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ANALYSIS OF GOVERNMENT EFFORTS AIMED AT  
PROMOTING/SUSTAINING SMALL AND MEDIUM  
SCALE ENTERPRISES OPERATIONS IN NIGERIA

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AND MEDIUM SCALE ENTERPRISES OPERATIONS IN NIGERIA.**

**BY**

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**1510203021**

**BEING A RESEARCH PROJECT SUBMITTED TO THE DEPARTMENT OF BUSINESS  
ADMINISTRATION, IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE  
AWARD OF (B.Sc) DEGREE IN BUSINESS ADMINISTRATION**

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FACULTY OF MANAGEMENT AND SOCIAL SCIENCE  
FEDERAL UNIVERSITY GUSAU**

**SEPTEMBER, 2019**

DECLARATION

I, Hadiza Abubakar Muve declare that the analysis of Government Efforts Aimed at Promoting/Sustaining Small and Medium Enterprises Operations in Nigeria is conducted by me under the supervision of Prof. G. A. Olatunji. All materials consulted in this work have been duly acknowledged.

Hadiza Abubakar Muve

[Signature] 23/10/2019

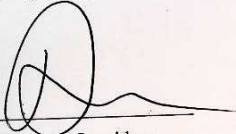
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## CERTIFICATION

This project entitled: "Analysis of Government Efforts Aimed at Promoting/Sustaining Small and Medium Scale Enterprises Operations in Nigeria" has been read and approved as having satisfied the conditions for the award of a Bachelor of Science Degree in Business Administration, Federal University Gusau, Zamfara state, Nigeria.

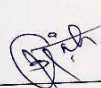
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## DEDICATION

This project is dedicated to my parents, brothers and sisters and all the students (young, old and deceased) around the world.

## ACKNOWLEDGEMENT

I thank the Almighty Allah who has seen me through the B.sc program, without him I would not have successfully finished the program.

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## ABSTRACT

*This paper study the government efforts aimed at promoting/sustaining small and medium enterprise operations in Nigeria. For the study, the researcher made use of a known number of populations of concerned interest, which were one hundred and sixty-eight (168) relevant people. Then applying the Yaro Yamani's (1960) formula for the determination of sample size. From the 168 total population research questions, research questions and hypotheses were raised to guide the study. The method/instruments used by the researcher for data collection are: questionnaire, observation and physical oral interview. The instruments were designed based on research questions. The chi-square method & Analysis Of Variance (ANOVA) were used to answer the research hypotheses. The results revealed that the government efforts, the Central Bank and the National Poverty Graduation Program gave an indication that the present level of effectiveness and efficiency in terms of policy guidelines and it's implementation, as well as financial assistance respectively, is slightly above average towards assisting SMEs. The researcher recommend that, studies such as this be given out to students from time to time in quest of their academic pursuit, for this serves as a way of enabling them to conduct adequate research to ascertain the true situation of issues of this nature, as well as other related/relevant ones.*

**Keywords:** *Analyses, Government efforts, promoting/sustaining, small and medium scale enterprises.*

## CHAPTER ONE INTRODUCTION

### 1.1 BACKGROUND OF THE STUDY

Government has done a lot toward improving the standard of small and medium scale business in Nigeria through the establishment of many ministries parastatals and agencies. In Nigeria small scale business are falling due to some problems, like poor funding, poor infrastructural development, high taxation and others. Small and medium scale business have come to stay in this country and to some extent have increased the standard of living and economy of this country.

Government has implemented a lot of programme and equally set up some agencies in Nigeria like the small scale industry credit scheme (SSICS). The National Economic reconstruction fund (NERFUN) Central Bank of Nigeria (CBN), the Nigeria Export and Import bank (NEXIM), the work bank facility for the Small and Medium Scale Enterprises loan (SMEX LOAN), the National Directorate of Employment (NDE), the Small and Medium Enterprises Development Agencies of Nigeria (SMEDAN).

All this agencies are effort made by the government to reduce the effect of poverty in Nigeria. But the fact still remain that some of this agencies are not doing what they are meant to do due to corrupt practices, favoritism and untrained personnel that work in those parastatals.

Our small and medium enterprises when compared with the outside world, has a lot of discrepancy in terms of maturity, level and standard. What we call big business in this country are been regarded as small business in other countries.

Therefore, it will be of great interest that the government not only set those agencies but they should also provide capable and competent hands that will man it, discipline those that are corrupt and make it possible for small and medium scale business to excel in Nigeria.

From the above study, economic analysts all over the world agree that output performance in the less developed countries is rather disappointing with little or no hope of appreciation, to a level that would engender self reliance. This was precisely because the major indices of economic performance rather looked downwards. The index of manufacturing output posted losses in real terms with the bleak consequences in employment generation. On a macro scale, the effect was disastrous with failures in macro-economic planning.

The experience in developing countries with large scale industry was worsened by financial shortage and fraud, as a result of which gigantic projects were abandoned. In addition, the technological gap existing between the developed therefore agreed and obvious that the "big-push" theory of large scale industry cannot of finance, technology and manpower availability.

The concentration of large industrial concerns in the urban cities has long been criticized because of the rural urban drift which has generated imbalance between the rural and the urban areas in Nigeria today, Leon (1998). Faced with this kind of problem and given the constraints, economic thinkers are now focusing attention on small and medium scale enterprises (SMEs). Small and Medium scale enterprises consist of endeavours in manufacturing, handicraft and small pockets of maintenance and repair.

In effect the definition of SMEs may vary from place, time and purpose, the commonest criteria used according to Ihyembe (2000), include the number of employees, sales (or turnover), financial strength (mainly in terms of capital outlay and working capital), as well as the structure

of the ownership. The SMEs concept evolves from the type of opportunities available in the market which is matched with the locally available skills and financing. This type of industry is one that is characteristically managed as a small business either by a sole proprietor or combination of small investors who have gathered their resources together.

The Nigerian economy appears to have been reaping the advantages obtainable from small and medium scale enterprises. These include stimulation of indigenous entrepreneurship, transformation of traditional industry, etc. As would be shown later, the experiences in many parts of the world point to the director that small and medium scale enterprises can make positive impact on the economies of many nations both developed and developing.

It is for this reason that the government of Nigeria (Federal and State) started showing interest in Small Scale Industries (SSIs) from the 70s to date. Some of the positive actions taken by government in this regard include providing funds for some form of research into these industries, creating SSI divisions or departments as well as small scale credit schemes in the various states and at the federal level. The implementation of the programmes that have been outlined for the development of the small and medium scale industry in the past have often been hampered by the lack of information concerning the industry, most especially with the constraints to their development, what motivates them, their economic contributions and so on.

Hence, the need for adequate research into them to provide the basic data for planning effectively for them. Detailed and extensive nationwide research on these industries in Nigeria have generally been lacking until the pioneering work of the industrial research unit of the University of Ife now Obafemi Awolowo University Ife in the early 1970s.

The first in the series of surveys carried out by the Ife unit on SMEs, covered the then western states, Kwara state and former mid- western state. A survey of SMEs in the former north eastern states was also carried out by the unit. The University of Zaria now Ahmadu Bello University Zaria also carried out similar studies in the remaining states of the country at that time.

The objectives of those studies were similar and were meant to study and analyze the structures of the SMEs, the pattern of ownership management and control in the SMEs as well as the size of employment, marketing procedures as well as the level of education and training in the industries. The studies also sought to examine the extension services available to the industries and the impact of public policies on their general performance.

The analyses of all these factors were at assessing the role of SSIs in the nation's economic growth. The research carried out an enumeration exercise on SME's in the states and attempted to measure and analyze certain variables and factors that were relevant to the achievement of the set objective.

These variables include the level and sources of capitalization, ownership structures, age, level of education of entrepreneurs, employment management practices etc, the analysis of such other factors, impacts etc.

A few years ago, the Federal Ministry of Industry commissioned some consulting firms and other groups to carry out a nationwide survey of SMEs. These studies were aimed at assessing the impact of the existing SMEs on the development of the economies of each state. They were also to examine the linkage effects of outputs of small manufacturers on bigger industries and vice versa. In addition, the studies equally determine the impact of federal government assistance to the states for the development of SMEs credit and other schemes.

Finally, the project was also aimed at determining the potentialities possessed by the states for the establishment, growth and development of small scale establishments in the states. While these studies and research undertakings could have been said to have provided a very useful insight into the operations and potentials of the SMEs, they equally left some unanswered questions.

## **1.2 STATEMENT OF PROBLEM**

Despite the fact that there is an increase in the number of small and medium scale enterprises in Nigeria, the country still witness under industrialization. Unemployment has been a common phenomenon with the institutions of higher learning producing fresh graduates each academic year without appropriate job opportunities for a lot of them.

Capital is a major problem facing SMEs as well as industrialization. Shortage of capital has induced many industries to delay their projects. The banks and other financial institutions are often blamed for inadequacy of credit and loan facilities to this sector. The excuse often given by banks is that the entrepreneurs do not usually repay loans as and when due. They accuse the industrialists of being dishonest, and also not having the ability to satisfy the bank(s) with their feasibility studies. At times loans meant for the establishment of a certain business is diverted to unprofitable ventures.

Government on the other hand has been accused severally of not doing enough to promote and sustain programmes aimed at uplifting and enhancing the operations of the SMEs. This is where the problem of this study lies. It constitutes an inquiry into ascertaining the various ways through which government has been and is still contributing towards the promotion/sustenance of small and medium scale operations in Nigeria.



### 1.3 OBJECTIVES OF THE STUDY

The basic objectives of the study are as follow:

1. To provide an analysis of the concept of small and medium scale enterprise.
2. To examine past efforts of government aimed at promoting/sustaining small and medium scale enterprise operations.
3. To also examine what constitutes the elements of government's present efforts/approach towards small and medium scale enterprises operations, promotion/sustenance.
4. To present a resource material/source of reference in this regard in future.

### 1.4 RESEARCH QUESTIONS

To direct investigation, the following research questions were put forward.

- i. What constitutes the need/relevant for the establishment of small and medium scale enterprises?
- ii. Through what ways/means had government promoted/sustained small and medium scale enterprises operations in the past?
- iii. What constitutes government's efforts in this regard presently?
- iv. Is there a need to have a resource material/source of reference in this regard in future

### 1.5 HYPOTHESIS

The hypotheses put forward for the research are as follows:

- 1 Ho: The establishment of small and medium scale enterprise would not contribute to national economic growth and development
- H1: The establishment of small and medium scale enterprise would contribute to national economic growth and development.

2 Ho: Government has not been promoting/sustaining the operations of small and medium scale enterprises in the past, and present.

H1: Government has been promoting/sustaining the operations of small and medium scale enterprises in the past, and present.

3 Ho: The growth and development of SMEs in the country presently is not dependent on government's effort, promotion and sustenance of its operations.

H1: The growth and development of SMEs in the country presently is dependent on government's effort, promotion and sustenance of its operations.

4. Ho: There is no need to have a resource material/source of reference like commercial bank as regard the improvement of SMEs in the future.

H1: There is every need to have a resource material/source of reference like commercial bank as regard the improvement of SMEs in the future.

### 1.6 SIGNIFICANCE OF THE STUDY

Significantly, SMEs form an integral part of the entire economic sector. In developed economies, the private sectors holds the key of SMEs and contribute immensely to the strength of the micro economy and alleviating much of the economic and social problems of the lesser class.

The governments of these countries understand this and formulate policies that are quite favourable to their existence and effective performance. There is the linkage effect between the big manufacturing firms and the small enterprise which are unable to undertake the manufacture of certain inputs in the production process.

The small scale concerns will be positioned to fill such gaps in the linkage structure. To this effect, the establishment of a functional industrialization programme is a gateway to the SMEs sector.

The relevance of small and medium scale business to economic growth and development makes it imperative for any nation that wants to develop economically to encourage the development of strategies that will make SMEs boom in their nation(s). Unfortunately, if there is stagnation or outright failure of this vital economic section, it denies such nation(s) the goodies derivable from having them.

However, some of the crucial problems in formulating and implementing a meaningful small scale industrial policy include the issue of mission, which has to be unambiguously defined, promotion, as well as that of financing. This must be done in the context of the macro economic planning which is currently taking place in Nigeria today, after decades of planlessness.

It is in line with the afore-mentioned that a proper analysis of the study such as this one targeted at analyzing government efforts, aimed at promoting/sustaining small and medium scale enterprises operations in the country are considered to be paramount significance.

### **1.7 SCOPE AND LIMITATION OF THE STUDY**

The scope of the study encompasses the analysis concerning the relevance of the small and medium scale enterprises towards the growth and development of a nation's economy, together with the definitions, characteristics, as well as some other elements associated with small and medium scale enterprises. It also entails the efforts on the part of government through such means as policies, programmes, etc. towards promoting/sustaining SMEs operations in Nigeria, with emphasis on the Small and Medium scale Enterprises Development Agency of Nigeria (SMEDAN), as well as some other related/relevant establishments both past and present through which government has been handling the issue.

However, the limitations of the study exists in such area as the time period involved for the execution of the research, difficulties in obtaining most of the data/information required for the study, as well as transportation and some other logistic problems encountered in the process of carrying out the research.

## CHAPTER TWO

### LITERATURE REVIEW

#### 2.0 INTRODUCTION

The concept of small scale business has perhaps enjoyed more controversy in the literature than possibly any other concept could boast off. Economists, management consultants, government agencies etc, are at variance at what parameters or criteria should be used in delineating which businesses are small and which ones are big. The growing want of uniform criteria for identifying small business led scholars to define it with one or more of the following:

- Number of employee
- Capital outlay
- Asset base
- Market size

It is necessary at this point therefore, to review some of the literatures related to this topic.

#### 2.1 THE DEFINITION OF SMALL SCALE ENTERPRISE

Though there is no universal acceptable definition of small scale enterprises, as the basis for measuring their size is debatable. The term small scale enterprises or small businesses may be used freely as if it had a universal interpretation because the classification of business into small, medium or large is a subjective and quantitative judgment, Chibundu (1989).

The meaning of the term small scale enterprise varies from one country to another and from one industry to another even within the same country, accordingly, such various definitions were

based on parameters such as installed capacity utilization, output, employment, capacity, type of industry or other criteria which have more relevance to the industrial policies of the specified country. According to Uzor (1984), the commonly used quantitative criteria of determining sizes of enterprises include number of employees, asset employed, networked, value added sales turnovers etc.

Consequently, some people would undoubtedly consider all businesses that had no more than a specified number of employees (5 or 10) to be small. Others would believe that a small business is one that operates only in the local market area. Still others would classify businesses as small by the kind of firm such as local drug store, dress shop, food processing outfit/firm service stations, barbing and hair dressing salon and their likes.

This concept is usually accurate enough for general purposes of most small concerns of this nature, opined Bosa (1987). Most people would agree that the neighboring beer parlor and provision stores at the corner of a residential area are small businesses, while the Nigerian breweries Plc and the group of companies is big business.

One would probably generate little argument about what is "big" or "small" between these two extremes since size is a relative concept. What appears small in a particular establishment in terms of employees or sales may be big in another establishment. In distinguishing between big and small business, some criteria that are used are relative size, type of customers, financial strength and the number of employees. Controversy arises then as to where to draw the line between big and small. Or put in another way or expression, how big is small?

According to Lewis (1975), the definitions change overtime depending on the circumstances and specific objectives of government and institutions. The small business Act of USA (1953),

provides that a small business concern is one which is independently owned and operated and not dominant in its field of operation Broom and Longnecker (1986).

Steplanek (1988) described small scale enterprise in Indonesia as those employing less than one hundred (100) fulltime workers. Similarly, Libhold and Chuttas (1990) defined small scale enterprises in Sierra Leone as those employing less than fifty (50) persons. But in Britain, an attempt was made to define small businesses by adopting a payroll approach by looking at the number of workers on the payroll. By this definition those firms employing up to two hundred (200) workers maybe regarded as small.

The 1989 Industrial Policy of Nigeria defined small scale industries as those with total investment of between one hundred thousand naira (N100,000) and two million naira (N2,000,000), exclusive of land but including working capital Jegede (1990).

Also, the Central bank of Nigeria credit policy currently defines a small scale enterprise for the purpose of commercial and merchant banks loans as one whose total cost excluding cost of land but including working capital is above one million naira (N1,000,000), but does not exceed ten million naira (N10,000,000).

The small scale industries division of the Federal Ministry of Industries defined small scale enterprises as enterprises having investment capital (investment in land, building, machinery, equipment and working capital) of up to sixty thousand naira (N60,000), and employing not more than fifty (5) employees. This definition was later revised to embrace all manufacturing units with a total capital and paid employment of up to fifty (50) persons, Ayuba (1989). Thus, such an establishment must be wholly Nigerian-owned (all companies in schedule 1 of the 1977 Nigerian Enterprises Promotion Decree). In addition, manufacturing units exceeding the limit of investment and employment as stated therein may still be considered a small business if the scale

of output is relatively small compared to prevalent sizes of plants, and the technology is fairly labour intensive.

The Nigerian Bank for Commerce and Industries (NBCI) for the purpose of its revolving loan scheme for small scale industries, defined small scale enterprises as those investing not more than five hundred thousand naira (N500,000), excluding the cost of land but including working capital. Nevertheless, the bank's official definition since 1985) has been firm whose capital cost does not exceed seven hundred and fifty thousand naira (N750,000) including working capital but excluding land.

The Industrial Research Unit of Obafemi Awolowo University Ife, defined small scale business as one whose total assets in capital, equipment, plant and working capital are less than two hundred and fifty thousand naira (N250,000), and employing fewer than fifty (50) fulltime workers, Oresotu (1985).

However, small scale enterprise or business is not limited to institutional definitions alone. Ekpenyoung (1989), defined small scale enterprise as those enterprises that have relatively little capital investment, that produce in small quantities and as a result control a small share of the market, that employ not more than fifty (50) workers and in which management, marketing and entrepreneurial functions are vested in the proprietor.

Nwakobi (1988) is of the opinion that the definitions of small scale enterprise especially those given by Nigeria institutions are not healthy.

## **2.2 THE DEFINITION OF MEDIUM SCALE ENTERPRISE**

It is important to recall that the term medium scale is fairly recent in Nigeria. Because of this, there is limited number of medium scale enterprises definitions in Nigeria.



However, Ogbe (1985), after reviewing the prevailing definition of small scale enterprises in Nigeria claimed that we all know that a medium scale enterprise is bigger than a small scale enterprise but not large enough to be classified as large. However, for an enterprise to be eligible for assistance under the Nigeria bank for commerce and Industries (NBCI) World Bank assisted loan scheme for small and medium scale enterprises, its total assets should not exceed one million naira (N1,000,000).

For the Nigeria Industrial Development bank (NIDB), medium scale enterprise is one whose project cost (investment plus working capital) are above seven hundred and fifty thousand naira (750,000), but not greater than three million naira (N3,000,000).

Also Jegede (1990), citing the 1989 Industrial Policy of Nigeria, defined medium scale enterprise as those with total investment of between two million naira (N2,000,000) and five million naira (N5,000,000), exclusive of land but inclusive of working capital.

He (2003), proposed that a medium scale enterprise should be defined as any enterprise whose total investment or total assets are above ten million naira (10,000,000), but not greater than twenty million naira (20,000,000) and having a labour force that is above one hundred (100), but not more than two hundred (200). In view of the developments in the Nigerian economy, which has raised costs? He proposed that the definition would appear to be more appropriate for the time being.

### **2.3 TYPES OF SMALL BUSINESS ACTIVITIES**

Nearly every product or service known can be provided by one small firm or another. Goods are manufactured and distributed, wholesalers collect products from many sources and then provide them to their customers in usable quantities, retailers bring together a huge assortment of products at a store convenient to the customer, and an amazing number of small firms export to

other countries. While some firms serve only the local community, other firms operate in the national and international markets.

While many small firms concentrate on selling material product, an increasing number of firms provide services. Although most service firms operate in local markets, some services, such as management consulting medial services, technological assistance and even education are exported.

#### **(i) Product Production Firm**

Manufacturing and Assembly firms are producers of final products. They use raw materials to manufacture physical items, or they assemble components developed by other firms into consumer products or industrial products; that is. They make them usable by the ultimate consumer. These products are then distributed to the final user either directly or through various types of wholesalers, agents, brokers and sometimes retailers.

Mining and drilling firms extract raw materials from the earth. Many of these firms process what they extract, while others all the material to neither manufacturing nor refining firms for processing or to dealers who then sell the material to final users. For example, some salt mining also process what they mine, while a small oil drilling company would sell the crude oil it pumps out to a refinery for processing.

Forestry or lumber companies harvest timber from the forests. Some then process it into lumber or lumber related products, such as plywood or even paper, while others all the trees as raw materials and some even export the raw logs to other countries. Fishery firms harvest fish and other seafood from seas, lakes or rivers, and then prepare it for human consumption or sell their catch to other firms for processing.

Agricultural firms come in all sizes and produce all kinds of plant based food stuffs, including a broad spectrum of grains, hundreds of different vegetables, dozens of fruit varieties, and numerous kinds of nuts.

Farms and ranches also produce beef, pork, and other kinds of meat. Herbs, wool, medicinal plants, hides, fur, cotton, flax, fibers, ornamental plants, shrubs, flowers, bulbs exotic animals and plants, and many other items are grown agriculturally.

### **(ii) Providers of Services**

While service firms are numerous and varied, they share the characteristic that what they provide is not a consumable product but a special non material service. Suppliers of services include doctors, dentists, consultants of all kinds, accountants, travel agents, electricians, plumbers, etc. There are also services firms that work on products that are owned by their customers. These are also service firms that work on product that are owned by their customers. These include companies that repair TV sets or household appliances and companies that dry-clean clothes. The amount of money spent by clients for services has been growing steadily for the past several years and currently it's assumed to represent more than fifty (50) percent of all consumer expenditures.

Finance firms are often small. They include commercial banks, finance companies, mortgage companies, discount houses, savings and loan associations and loan companies of various kinds. These small financial organizations are often prime providers of cash and operating funds, as well as other related financial services to many of the nation's small business.

Every business needs a financial institution to aid its operations. They need banking facilities such as checking accounts, and they may need loans to finance inventories, carry receivable,

purchase equipment and fixtures, handle international transactions, and meet financial deadlines. Small corporations may also require the facilities of a securities banker to sell common and preferred stocks to provide a sound financial structure for their firm.

### **(iii) Providers of products and service combination**

Wholesale firms distribute both consumer and industrial goods to other business and in the process, handle physical products and provide the delivery service as a package. Wholesaling activities are of great economic value to both the producers of the products and the retail firms that sell the products to the consumer. The various lapses of wholesaler including full service and limited service wholesaler, brokers, agents and jobbers.

For example, consider a small seafood cannery attempting to distribute its product to all the individual stores that would like to have it on their shelves. Another example such as vegetable oil can be cited. By using wholesalers, both firms can greatly reduce the costs of distribution. In addition, the wholesaler can provide a wide variety of other canned goods and other grocery products that will give the retail stores easy access to a large selection of items it can sell. Retail stores represent the largest percentage of all small firms. They sell all kinds of products and provide all the support services needed to sell these products. Retailing is a popular area with entrepreneurs, probably because they do it with other forms of business. And it is relatively easy to operate due to its small initial capital outlay and skill requirement.

Most retail firms buy their products from wholesalers, jobbers, or other distributors in the form in which they will be used by the consumer. The function of retailers is to give these products place utility; that is to add to their value by making them available to the consumer at a

convenient location. Creation of place utility and the provision of other services are the same for retail firms of all types and sizes.

#### **2.4 THE ROLE OF GOVERNMENT IN SMALL AND MEDIUM SCALE ENTERPRISES**

Every government in developing as well as under developed economy is fully aware of the importance of small scale enterprise in nation's development and prosperity, according to Broom (1998).

In Nigeria, the colonial government's policy was not to encourage the manufacturing sector or food processing sector, but to supply the British industries with essential raw materials from her colonies and provide a market for her goods. All subsequent indigenous governments showed keen interest in small scale enterprises and economic independence, Cobn & Lindberg (1978). Cobn further emphasized that in order to achieve these objectives. Various programmes and policies were introduced to encourage these enterprises.

Ezeh (1994) opined that the primary role of government is to provide the enabling environment, encourage and provide necessary incentives for the participation of private enterprises in economic development by both indigenous and foreign investors and entrepreneurs. Besides setting up agencies and institutions, the government also set up industrial estates and applied fiscal monetary measures to promote small scale enterprises operations. A more detailed explanation of some of these agencies and institutions as well as the measures are contained in later chapters.

## 2.5 ESSENTIAL REQUIREMENT FOR SUCCESSFUL SMALL SCALE BUSINESS OPERATIONS

According to Nwokoye (1988), these are some required characteristics that the small scale entrepreneur must possess in order to succeed in his/her undertaking. He further said that the responsibility of the entrepreneur is to analyze critically the environmental business opportunities and exploit only those that fall within his capabilities.

Kotler (1980), emphasized that every environmental opportunity has certain requirements for success. Also every business enterprise special capabilities or distinctive competence in performing certain functions. Hence, an entrepreneur is likely to exhibit differential advantages in an area of environmental opportunity, if its distinctive competence matches the success requirements of the environments opportunity other than its potential competitors. Ethics which deals with what is good and bad, and with moral duty and obligation as well as the study of people's rights, duties, the moral rules that people apply in making decisions and the nature of relationships among people is a very important requirement.

Recalling that the maintenance of high integrity is an ethical imperative, Ejiofor (1987), defined integrity as the aspect of one's character rooted in his conviction which serves to deter him or her from taking advantage of his or her position or strength to gain at the expense of his or her organization, customer, client or subordinates. The success of an enterprise is therefore, dangerously dependent on the integrity of its key managers and other personnel.

Vroom (1964), has theorized that the performance of an individual in a particular job is a multiplicative function of his ability (A) and motivation (M). But Ejiofor (1984), suggest that the performance of a person is a function of his ability (A), motivation (M) and integrity (I).

According to him, in addition to the individual's motivation and ability, his integrity is an active viable in his performance. American performance model propounded by Vroom missed it probably because the integrity of their individual can still be taken for granted, and who doubts that the problem of integrity in Nigeria is not getting out of order. The following statements can help us to understand the issue more clearly.

Ojudu (1992), in an article captioned "Corruption in Nigeria", published by African Concord of 13th April, 1992, said that the rule is no longer "thou shall not steal, but thou shall not be caught", corruption is the name of the game, he concluded by asking the question "is there a way out?" Also, Diya (1994), was quoted to have asserted that it is difficult to see a wealthy Nigerian today be he from the military, police, judiciary, public or private sector that could account for his source of wealth.

## **2.6 PROBLEMS/CAUSES OF FAILURE OF SMALL AND MEDIUM SCALE ENTERPRISES (SMES) IN NIGERIA**

Factors which constitute problems as well as causes of failure of small and medium scale enterprises in Nigeria are as many as they are varied some of them include:

**i. Under Capitalization:** Money matters are not matters of fancy virtually, all businesses need capital for its operations and growth. But many of the small and medium scale business units are under capitalized. They have limited sources of finance and this creates the problem of not buying merchandise independently at best price, inadequate qualities cum varieties e.t.c. Oshunbiyi (1989), also saw the key problem facing most small and medium business in Nigeria as that lack of finance. According to him, this lack is whether for the establishment of new

industries or to carry out expansion plans, the inability to attract financial credit has stifled the growth of this sub-sector.

In his view commercial banks which were to be the launch pad for the development of small and medium scale industries through the provisions of loans have failed to give adequate support to them. Stiff collateral security demanded by banks often means that small scale industrialists are unable to meet these provisions, consequently losing the chance to obtain loans. In addition, high interest rates charged on loans have scared off potential small and medium entrepreneurs.

Banks on her own part, have argued that they are discourage to lend to this sub-sector, since many potential and existing small and medium scale entrepreneurs draw up feasibility reports that are not viable, lack managerial skills and do not maintain adequate financial or accounting records about their businesses.

Oladele (1985) added that commercial banks sometimes shun the small and medium business owners who on getting the loan soon divert the funds into other uses while they avoid the banks and resist any investigation into their activities.

**ii. Poor Record Keeping:** Some small and medium scale industrialists believe that the maintenance of book of accounts and other business records is costly and unnecessary. They feel they can defer the keeping of notes on important business transactions, such as amounts due to be paid to suppliers and amounts due from customers. Some people feel that keeping proper records of accounts is inviting trouble from the tax authorities, while some others feel that keeping records will be a source of leakage of business secrets to others.

In fact, many small and medium scale business operators do not understand the intricacies of maintaining adequate business records or preparing financial statements. Financial data may be



available but the manager may lack the necessary knowledge of appreciation of their value to interpret and use them effectively. Dickson (1974), agreed with this view when he said that small and medium scale enterprises are plagued by inadequacies and services misuses of business records and business information.

**iii. Lack of Enterprise:** This relates to lack of experience in the line of business which the small and medium scale business owners enter. They may have experience in one line of business and do not in another due to unfamiliarity with the specific problems of that particular new line of business.

Most successful entrepreneurs had prior experience in their line of work. Albert (1980) suggested ways to make up for experience deficiencies of entrepreneurs working for someone in the kind of business contemplated or taking on a partner with the needed experience.

**iv. Poor/Wrong Location:** The factors which usually influence the location of business include nearness to source or raw materials, market, power supply, as well as access to supply of labour and transport facilities e.t.c.

Good location is extremely important as a factor for business success. Poor location has caused the downfall of many small and medium scale enterprises. One mistake some people make is to rent a store in a location that has a history of failure. They often feel they will be able to turn the situation around. According to Hastings (1968), the small businessmen must analyse their unique situation before choosing the town and the actual site for the business.

**v. Inadequate Planning:** Planning is defined as determining in advance what to do, how to do it, when to do it, who to do it, and even why you should do it. It encompasses setting objectives as

well as making day to day decision on how these objectives can be achieved. It involves the determination of both ends and means.

In his published article Ojiako (1987), stated that one of the problems of small and medium scale business is the lack of strategic planning. It should be noted that sound planning precedes sound decision making. Most small and medium scale businesses according to Roger (1964), see planning as a luxury which could be afforded only by a large corporation. Even when they plan the tendency is that they concern themselves only with short term plan, while they, shy away from long term plan.

According to Rice (1980), the lack of use of modern method of gathering and analyzing data constitutes a weak point in the small or medium business strategic planning effort.

**vi. Neglect and Time Pressure:** Since most small and medium scale business owners are usually managers, they must guard their businesses against personal neglect. Common reasons for neglecting the business include bad habit, poor health, laziness, marital problems or apathy. Others include too much devotion to community activities or politics, etc. these tend to conflict with business profitability objectives.

**vii. High Rate of Loan Diversion and Defaults:** Both loans obtained from government, banks and individuals are used to promote personal aggrandizement, instead of the corporate objective of the business. Hence, failure to repay the plus interest, Abdulkadir (1984).

**viii. Wrong Choice of product or Service:** Probably, one important variable affecting the survival and success of a small and medium business concern is the choice of product or service to be offered. The significance of this initial key factor is inescapable as indicated by Murphy (1976), who concluded from his study of 100 start-ups that the conclusion remained the same.

**ix. Poor Education and Lack of Required skills:** Poor education and lack of required skills was cited as another cause of business failure in Nigeria. According to Edemereyor (1985), proprietors who have neither adequate, education nor the required skills to manage such enterprises own many small and medium scale industries in Nigeria. Consequently, the management of such businesses are on the basis of trial and error, which ultimately leads to business failure.

**x. Poor Competitive Position:** A frequently alleged problem facing small and medium scale enterprises in Nigeria is intensity of competition from large companies. Some small and medium scale companies are for greater innovators than large companies, but their innovations sooner or later face intense competition. Reid and Hazel (1971), puts it this way: "Too often a small company pioneers a new product, a new process, does the research and planning, sweats through production and the launch, does it all well on a modest scale. Then the big boys move in, skirting patents if necessary and steam roll the small companies into obscurity".

Also Onuoha (1994), stated that it would amount to business naivety to belittle the impact of the giant organizations in any industry. They set the pace, their prices, products, internal and externals operating methods/techniques have this pace-setting feature.

**xi. Government Policies and Regulation:** Another problem facing small and medium scale enterprises in Nigeria is the effect of government policies and regulation, some of which bring distortions in the structure and management of these businesses. According to Marsden (1983), small enterprises will thrive if they are economically efficient without the pethoral of Government interventions.

Thus, the small and medium scale enterprises are not exempted from the vagaries of business control as experienced other established business units. They must operate in accordance with the federal, state and local government laws. They must obey the monetary and fiscal policy measures, some of which negatively affect their operations.

**xii. Lack of Preparedness:** Another cause of failure is unpreparedness of small and medium scale business owners. Some launch a new venture without adequate start-up capital. This cause of failure was stressed by Williams (1982), who states that; some people put their heads in a cloud and start businesses with less capital than they estimated or needed.

However, other problems of SMEs in Nigeria are poor business accountability, lack of business knowledge, unplanned expansion, inadequate credit control, incompetence of management, lack of proper inventory control, disaster, inadequacy of infrastructure facilities, lack of skilled manpower, lack of good advice cum unwillingness to accept good advice, non conduction of feasibility studies, management succession problems, etc.

## **2.7 ESSENTIALS OF FINANCING SMALL SCALE BUSINESS**

Finance, which is general the art, science or system of dealing in, supplying regulating or managing the money and credit of a nation, state or private enterprise, plays a central role in the management of any business. Almost every business action has a financial effect on the firm.

A manager's ability to obtain and use funds effectively is a key to the success or failure of his company. According to Friend (1954), a firm's success or even its survival, its ability and willingness to maintain production and to invest in fixed or working capital are to a very considerable extent determined by its financial policies both past and present

According to Shubin (1957), the financing of business involves accumulation of a capital through "investment", the layout out of savings by individuals and organizations for an expected profit. Each enterprise must determine the amount and kind of capital it needs and then must plan its financial structure, provide for expansion, and if it is a limited liability company, sell its securities and avoid undue over capitalization or under capitalization.

For all the required and necessary financing which had to be sourced from various places while planning for the finance of a business particularly a new one, the entrepreneur should be aware that there would be a time lag between its date of commencement and that of the earning of revenue. There will be a further time lag before money starts coming in faster than it has to be paid out. This early period will have to be financed. This should be reflected in the company's financial requirement.

According to E.C. Ike, the then Managing Director of former orient Bank Plc in one of the papers he presented at a conference organized by National Association of Small Industries in June, 1998, the finance of a business organization requirement is made up of three types of capital namely:

- Initial capital
- Working capital
- Capital for expansion

He explained that initial capital includes all that is necessary to get the business started, while working capital is the amount required for the day to day running of the business. Capital for expansion is fund needed to increase the company's productive capacity. With these necessary

capitals acquired, the entrepreneur or whoever that is charged with the responsibility of managing the business will then be faced with the problem of adequately allocating the finance and other organizational resources in their appropriate measures to attain the company's objective. The adage "no finance, no business function", becomes true of any business venture including the small-scale industries.

## **2.8 THE ECONOMIC IMPERATIVE OF SMALL BUSINESS DEVELOPMENT IN NIGERIA**

Nigeria appears to be currently finding the right path to a possible entrepreneurial venture into the 21st century. Since 1960, the country's development plans have laid a great deal of emphasis on public sector control of the economy. We have a situation where the public/private sector mix has increasingly tilted towards public sector domination. For instance, while in the first National Development Plan (1962-1985), only 12% of total capital investment was accorded the private sector with the public sector controlling a staggering 88%.

This trend has generally distinguished the government as a major investor in a lot of business which otherwise should have left to the private sector, but this apparently wrong development planning did not pass without adverse consequences. For the Nigerian economy, many of the public enterprises in which government has invested about 23 billion naira (as at 1986), have been found to be mere drainage pipes through which the dubious bureaucrats and the political class with the collusion of some private sector emissaries have sucked the country dry.

However, the situation is changing presently. Bad economic management on the part of past leaders has boomeranged on everybody. The oil boom of the 70's which dictated the entire frivolous and wasteful attitude of the government and the people, including the relegation of the

agricultural sector and private initiative to the backgrounds has now given way to hunger, squalor, spiral inflation, disease and mass unemployment. The new emphasis on self employment is understood to be in line with the foregoing consideration.

Government is basically de-institutionalizing with a lot of the public enterprises slated for either full of partial privatization or commercialization. The economy is being relieved of unnecessary government controls and regulation, import restrictions and control mainly through the import system and tight dictates of market forces. Consequently, a change of policy that provides greater opportunities to similar business run by Nigerians is more likely to increase than to reduce the rate of growth of industrial output.

### **2.9 THE IMPORTANCE OF SMALL SCALE BUSINESS ENTERPRISES**

The importance of small business enterprises in any economy cannot be over estimated. First, the continuing growth in the economy of any nation depends to a large extent on the start-ups and development of small business. Even on a recessionary economy, small-scale enterprises are legitimate viable components in any strategy for reconstructing the economy.

Further, it is emphasized that the small scale enterprises make the possibility of the equitable distribution of nation income more realistic by providing employment on a large scale. By creating more employment opportunities small business enterprises help in mobilizing capital and human resources that would otherwise be left idle. While some small business may meet untapped demand, some fill a niche in the market, yet others provide some distinct services that cannot be marched by large organization(s) in this wise, they contribute to the succession of large businesses. In other words, if small businesses were suddenly removed from the

contemporary scene, big businesses would find itself saddled with myriad of activities that could only be inefficiently performed.

The importance of the afore-mentioned observation can be seen in the case of manufacturers and wholesalers. The effectiveness of manufacturers would be impeded if wholesalers were not handy to enhance the distribution process to the manufactured goods. It is evident too that such professional services such as accounting, medical, legal, catering, e.t.c. which are rendered to big firms factor under the scope of small business and most of them is owner-manager in nature.

Small scale businesses economize resources. Resources such as capital technical and management skills are scarce and constitute the central problem of under development. Small firms are more capital saving and more labour using and are thus better suited for developing economies. The capital that goes into the start up of small business is relatively easier to come by and this is an advantage to a developing economy in view of the limited amount of savings in such economy.

Small firms are also far less import dependent than large scale businesses and often depend on locally fabricated machinery and local raw material inputs. One can buttress this point further, by noting that the less dependence of small businesses on imported inputs reduces the demand pressure on foreign exchange earnings in the economy. Consequently, another importance of small business is in its considerable solution to balance of payment problems resulting from less dependence on imported inputs.

Small industries have a shorter gestation period and as a result, yield quicker returns on investment. They facilitate balanced industrial development in that only such industries can easily be established in many rural areas. In this regard, they also present a potent means of alleviating



rural-urban migration and the associated urban congestion and unemployment. Innovation is another importance of small business enterprises. One of the essential attributes of entrepreneurs (of small business) is the ability to perceive profitable business opportunities, and a willingness to act on what is perceived. In most cases, small business owners who perceive the need for such services often introduce new services.

Small scale enterprises promote competition and hinder monopoly. The relative ease with which small scale businesses are established and the responsiveness of entrepreneurs to innovations are major factors for the preponderance of small scale enterprises in any economy especially a developing economy. Observation has it that the existence of many healthy business firms in an industry constitutes a barrier against monopoly. The importance of a competitive market to the consumer in particular and the economy in general cannot be over-emphasized.

Small business also provides options for self-employment. Small businesses constitute a vital source of self-employment for retired officers, or retrenched workers or even older persons and others who are handicapped and find it difficult to obtain gainful employment elsewhere. This advantage is particularly obvious in Nigeria and other developing economies, which have witnessed unprecedented retrenchment and employment, squeeze in the public and private sectors of the economy.

Small business also serves as a training school for the indigenous entrepreneurs and provides grounds for the acquisition of skills for a large number of workers. They are about the most outstanding guarantee for a speedy development of indigenous technology. Nigeria as a developing country has particularly witnessed concrete evidence of small business advantages or benefits derivable from small business.

In summary, hardly any major industry can succeed without the services of small business enterprises. The relative strength of their importance may vary from one industry to another. Small firms show their greatest strength (compared to larger firms) in service industries, wholesale, distributions, retailing and construction (jobbing) contracts, while they tend to be dominated by big firms in the areas of public utilities, manufacturing, communications and transportation. In Nigeria there are thousands of small businesses which include farming, piggery, fishing, animal husbandry, weaving and tailoring, printing press, poultry, wood and metal works, and a host of others, which depend mostly on local raw material inputs. The review of the importance of small business enterprises in any economy cannot be exhausted, thus forming the main reason why any study aimed at contributing to the improved performance of the sector should be encouraged.

## CHAPTER THREE

### RESEARCH METHODOLOGY

#### 3.0 INTRODUCTION

This chapter deals with the description of the research design, the mode of data collection e.t.c. The researcher in his efforts to analyze government effort aimed at promoting/sustaining small and medium scale enterprises operations in Nigeria, obtained data for the study from both primary and secondary sources.

#### 3.1 SOURCES OF DATA

##### (i) Primary Source

The researcher in an attempt to collect primary data necessary for the research work, organized face for face discussions with some relevant staff of the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN), the National Directorate of Employment (NDE), the centre for Management Development (CMD), the National Poverty Eradication Programme (NAPEP), the Central bank of Nigeria (CBN), some selected commercial and micro-credit finance banks, as well as some SME owners and operators.

The discussions afforded the researcher the opportunity of gaining access to records of secured data on matters relating to government efforts aimed at promoting/sustaining SMEs operations in the country.

##### (ii) Secondary Source

The secondary data that the researcher made use of in the study consists of information obtained from:

- Relevant journals, textbooks, magazines, newspapers, etc.

- The libraries more especially UNN libraries at Nsukka and Enugu campuses respectively, National Library and the British Council Library.
- Workshops and Seminars organized by SMEDAN and other relevant organizations.
- The Internet.

### 3.2 SAMPLE SIZE DETERMINATION

For the study, the researcher made use of a known number of populations of concerned interest, which were one hundred and sixty-eight (168) relevant people. Then applying the Yaro Yamani's (1960) formula for the determination of sample size, we have that:

$$n = \frac{N}{1 + N(e)^2}$$

Where

n = Sample size

N = Total Population (168)

e = Limited of tolerable error (0.05)

I = Constant

$$n = \frac{168}{1 + 168 (0.05)^2}$$

$$n = \frac{168}{1 + 168 (0.0025)}$$

$$n = \frac{168}{1 + 0.42}$$

$$n = \frac{168}{1.42}$$

$$n = 118$$

The sample size for the research = 118

### 3.3 METHOD/STRUMENTS OF DATA COLLECTION

The method/instruments used by the researcher for data collection are as follows:

#### Questionnaires

The questionnaire is a formalized schedule for collecting data from respondents. In designing the questionnaire for the research, the structured pattern was adopted. Conscious effort was made to eliminate ambiguous questions that could be misleading. The questionnaire used for the research consists of two sections namely sections A and B respectively. Section A consists of questions directly pertaining to the respondents. In other words, the respondent's personal data. While section B contains questions concerning the research proper. A total of one hundred and eighteen (118) questionnaires were distributed for the research to the relevant persons. The questions fell into the following categories;

- (a) Multiple choice questions: These comprise arrays of suggested possible responses, which the respondents will choose from.
- (b) Dichotomous questions: This type of questions makes provisions for either of two opposed answers (Yes or No), (True or False).

#### Observation

Observation was made on the activities taking place in SMEDAN, NDE, NAPEP, as well as other relevant establishments.

#### Oral Interview

The researcher conducted oral interview with some relevant staff of the concerned establishments, this gave the researcher an "on the spot" response from the respondents, while serving as a complimentary data to the questionnaire.

### **3.4 DATA ANALYSIS TECHNIQUES**

The data collected were subjected to simple statistical treatment. Firstly, they were organized and presented in tables and percentages. Also, the chi-square ( $X^2$ ) statistical test method was used to test the hypotheses. Chi-square ( $X^2$ ) provides a means of comparing a set of observed frequencies with a set of expected frequencies. The calculated  $X^2$  will be compared with the critical value(s) of  $X^2$ . The difference will form the basis for accepting or rejecting the null hypothesis.

#### **Decision Rule**

The rule is to reject  $H_0$  (null hypothesis), if the calculated  $X^2$  is greater than or equal to critical value of  $X^2$ , otherwise accept it. This means that if the  $H_0$  (null hypothesis) is rejected, then the alternative hypothesis ( $H_1$ ) will be accepted and vice versa.

### **3.5 VALIDITY AND RELIABILITY OF DATA**

The respondents answered the questionnaires distributed for the purposes of the study research. The analysis and interpretation of data was carried out based on the responses from the interviews and distributed questionnaires.

## CHAPTER FOUR

### DATA PRESENTATION AND ANALYSIS

For the study, a total number of one hundred and eighteen (118) copies of questionnaire were distributed, out of which one hundred and fifteen (115) copies were correctly complied and returned. Thus giving a percentage of 97.4% while 3 copies were not returned, i.e just 2.6%.

#### 4.1 DATA PRESENTATION

Question 1: What do you understand as small business?

Table 4.1

Options	Respondents	Percentage
Business owned by a single individual	11	10%
Business owned by one or few people	20	17%
Business with a minimum capital involvement	23	20%
All of the above	61	53%
Total	61	100%

Source: Research Questionnaire 2019

Question 2: Are you in support of the establishment of SMEs in the country?

Table 4.2

Options	Respondents	Percentage
YES	108	94%
NO	7	6%
Total	115	100%

Source: Research Questionnaire 2019

**Question 3: Is it necessary for government to be promoting/sustaining SMEs operations in the country?**

**Table 4.3:**

Options	Respondents	Percentage
YES	106	92%
NO	9	8%
Total	115	100%

Source: Research Questionnaire 2019

**Question 4: Does SMEs constitute an integral part of the nation's economy?**

**Table 4.4**

Options	Respondents	Percentage
YES	105	91%
NO	10	9%
Total	115	100%

Source: Research Questionnaire 2019

**Question 5: Is the growth and development of SMEs a threat to large scale Organizations?**

**Table: 4.5**

Options	Respondents	Percentage
Yes	17	15%
No	98	85%
Total	115	100%

Source: Research Questionnaire 2019



**Question 6: Does SMEs act as a catalyst for poverty alleviation/eradication?**

**Table 4.6**

Options	Respondents	Percentage
YES	110	96%
NO	5	4%
Total	115	100%

**Source: Research Questionnaire 2019**

#### **4.2 DATA ANALYSIS**

From table 4.1, it shows that 11 representing 10% of the respondents view small business as a business that is owned by a single individuals, 20 representing 17% of the respondents understand it as a business that is owned by one or few people, 23 representing 20% of the respondents indicated that it is a business with a minimum capital involvement, while 61 representing 53% of the respondents agreed that it involves all the above.

This shows that small business is a business that is owned by a single individual or few people, and also involves minimum capital. From table 4.2, it shows that 108 representing 94% of the respondents are in support of the establishing of SMEs in the country, while 7 representing 6% of the respondents are not in support. This shows that the establishment of SMEs in the country enjoys tremendous support and encouragement.

From table 4.3, it shows that 106 representing 92% of the respondents are of the view that it is necessary for government to be promoting/sustaining SMEs operations in the country, while 9 representing 8% of the are not of the same view. This shows that it is necessary for government to be promoting/sustaining SMEs operations in the country.

From table 4.4, it shows that 105 representing 91% of the respondents agreed that SMEs constitute an integral part of the nation's economy, while 10 representing 9% of the respondents are of a different view. This shows that SMEs constitute an integral part of the nation's economy.

From table 4.5, it shows that 17 representing 15% of the respondents indicated that the growth and development of SMEs constitute a threat to large scale organizations, while 98 representing 85% of the respondents indicated that it do not. This shows that the growth and development of SMEs is not a threat to large scale organizations.

From table 4.6, it shows that 110 representing 96% of the respondents agreed that SMEs act as a catalyst for poverty alleviation/eradication, while 5 representing 4% of the respondents do not share the same view. This shows that SMEs act as a catalyst for poverty alleviation/eradication.

### **4.3 TESTING OF HYPOTHESIS**

In this section, the hypotheses associated with the study will be tested. The data already presented in this chapter will be used in testing the hypotheses.

#### **Hypothesis I**

H<sub>0</sub>: The establishment of small and medium scale enterprise would not contribute to national economic growth and development.

H<sub>1</sub>: The establishment of small and medium scale enterprise would contribute to national economic growth and development.

The establishment of small and medium scale enterprise would contribute to national economic growth and development.

**Table 4.7**

Options	Respondents	Percentage
Job creation	51	44%
Poverty alleviation/eradication	42	37%
Infrastructure attraction and development	22	19%
<b>Total</b>	<b>115</b>	<b>100%</b>

**Source: Researcher Questionnaire 2019**

Using chi-square:  $\chi^2 = \frac{\sum (f_o - f_e)^2}{f_e}$

Where

Where

$f_o$  = observed frequency

$f_e$  = expected frequency summation sign

$\sum$  = summation sign

$\alpha$  = Level of significance 5% or 0.05

$\delta$  = Degree of freedom

The degree of freedom for the contingency table (2 x 2) is given by the

formula  $(R - 1) (C - 1)$ .

Where

$R$  = number of rows

$c$  = Number of columns

$$\text{Hence } (R - 1)(c - 1) = (2 - 1) = (1)(1) = 1$$

$$\text{Degree of freedom } (\delta) = 1$$

From the critical values of the chi-square distribution, the critical value for 1 degree of freedom at 0.05 level of significance  $\times 0.05 = 3.841$

### Decision Rule

If  $X^2 \geq \text{critical value } \chi^2_{0.05}$ , reject the null hypothesis ( $H_0$ ) and accept the alternative hypothesis ( $H_1$ ).

If  $X^2 \leq \text{critical value } \chi^2_{0.05}$ , accept the null hypothesis ( $H_0$ ) and reject the alternative hypothesis ( $H_1$ )

### Test of Hypothesis

$$X^2 = \frac{\sum (f_o - f_e)^2}{f_e}$$

$$f_o = 51, 42, 22$$

$$f_e = \frac{51 + 42 + 22}{3} = \frac{115}{3} = 38.33$$

**Table 4.8**

Fo	Fe	(fo-fe)	(fo - fe) <sup>2</sup>	(Fo-Fe) <sup>2</sup> /Fe
51	38.33	12.67	160.5289	4.1881
42	38.33	3.67	13.4689	0.3514
22	38.33	-16.33	266.6689	6.9572
				11.49

$$X^2 = 11.49$$

From table 4.8, since  $X^2 11.49 > 3.841$  reject the null hypothesis ( $H_0$ ) and accept the alternative hypothesis ( $H_1$ ).

The establishment of small and medium scale enterprise would contribute to national economic growth and development.

### **Hypothesis II**

$H_0$ : Government has not been promoting/sustaining the operations of small and medium scale enterprises in the past, and present.

$H_1$ : Government has been promoting/sustaining the operations of small and medium scale enterprises in the past and present.

Government has been promoting/sustaining the operations of small and medium scale enterprises in the past and present.

Table 4.9

Options	Respondents	Percentage
Yes	107	93%
No	8	7%
Total	115	100%

Source: Research Questionnaire 2019

Using Chi-Square = 
$$\frac{\sum (F_o - F_e)^2}{F_e}$$

Where

$F_o$  = Observed frequency

$F_e$  = Expected frequency Summation sign

$\sum$  = Summation sign

$\alpha$  = Level of significance = 5% or 0.05.  $\delta$  = Degree of freedom

The degree of freedom for the contingency table (4 x 2) is given by the formula (R - 1) (C - 1)

Where

R = Number of rows

C = Number of columns

Hence (R - 1) (C - 1) = (4 - 1) (2 - 1) = (3) (1) = 3

Degree of freedom ( $\delta$ ) = 3

From the critical values of the chi-square distribution, the critical value for 3 degree of freedom at 0.05 level of significance  $\chi^2_{3, 0.05} = 7.815$

Decision Rule If  $X^2 \geq$  critical value  $X^2_{0.05}$ , reject the null hypothesis ( $H_0$ ) and accept the alternative hypothesis ( $H_1$ ) If  $X^2 \leq$  critical value  $X^2_{0.05}$ , accept the null hypothesis ( $H_0$ ) and reject the alternative hypothesis ( $H_1$ ).

### TEST OF HYPOTHESIS

$$X^2 = \frac{\sum(F_o - F_e)^2}{F_e}$$

$$F_o = 107,8$$

$$F_e = \frac{107+8}{2} = \frac{115}{2} = 57.5$$

Table 4.10

F <sub>o</sub>	F <sub>e</sub>	(f <sub>o</sub> - f <sub>e</sub> )	(f <sub>o</sub> - f <sub>e</sub> ) <sup>2</sup>	(F <sub>o</sub> - F <sub>e</sub> ) <sup>2</sup> /F <sub>e</sub>
107	57.5	49.5	2450.25	42.61
8	57.5	-49.5	2450.25	42.61
				85.22

$$X^2 = 85.22$$

From table 4.10, since  $X^2 85.22 > 7.815$ , we reject the null hypothesis ( $H_0$ ) and accept the alternative hypothesis ( $H_1$ ).

- Government has been promoting/sustaining the operations of small and medium scale enterprises in the past and present.

### Hypothesis III

$H_0$  The growth and development of SMEs in the country presently is not dependent on government's effort, promotion and sustenance of its operations.

H<sub>1</sub> The growth and development of SMEs in the country presently is dependent on government's effort, promotion and sustenance of its operations.

The growth and development of SMEs in the country is dependent on government's effort, promotion and sustenance of its operations.

**Table 4.11**

Options	Respondents	Percentage
Agree	31	27%
Strongly agree	71	62%
Disagree	8	7%
Strongly disagree	5	4%
Total	115	100%

**Source: Researcher Questionnaire**

$$\text{Using Chi square} = X^2 = \frac{\sum (F_o - F_e)^2}{F_e}$$

Where

F<sub>o</sub> = Observed frequency

F<sub>e</sub> = Expected frequency Summation sign  $\Sigma$  = summation sign

a = Level of significance 5% or 0.05.

$\delta$  = Degree of freedom

The degree of freedom for the contingency table (4 x 2) is given by the formula (R- 1) (C- 1)

Where

R = Number of rows

C- = Number of columns



$$\text{Hence } (R-1)(C-1) = (4-1)(2-1) = (3)(1) = 3$$

$$\text{Degree of freedom } (\delta) = 3$$

From the critical values of the chi-square distribution, the critical value for 3 degree of freedom at 0.05 level of significance  $X^2_{3, 0.05} = 7.815$

### Decision Rule

If  $X^2 \geq \text{critical value } X^2_{0.05}$ , reject the null hypothesis ( $H_0$ ) and accept the alternative hypothesis ( $H_1$ ).

If  $X^2 \leq \text{critical value } X^2_{0.05}$ , accept the null hypothesis ( $H_0$ ) and reject the alternative hypothesis ( $H_1$ )

### Test of Hypothesis

$$X^2 = \frac{\sum (F_o - F_e)^2}{F_e}$$

$$F_o = 31, 71, 8, 5$$

$$F_e = \frac{31+71+8+5}{4} = \frac{115}{4} = 28.75$$

**Table 4.12**

Fo	Fe	(fo-fe)	(fo - fe) <sup>2</sup>	(Fo-Fe) <sup>2</sup> /Fe
31	28.75	2.25	5.0625	0.18
71	28.75	42.25	1785.0625	62.10
8	28.75	-23.75	564.0625	19.62
				18.88

$$X^2 = 81.88$$

From table 4.12, since  $X^2 81.88 > 7.815$ , we reject the null hypothesis ( $H_0$ ) and accept the alternative hypothesis ( $H_1$ )

- The growth and development of SMEs in the country is dependent on government's effort, promotion and sustenance of its operations.

#### Hypothesis IV

H<sub>0</sub>: There is no need to have a resource material/source of reference like Commercial Bank as regard the improvement of SMEs in the future.

H<sub>1</sub>: There is every need to have a resource material/source of reference like Commercial Bank as regard the improvement of SMEs in the future.

There is every need to have a resource material/source of reference like Commercial Bank as regard the improvement of SMEs in the future.

**Table 4.13**

Options	Respondents	Percentage
Highly	17	15%
Slightly above average	44	38%
Average	35	30%
Low	19	17%
<b>Total</b>	<b>115</b>	<b>100%</b>

Source: Researcher Questionnaire 2019

$$\text{Using chi-square} = X^2 = \sum \frac{(f_o - f_e)^2}{f_e}$$

Where

F<sub>o</sub> = observed frequency

F<sub>e</sub> = Expected frequency summation sign

a = level of significance 5% or 0.05 δ = Degree of freedom

The degree of freedom from the contingency table (4 x 2) is given by the formula  $(R - 1)(C - 1)$

Where

R = Number of rows

C = Number of columns

$$\text{Hence } (R - 1)(C - 1) = (4 - 1)(2 - 1) = (3)(1) = 3$$

Degree of freedom ( $\delta$ ) = 3

From the critical values of the chi-square distribution, the critical value for 3 degree of freedom at 0.05 level of significance  $X^2_{3, 0.05} = 7.815$ .

#### Decision Rule

If  $X^2 \geq$  critical value  $X^2_{3, 0.05}$ , reject the null hypothesis ( $H_0$ ) and accept the alternative hypothesis ( $H_1$ ).

If  $X^2 \leq$  critical values  $X^2_{3, 0.05}$ , accept the null hypothesis ( $H_0$ ) and reject the alternative hypothesis ( $H_1$ ).

#### Test of Hypothesis

$$X^2 = \frac{\sum (F_o - F_e)^2}{F_e}$$

$$F_o = 17, 44, 35, 19$$

$$F_e = \frac{17 + 44 + 35 + 19}{4} = \frac{115}{4} = 28.75$$

**Table 4.14**

Fo	Fe	(fo-fe)	(fo - fe) <sup>2</sup>	(Fo-Fe) <sup>2</sup> /Fe
71	28.75	-11.75	138.0625	4.8022
44	28.75	15.25	232.5625	8.0891
35	28,75	6.25	39.0625	1.3587
				14.25

$$X^2 = 14.25$$

From table 4.14, since  $X^2$  14.25 > 7.815, we reject the null hypothesis ( $H_0$ ) and accept the alternative hypothesis ( $H_1$ ).

There is every need to have a resource material/source of reference like Commercial Bank as regard the improvement of SMEs in the future.

## CHAPTER FIVE

### SUMMARY, CONCLUSION AND RECOMMENDATIONS

#### 5.1 SUMMARY OF FINDINGS

The findings emerging from the study reveal among other things that it is necessary for government to be promoting/assisting the operations of SMEs which constitute an integral part of the nation's economy, and equally acts as a catalyst for poverty alleviation/eradication.

Also the study projects an indication that there is a tremendous support for the establishment of SMEs in the country, which prompts most young people including school leavers to now take to small business establishment as a means of making ends meet.

Furthering ahead, the study showcased the dominance of SMEs in the primary sector of the nation's economy and the high level of economic development attained by the developed countries of the world, is a result of their greater emphasis and attention to SMES, while acknowledging the fact that job creation is the greatest obstacle hindering the growth of SMEs in the country.

Finally, the study also gave an indication that the present level of effectiveness and efficiency of the Central Bank of Nigeria and Commercial Banks in terms of policy guidelines and its implementation, as well as financial assistance respectively is slightly above average. Whereas, there is a high level of effectiveness and efficiency on the part of the small and Medium Enterprises Development Agency of Nigeria (SMEDAN), the National Poverty Eradication programme (NAPEP), and the National Directorate of Employment (NDE), towards assisting SMEs.

## 5.2 CONCLUSION

The sky is our limit, if only people would rise up to the task and face the realities of our time in the present development as Small and Medium Scale Enterprises Management in Nigeria. The low literacy level and general ignorance, which pervade and cause a lot of bad attitude and malpractice within the Nigerian business environment, would be seriously challenged and obliterated with the new trend Entrepreneurship practice, will eventually assume a new perspective, and real industrial and economic development achieved.

Gradually, institutional financial support is now available through the NDE, SMEDAN, NAPEP e t c, and a lot of funds are now being raised for small and medium scale enterprises establishments, as well as self-employment actualization.

There is urgent need for support from various chambers of commerce, NDE, SMEDAN, NAPEP, the Nigeria Investment Promotion Council (NIPC), etc; for the economic, political and social transformation of the Nigerian Society It has worked in the advanced countries of the world such as the United States of America (USA) Japan, e.t.c; it will also work in Nigeria. This constitutes part of our critical challenges ahead.

Equally, having been able to observe the importance of small and medium scale enterprises in the growth and development of any nation's economy, more especially as it affects economic emancipation and advancement. Government's continued promotion/sustenance of SMEs operations should be advocated.

Finally, although there existed some difficulties in the process of carrying out the research, more especially in the areas of transportation and access to vital data/information required, the objectives of the study were achieved, and it was a wonderful experience.

### 5.3 RECOMMENDATIONS

In view of the immense contributions of the small and medium scale enterprises in the area of economic emancipation and development of any nation, as well as the advantages derivable from such enterprises. I commend the efforts of government past and present towards promoting/sustaining the operations of this important sub-sector of the nation's economy.

However, I recommend that more efforts be made in this particular regard and more especially as it affects the area of making sure that programmes designed for this particular objective are properly implemented and supervised.

Finally, I recommend that studies such as this be given out to students from time to time in quest of their academic pursuit, for this serves as a way of enabling them to conduct adequate research ascertain the true situation of issues of this nature, as well as other related/relevant ones.

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**APPENDIX I**

Department of Business Administration,  
Faculty of Management and Social Sciences,  
Federal University,  
Gusau Zamfara State Nigeria.

25 September, 2019

Dear Respondent,

I am an Under-graduate student of the above named institution, carrying out a research work on (Analysis of government efforts aimed at promoting/sustaining small and medium scale enterprises operations in Nigeria).

Please assist me with the relevant data/information on the above topic since I have chosen your establishment as a case study. All information supplied will be treated in strict confidence.

The research is purely an academic work in partial fulfillment of the requirements for the award of Bachelor of Science (B.Sc) in the above motioned department of the University.

Thanks for your co-operation.

Yours Faithfully,

**HADIZA ABUBAKAR MUYE**

**1510203021**

## APPENDIX II: QUESTIONNAIRE

Follow the instructions carefully and tick (✓) for the options of your choice.

1. Sex: (a) Male [ ] (b) Female [ ]
2. Marital Status: (a) Single [ ] (b) Married [ ]
3. Age: (a) 21 - 30 years [ ] (b) 31 - 40 years [ ]  
(c) 41 - 50 years [ ] (d) 50 years and above [ ]
4. Section: (a) Engineering [ ] (b) Marketing [ ]  
(c) Financial [ ] (d) Purchasing [ ] (e) Production [ ]  
(f) Personnel [ ] (g) others not mentioned specify
5. Designation.....
6. How long have you been in the organization?  
(a) 1 - 5 years , [ ] (b) 6 - 10 yrs [ ] (c) 11 - 15 years [ ]  
(d) 16 years and above [ ]
7. What is your income grade level?  
(a) 01 - 04 [ ] (b) 05 - 08 E [ ] (c) 09 - 12 [ ]  
(d) 13 and above [ ]
8. What is your academic qualification?  
(a) WASC/GCE [ ] (b) OND [ ] (c) HND [ ] (d) B.Sc. [ ]  
(e) MBA [ ] (f) M.Sc. [ ] (g) Ph.D [ ] (h) others not mentioned,  
specify.....

### SECTION B

1. What do you understand as Small Business?  
(a) Business owned by a single individual [ ]  
(b) Business owned by, one or few people [ ]  
(c) Business with a minimum capital involvement [ ]  
(d) All of the above [ ]
2. Are you in support of the establishment of SMEs in the country?  
(a) Yes [ ] (b) No [ ]
3. Is it necessary for government to be promoting/sustaining SMEs

Operations in the country?

(a) Yes [ ] (b) No [ ]

4. Does SMEs constitute an integral part of the nation's economy?

(a) Yes [ ] (b) No [ ]

5. Is the growth and development of SMEs a threat to large scale Organizations?

(a) Yes [ ] (b) No [ ]

6. Does SMEs act as a catalyst for poverty alleviation eradication?

(a) Yes [ ] (b) No [ ]

7. Most young people especially school leaver's graduates inclusive, now take to small business establishment as a means of making ends meet.

(a) True [ ] (b) False [ ]

8. The high level of economic development attained by the developed countries of the world, is as a result of their greater emphasis and attention to SMEs (a) True [ ] (b) False [ ]

9. What approach is most preferable to you in venturing into small business?

(a) Starting a new firm from the scratch [ ]

(b) Acquiring an existing business [ ]

(c) Operating a franchise [ ]

10. In which of the following economic sectors of the nation does SMEs Dominate?

(a) Primary sector [ ]

(b) Secondary sector [ ]

(c) Tertiary sector [ ]

11. What do you consider the greater positive contribution of SMEs to National economic growth and development?

(a) Job creation [ ]

(b) Poverty alleviation/eradication [ ]

(c) Infrastructure attraction and development [ ]

12. What do you consider the greatest obstacle hindering the growth of SMEs in the country?
- (a) Poor financing [ ]
  - (b) Unfavorable business environment [ ]
  - (c) Insufficient incentives and infrastructures [ ]
13. How would you assess government efforts towards Promoting/sustaining SMEs operations in the country previously?
- (a) Highly favorable [ ]
  - (b) Favorable [ ]
  - (c) Slightly favorable [ ]
  - (d) Not favorable [ ]
14. How would you assess government efforts towards promoting/sustaining SMEs operations in the country presently?
- (a) Highly favorable [ ] (b) Favorable [ ] (c) Slightly favorable [ ] (d) Not favorable [ ]
15. How would you assess the level of implementation of CBN's policy guideline and directives towards SMEs presently?
- (a) High [ ] (b) Slightly above average [ ] (c) Average [ ] (d) Low [ ]
16. How would you assess the level of commercial banks assistance in terms of financing to SMEs
- (a) High [ ] (b) Slightly above average [ ] (c) Average [ ] (d) Low [ ]
17. How would you assess the level of effectiveness and efficiency of SMEDAN towards assisting SMIEs?
- (a) High [ ] (b) Slightly above average [ ] (c) Average [ ] (d) Low [ ]
18. How would you assess the level of effectiveness and efficiency of NAPEP towards assisting SMEs?
- (a) High [ ] (b) Slightly above average [ ] (c) Average [ ] (d) Low [ ]
19. How would you assess the level of effectiveness and efficiency of NDE towards assisting SMEs?
- (a) High [ ] (b) slightly above average [ ] (c) Average [ ] (d) Low [ ]
20. Government has been promoting/sustaining the operations of small and medium scale enterprises in the past and presently (a) Yes [ ] (b) No [ ]

