of the existence of SMEDAN, the various sources of funds for SME development, the incentives available for them, the legal and regulatory requirements, how to source funds from banks or even the basic procedure for promoting an enterprise.

Many SME promoters in Nigeria are also negatively affected by the following killing attitudes: short-term orientation, shallow thinking and quick-fix expectations and poor corporate governance. With the dismantling of trade barriers as part of globalisation, SMEs in developing countries are facing intense competition from industries of other countries,

5.3 RECOMMENDATIONS

Driven by the findings in this research, SMEs in Nigeria have a long way to go for the sector to be relevant, focused, productive enough, and play the crucial role it is expected to in

relation to contributing to the growth and development of the economy of Nigeria. The challenges and problems of the SMEs in Nigeria are hydra-headed and hence can only be effectively tackled by a multi-dimensional and concerted approach by all stakeholders i.e. the governments (Federal, State and Local) and their agencies and parastatal, banks, regulatory authorities, tax authorities, SMEs (owners and management), the employees of SMEs, multilateral and bilateral agencies and donors.

It behooves the government to create an enabling environment that is appreciably devoid of corruption and bureaucracy, and at the same time, motivating and entrepreneurially friendly. It has to be a two-pronged approach for the government efforts to be effective in recreating a conducive environment in which SMEs can thrive and blossom. It has to be an environment full of opportunities and incentives which would sufficiently attract investors and would-be entrepreneurs including young school leavers who would be motivated enough to opt to be employers instead of looking for paid jobs. For the government to succeed in reinventing the future of SMEs, it has to extend the current reforms to our educational system to make it more functional, relevant and need-oriented and driven. The thrust and emphasis should be on modern technology, practical technological and entrepreneurial studies aimed at producing entrepreneurs. This implies a change in our culture, value system and orientation as well as Nigerians' overall attitude, ethics and appreciation of the need for every Nigerian to contribute in making our country better than we met it.

The transformation of our educational system has to start from primary through secondary and tertiary emphasizing the cultural reorientation and focus on technological studies through all the stages. Where possible, the technological and entrepreneurial studies can be thought in the indigenous or local dialect to ensure full understanding and appreciation by the

pupils and students. This method is bound to enhance fast and full integration of the new values into the culture of these young impressionable Nigerians.

A change in our value system, which would place high premium and recognition on entrepreneurial acumen, honesty, diligence, and ability to contribute to the society through invention or creation of employment opportunities for others, demonstration of quality leadership and the likes should concurrently be introduced into our educational system with the above technological thrust.

In the same vein, morality, civics and war against corruption should also be introduced at the primary, secondary and tertiary levels of our education alongside entrepreneurial and technological studies.

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The questionnaire is a method that is used to know **SMALL AND MEDIUM ENTERPRISES IN THE ECONOMY OF NIGERIA: PROBLEM AND PROSPECT**

INSTRUCTION: please use the scale below to check and tick () in the appropriate column that best represent your opinion for each item.

SECTION A

BIO – STATISTICAL DATA

SEX: male [] female []

AGE: 18-25 [] 26-35 [] 36&above []

MARITAL STATUS: single [] married []

EDUCATION QUALIFICATION: Primary education [] Secondary education []
tertiary education []

RELIGION: Christian [] Muslim [] others []

SA - Strongly Agree, A – Agree, D – Disagree, SD – Strongly Disagree.

SECTION B

Please kindly mark (✓) with care and appropriately

	QUESTIONNAIRE ITEMS	SA	A	SD	D
1	Access to finance/capital does not represent the greatest problem confronting small and medium enterprises in Nigeria				
2	Small scale business create opportunities for individual to be self sufficient				
3	The nature or kind of a small and medium enterprises does not determine the financing source for its operations				
4	Small scale business create employment opportunities for young school leavers either as clerk or sales represent				
5	Small scale business reduce migration to cities				

6	Small scale business develop agricultural activities in rural areas				
7	Poor record keeping contribute to failure of small scale business				
8	Poor funding led to downfall of small scale business				
9	Lack of accounting knowledge led to failure of small scale business				
10	The legal form of an small and medium enterprises does not largely determine the dominant management style employed in the respective SME				
11	Level of literacy contribute to failure of small scale business				
12	Infrastructure represents the greatest problem facing the manufacturing sub – sector of small and medium enterprises in Nigeria				
13	Management does not represent the greatest problem facing the manufacturing sub – sector of small and medium enterprises in Nigeria				
14	Absence of long – term finance to fund capital assets and equipment under project finance for small and medium enterprises contribute to failure of SME in Nigeria				
15	Widespread corruption and harassment of small and medium enterprises by some agencies of government over un authorized levies and charges is one the greatest problem				