

**THE IMPACT OF SMEs AND POVERTY REDUCTION
IN RURAL AREAS OF FCT ABUJA**

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DECLARATION

I hereby declare that this project has been written by me and it is a report of my research work. It has not been presented in any previous application for state diploma or degree. All quotations are indicated and sources of information specifically acknowledged by means of references.

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CERTIFICATION

This project entitled the impact of SMEs and poverty reduction in Rural Areas of FCT, Abuja, meets the regulations governing the award of Masters in Business Administration (MBA), of the School of Postgraduate Studies of Nasarawa State University, Keffi for its contribution to knowledge and literacy presentation.

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DEDICATION

This project work is dedicated to God almighty and those who have used their resources to advance humanity and the word of God.

ACKNOWLEDGMENTS

I am eternally grateful to God for seeing me through this academic pursuit. I also extend my appreciation to my family for their moral support to spurring me to great success.

Lastly, I wish to express my gratitude to my project supervisor Dr. (Mrs) Ruth A. Andah for her constructive criticism during the course of writing this project work and to my lecturers for knowledge imparted.

ABSTRACT

The main purpose of this research work is to evaluate the impact of small and medium scale enterprises (SMEs) and poverty reduction in rural areas of FCT, Abuja. And to determine the extent the lending policy of financial Institutions have affected the development of SMEs in the rural areas of FCT, Abuja. In carrying out this research, questions were formulated to help identify the problems. Data were collected from respondents to ascertain their views. The main tool/instrument of data collection was the questionnaire. It has been proved beyond reasonable doubt, that the SMEs in Rural Areas of FCT are faced with multiple problems which include: lack of adequate finance, managerial problems, shortage of raw materials, lack of awareness, inadequate infrastructural facilities etc. The data were presented in tables as frequency distribution in the data analysis. The technique of chi-square was used. Having analysed the data, the following were the major findings; It was found out that inadequate financial managerial incompetence, shortage of raw materials, lack of awareness on the part of the proprietors as regards investment techniques and inadequate infrastructural facilities militate against SMEs. Based on these findings, some recommendations were made as follows: Business owners should borrow money from friends, meetings etc. Since the rate of interest would be lower than the banks, managers of business should have considerable amount of experience or skill in the business, managers should have a sense of commitment in the affairs of the business, and government should also assist these SMEs by providing most of the infrastructural facilities. Finally, Entrepreneurs should acquaint themselves with investment techniques and also seek professional advice from those who are already in such business.

TABLE OF CONTENTS

Title	i
Declaration	ii
Certification	iii
Dedication	iv
Acknowledgments	v
Abstract	vi
Table of Contents	vii
List of Appendices	viii

CHAPTER ONE INTRODUCTION

1.1	Background of the study	1
1.2	Statement of the problem	3
1.3	Research questions	5
1.4	Objectives of the study	5
1.5	Statement of hypothesis	6
1.6	Significance of the study	6
1.7	Scope and limitations of the study	7
1.8	Definition of terms	8

CHAPTER TWO

LITERATURE REVIEW

2.1	Introduction	10
2.2	Concept of SMEs	10
2.3	Concept of Poverty reduction	15
2.4	SMEs and Standard of living	22
2.5	Theoretical framework	25
2.6	Theories of SMEs	25
2.7	Summary	50

CHAPTER THREE

RESEARCH METHODOLOGY

3.1	Introduction	51
3.2	Research Design	51
3.3	Population, Sample and Sampling Techniques	52
3.4	Methods of Data Collection	54
3.5	Procedure for data Analysis and Model specification	54
3.6	Justification of methods	55
3.7	Summary	56

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1	Introduction	57
4.2	SMES and Employment Generation	57
4.3	SMEs and Standard of living	58
4.4	SMEs and Economic development	58
4.5	Discussion of findings	62
4.6	Summary of findings	62

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1	Summary	63
5.2	Conclusion	65
5.3	Recommendations	66
5.4	Suggestions for further study	67
	References	68
	Appendix 1	71
	Appendix II	72

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

In all economies but more in developing and transition economies, there is now a consensus among state policy makers, development economists as well as International development partners that small and medium scale enterprises(SMEs) are a potent driving force for their industrial growth and indeed, overall economic development. The smallest in this group of enterprises-microenterprises, are also touted as a veritable tool for attaining one of the eight millennium development goals of eradicating extreme poverty in the latter.

Small and Medium Scale Enterprises (SMEs) does not have a single definition or uniform parameters because their activities depend on the industry in which they operate and the personalities and aspirations of those in charge of the businesses. Central Bank of Nigeria (1998), defines small business firms as firms (excluding general commerce) whose total investment (including land and working capital) does not exceed N500, 000.00 and whose annual turnover does not exceed 1 million naira.Ajose (2010) has defined SMEs as an enterprise that has an asset base (excluding land) of between 5 million naira and 500 million naira and labour force of between 11 and 300 in its employ.

The National Directorate of Employment (NDE) since 1986 has been supporting the activities of some SMEs;It defines SMEs as an establishment with capital investment of N5,000.00 and employing as few as three (Isemin,1998).While National Economic Reconstruction Fund (NERFUND),put its highest amount as

not exceeding 10 million naira while section 37 b(2) of the companies and Allied Matters act of 1990 defines it as one with an annual turnover of not more than 2 million naira, and a net asset of not more than 1 million naira.

The National Association of Small and Medium Scale Enterprises define SMEs as businesses employing less than fifty (50) people and with an annual turnover of one hundred million naira. The association further defines medium scale enterprises as a business with less than 100 employees and with an annual turnover of 500,000,000.00 naira.

Small-Scale Industries are industries with total capital employed of over N1.5million but not more than N50 million, including working capital but excluding cost of land, and or labour size of 11-100 workers.

Medium Scale Industries are industries with a total capital employed of over N50 Million but not more than N200 million, including working capital but excluding cost of land, and or a labour size of 101-300 workers

When we talk of poverty reduction it has to do with absence of resources to command means of livelihood. Over time, there has been no agreed upon definition of poverty due to its multi-dimensional nature. By using the standard of living as a criterion for poverty, World Bank (1990), Central Bank of Nigeria (1999), Oghene and Achoja (2001), Ifamose (2001) and Magaji (2002), all see poverty as a condition in which resources of individuals or families are grossly inadequate to provide a socially acceptable standard/condition of living. Poverty is caused by inadequate income and income results from unemployment, which SMEs are widely known to provide.

1.2 Statement of the Problem

There has been stunted growth and sluggish development in the Small and medium scale enterprises (SMEs) and poverty reduction regardless of increasing targeted government assistance streamlined to benefit firms operating in this sector. There were several policies in the past which gave priorities to entrepreneurship development, indicating the trust in government policy in support of SMEs. The government of Nigeria identified entrepreneurship development as a major thrust to achieve economic development through SMEs and poverty reduction.

This made Nigerian government both at National and state as well as local government to prioritize SMEs. As such the prioritization of the SMEs by government at different levels is echoed in almost every policy document. For example in the industrial development policy in vision 2020, the Nigeria aim is to promote and support SMEs as they are viewed as an important engine for employment creation and economic growth. Although the government of Nigeria has been advancing targeted support in marketing, management and finance and worse still others collapsed. Egbe (2004), in this regard rated Nigeria as having one of the lowest small and medium scale sector's share of employment in the world, when "250 employees" was considered the yard stick in the definition of small and medium scale enterprise. Targeted government assistance has been observed to play a pivotal role in starting, growing and medium scale enterprises in Nigeria, (Beck, 2005; Zainab, 2008; Herbert 2008 and Atino, 2001). Although some entrepreneurs in SMEs have received both financial and non-financial assistance; many are still small or are facing viability problems. In Nigeria, the SMEs sector is facing problem to contribute meaningfully to the national economy as was

experienced elsewhere when government advanced target support. Targeted government support to SMEs was found to translate into economic development in countries like Indonesia, where SMEs accounted for 98% of employment creation and growth with Japan and Thailand having their SMEs contributing 81% and 78% to gross domestic product (GDP) Okoh, (2009).

This contrast has promoted the researcher to carry out a study on the Impact of Small and Medium-Scale enterprises and poverty reduction in rural areas of FCT Abuja.

1.3 Research Questions

In order to effectively investigate the problem of this research, the researcher formulated the following research questions:

- (i) To what extent has the SMEs contributed to employment generation in the rural areas of FCT Abuja?
- (ii) How does SMEs contribute to standard of living in rural areas of FCT Abuja?
- (iii) To what extent has the SMEs contributed to economic development of the rural areas of FCT, Abuja?

1.4 Objectives of the Study

The central objective of the study is to examine the Impact of small and medium scale enterprises and poverty reduction in FCT Abuja. The specific objectives are:

- (i) To examine the contribution of SMEs to employment generation in the rural areas of FCT Abuja.

- (ii) To evaluate the impact of SMEs on standard of living in the rural areas of FCT Abuja.
- (iii) To examine the extent to which SMEs contribute to economic development in the rural areas of FCT Abuja.

1.5 Research Hypothesis

In order to confirm the Impact of Small and medium-scale enterprises and poverty reduction in FCT, Abuja, and fully appreciate their respective relevant significance, the following hypotheses are postulated:

- (i) Ho: SMEs have not made any significant contribution to employment generation in the rural areas of FCT Abuja.
- (ii) Ho: There is no significant impact of SMEs on standard of living in the rural areas of FCT Abuja
- (iii) Ho: SMEs have not contributed to economic development in the rural areas of FCT Abuja

1.6 Significance of the Study

The study will be beneficial to the impact of SMEs and poverty reduction in FCT government/various levels of government can utilize the findings of the research as a basis for policy formulation as regard SMEs development.

This study will motivate prospective entrepreneurs who may want to invest their resources into SMEs, so as to be well informed thereby giving room for proper realistic forecast into the future of the SMEs, meant to invest their resources.

It is also worthy to note that the study can be used as a basis of spring board for further research as well as a good reference material to students undertaking similar research.

Finally, to the masses, or the entire people living within and outside the area in knowing that social vices amongst the youth could be minimized if not eradicated using SMEs as a tool of engagement.

1.7 Scope and Limitations of the Study

This study covers an empirical examination of the Impact of small and medium scale enterprises and poverty reduction in rural areas within five (5) selected area councils of FCT-Abuja namely: Kuje; Gwagwalada; Abaji; Kwali and Bwari respectively. The study also identifies the practical approaches use in developing entrepreneurship as well as the problems militating against SMEs development.

The study is limited to selected five (5) area councils of FCT Abuja. The study also covers a time frame from 2006-2016, as it will be difficult to cover other parts of the states within the federation due to the duration of the study. For the fact that a survey study was used as the research design as well as the questionnaire as the research instrument, is not certain if the same result would be obtained if other designs and instruments were used.

The respondents could have either over exaggerated or understate their responses while scoring the items in the questionnaire.

The nonchalant attitude of some of the respondents could affect the validity of their response to the questionnaire. The limitation should be taking cognizance of other researchers conducting similar studies.

1.8 Definition of Terms

Industry: This is a group of firm producing a particular or smaller product for the same market.

SMEs: Small and medium enterprises. A business organisation

Owned and controlled by one or more persons with an initial

Small capital and their annual output very low

Land: These are all resources that are provided by nature.

Labour: This is both physical and mental efforts of man in production processes.

Capital: This is either money or machine that is being used in Production process.

Entrepreneur: This is the person that organizes all other factors of Production.

Poverty: Poverty is general scarcity or dearth or the state of oneWho lacks a certain amount of material possessions or money.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter discusses the introduction, conceptual framework, empirical review, theoretical framework and summary.

2.2 Conceptual framework

Small and medium-scale Enterprises in most underdeveloped economies of which Nigeria is one and the main life wire of the economy .Small and medium-scale enterprises have helped in the transformation of many countries, South East Asia such as India , Taiwan, Malaysia, Indonesia and the Latin American countries or Chile , Brazil, Uruguay and Argentina.

Small and medium-scale enterprises that are adequately managed and properly funded help the government to achieve some macro –economic objectives which include employment creations, mobilization of local resources, mitigating rural urban migration and poverty reduction. Small and medium-scale enterprises also help in encouraging capacity utilization, in agriculture and industries. Small and medium scale enterprises help in income distribution, and encourage development of local technology.

According to Aggarwal (2001) Small and medium-scale enterprise is defined as business enterprises having a maximum assets base of N20 million (US \$ 1.78 million) excluding land and working capital. The number of employees is defined as not less than 10 and not more than 300” The National council of industries (NCI) in 1992 streamlined various definitions given to Small and medium-scale

enterprises(SMEs) .The NCL defined SMEs as those with fixed assets above #1 million - excluding land but including working capital . According to Oyelaram and onyeyinka (2007), Small and medium-scale enterprises are businesses with turnover of less than 3100 million per annum and /or less than 300 employees.

Nigeria economy like its counterparts in other developing countries had relied predominantly in small scale agricultural holdings up to the early 1970s when oil was explored in commercial quantity and became the main stay of the country's foreign exchange earner. Small and medium-scale enterprises, over the years have been financed largely by commercial banks. Production has been low and the country adopted import substitution strategy of industrialization aimed mainly at producing domestically consumed goods that were formerly at producing domestically consumed goods that were formerly imported. As a result of the establishment of development banks in the country, the Nigeria industrial Development Bank (1964), Nigeria Bank for Commerce and

According to Essein (2001), Small and medium-scale enterprises is an industry with total capital , employed for over #1.50 million but not more than #50 million ,including and per a labour size 11-100 workers . The enterprise promotion Decree of 1989 as amended in 1994 defines small scale business as any enterprise set up to make the owner self-employed and self-reliant. Such business include: business centres, organized mechanics and allied artisan such as electricians; panel beaters; supermarkets, gift shops etc. Emphasis is not laid on the amount of capital or on the number of employees engage by the amount of capital or on the number of employees engaged by the business but on creating employment for the owners .There are many definitions of small and medium – scale enterprises and there is

no conventional uniformity among them . However, the definition based on capital especially in the Nigeria economy should be revisited from time to time due to consistent devaluation of Naira (national currency) and high inflationary trend in the economy.

Definition of Small and Medium-scale enterprises (SMEs) in many countries have emphasized the number of employees, employed by such business, capital involvement and sometimes fixed investment of assets. In researching the problems affecting small and medium-scale enterprises, many books, journals, and magazines were consulted to acquaint the research and prospective readers of this research work, the view of those authors and writers on the topic, problems facing or affecting small and medium- scale enterprises. They referred to it as sole-trader or partnership form of business. Kogan (2006) said that Small and medium-scale enterprises that are adequately managed, and properly funded, help the government to achieve some macro –economic objectives, which include employment creation, mobilization of local resources mitigating rural urban migration and poverty reduction. Small and medium-scale enterprises also help in encouraging capacity utilization in agriculture and industries. Small and medium-scale enterprises, help in income distribution, and encourage development of local technology.

Anyanwu (2001) holds that small and medium-scale enterprises help to mobilize savings for investment and promotes the use of local raw materials. Through their dispersal nation- wide, they contribute to more equitable income distribution among individuals and regions as well as mitigate rural urban migration. In addition, small and medium-scale enterprises (SMEs) contribute to the strengthening of industrial linkages and the integration of industry with other

sectors of the economy through the production of intermediate products such as raw materials, spare parts and machinery. It is also recognized that small enterprise adapt with greater ease under difficult and changing conditions as their low capacity intensity allows products lines and inputs to be charged relatively at low cost. Ariyo, (2005) in his own contribution to the definition of the subject matter argued that small firms are particularly important in job creation .

2.2.1 Concept of Poverty reduction

Poverty, unemployment and high crime rates in Nigeria have been of great concerns to the various governments (federal, state and local) as well as the civil society. The decreasing human development indicators as well as low level of productivity in all sectors of the economy represent disturbing indices and also contribute to the dismal performance of Nigeria SMEs. The attainment of Millennium Development Goals (MDGs) to a large extent is contingent on how the various tiers of government vigorously pursue the development of SMEs sub-sector. The MDGs e.g like having the proportion of people living in extreme poverty, reducing maternal and infant mortality and increasing level of literacy by 2015 may become a mirage without a virile SME subsector. According to Fagge (2004), both the World Bank and the International Labour Organization observed the role and trend of unemployment in Nigeria. Unemployment gap is widened by the industrial collapse and poor performance of agricultural sector over the years. The discovery of oil has led to the dwindling revenue of the government from agricultural sector and an increase in revenue from the oil sector. The statistics by National poverty eradication programme (NAPEP) shows that national unemployment figures in Nigeria is 70%. Out of 1,110,000 graduates produces by

about 149 tertiary Institutions in the 1996/1997 academic year, only 100,000 representing 10% were able to secure formal jobs while the rest were left at the mercy of the labour market (Fagge 2004).

Development experts have identified corruption and neglect of the strategic role of small and medium scale enterprises as some factors responsible for underdevelopment. Given the vital contributions which SMEs play in 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 SMEs subsector to be revitalized toward playing its expected roles. The SMEs remain a veritable vehicle for the transformation of Nigeria economy. For the governments to realize the lofty objectives of the development programmes, the SMEs subsector has to be thoroughly revamped and focused. This is one of the ways that the government can be sure of realizing the objectives of the well-intended economic reforms and move the economy forward for the benefits of all stakeholders, particularly the impoverished masses

2.2.2 Small and Medium-Scale Enterprises and Poverty Reduction in Nigeria

Small and medium-scale enterprises (SMEs) are considered globally to be the engine of growth of modern economies and serve to provide more employment to a large portion of the population in a given economy than the big organizations and hence, contribute in reducing poverty. According to Fatai (2001), the Nigeria's current problems of hunger, poverty and unemployment have been undermined by the capacity of the small and medium-scale business. He added that the

unfortunate development is the inability of small and medium-scale enterprises to provide the mechanism to propel economic growth and development which is the basis for mitigation poverty.

The realization of the role of small and medium-scale enterprises (SMEs) in fighting unemployment and poverty reduction has been an age long phenomenon in Nigeria but the right policies and incentives coupled with business environment have continued to hamper the pivoted roles of small and medium-scale enterprises (SMEs) in addressing Nigeria's economic problems. This is justified by Sanni (2009) , who looked at historical issues of small and medium-scale enterprises in Nigeria, which have been on the burner since independence in terms of giving attention to this sector through seminars , studies , researches, workshops etc. for its appraisal, importance and the need to institutionize them .He added that since the instruction of SAP in 1986, attention has shifted from governance led industrialisation to SMEs as the potential agent for developing domestic linkages for effective growth and development . in a similar vein , Oni and Daniya (2012) said government over the years have formulated several policies with a view to developing SMEs in Nigeria as they have been recognized as organs for achieving self-independence employment creation, import substitution effective and efficient utilization of local raw –materials and contribution to economic development of the country . It is against this backdrop that these articles will investigate the relationship between the employment generation capabilities of SMEs and poverty reduction in the country. It will cover the period of ten years.

The National Association of Small and medium-scale enterprises (SMEs) defined small and medium scale enterprises as businesses employing less than 50(fifty)

people and with an annual turnover of one hundred million naira. There are many definitions of SMEs and there is no infirmity among them.

However, in Nigeria, it is based mainly on capital which should be revised from time to time due to the devaluation of the naira and the high inflationary trend in the economy (Osohimilehin Jegede-Akinlabi and Olayide 2012), when we talk of poverty, it has to do with absence of resources to command means of livelihood. Overtime, there has been no agreed definition of poverty due to its multi-dimensional nature. By using the standard of living as a criterion for poverty World Bank(1990),Central Bank of Nigeria(1999),Oghene and Achoja (2001),Ifamose (2001),and Mogaji (2002),all these see Poverty as a condition in which resources of individuals or families are grossly inadequate to provide a socially acceptable standard/condition of living. Edoh (2003) and (2010), state that there are two issues that have been consistent in an attempt to define poverty.

These are the issues of

- (a) Who are the poor?
- (b) At what level is poverty defined?

Kenwanda (2008) defines poverty as a multi-dimensional phenomena influenced by a wide range of factors which include: poor people, lack of access to income earning and productive activities and to essential services. Poverty can be manifested in intellects and poverty of ideology (Adejo,2006).The Copenhagen declaration of 1995 seem to shed more light in what really constitute poverty when it assets that: poverty has various manifestations, including lack of income and productive resources sufficient to ensure sustainable livelihood, hunger and malnutrition,ill-health,limited or lack of access to education and other basic

education and other basic services, increase mobility and mortality from illness, homelessness and inadequate housing, unsafe environment, social discrimination and exclusion. It is also characterised by a lack of participation in decision and or civil, social and cultural life Edoh, (2003). Since all issues involved in poverty have to be well understood. It is pertinent to know the degree and types of poverty which also help in knowing the appropriate measure in handling the program of poverty can be recognised and described as being any of the following:

Absolute Poverty: This is used to describe an individual or household below a minimum acceptable level which has been fixed overtime as of global stand for meaningful human existence known as poverty. It is grounded on the idea of subsistence-the basic condition that must be met in order to sustain a physically healthy existence. Individuals or group who lack basic needs of food, shelter and clothing fall under this category.

(i) **Relative poverty:** This is used in positioning the individual or household compared with the average income in the country, such as poverty line set at the 40 per cent of the distribution and which often varies with the level of average income. It exists when people may be able to afford the basic necessities of life but are able to maintain average standard of living (word Bank 1996).

(ii) **Chronic /Structural poverty:** This is used when it is persistent or long- term. Obadan,(1997) opined that it causes more permanent and depend on a host of other factors such as; limited resources, lack of skill, for gainful employment, location disadvantage, or endemic social, political cultural factors.

(iii) **Conjectural /Transitory poverty :**This is used if the poverty is temporary/transient or short-term and caused mainly by transient factors such as;

natural or man-made disaster (environmental degradation) or structural changes induced by policy reforms which result in loss of employment , loss in value of real income , assets etc.

(iv) **Spatial /location poverty:** This depends on geographical or regional spread and incidence. Such conditions are recognised in literature, namely; urban squalor and rural poverty.

2.2.3 SMEs and Standard of Living

The place of SMEs and standard of living is very significant in economic development. This is the level of material comfort, or quality of life, enjoyed by an individual or group. The factors which determine standard of living include income, physical health, and quality of the environment, housing availability, life expectancy, personal safety, and access to education, medical facilities, and social services.

SMEs have tremendously increased the standard of living of entrepreneurs and the massive population of the unemployed youth which the government couldn't provide job for. With the advent of SMEs, families have been leveraged out of poverty, squalor, inability to provide three square meal per day and over reliance on the government in providing social amenities of life. SMEs have played significant role in raising the standard of living of the populace who now engage in activities which they thought wouldn't have been possible through some of the financial institutions set up by the government as in the micro-finance bank, you-win, cooperative societies, and others, Osusu and other available avenues.

Promoting local small and medium enterprise is the most effective and sustainable solution for creating more inclusive growth. SMEs, in general, comprise the majority of firms and the largest employer in much of the world. As opposed to foreign investment, which may be concentrated in a particular sector or region, local SMEs create opportunities across geographical areas and sectors and employ much broader and more diverse segments of the labour force. In addition, preliminary evidence suggests that formal small enterprises provide better stability, higher pay and better benefits to their employees than micro enterprises and informal firms.

2.2.4 Government Efforts and Small and Medium-scale

Enterprises (SMEs) in Nigeria.

The Nigerian government made substantial effort on the development of small and medium-scale enterprises (SMEs), nevertheless, part of the huge Small and medium scale enterprises (SMEs) problems could be traced to the government. This is mostly in the improper implementation of its policies towards small and medium-scale enterprises (SMEs) and a serious neglect in the area of incentive and infrastructural development to facilitate business activities of small and medium-scale enterprises (SMEs). Government policies seem to have constituted serious problems areas for small and medium-scale enterprises (SMEs). The beginning of harsh government policies towards SMEs can be traced back to 1982 with the introduction of "stabilization measures" which resulted in import control and drastic budget cuts. These in turn, adversely affected the subvention to the financial institutions established to provide financial assistance to the small and medium-scale enterprises (SMEs). For example, in 1983, out of total of 8,380 applications for loans received from the Small and medium-scale

enterprises(SMEs) for a total of #46.6million was disbursed. (Allasan and Yakubu 2011). As the economic situation deteriorated, the government introduced the structural Adjustment programme (SAP) in 1986. Since the strategy of liberalization and deregulation of interests' rate was implemented, interest rates have continued to increase. The small and medium-scale enterprises(SMEs) which prior to the SAP had granted concession any rates of interest (particularly for agricultural and housing loans) , experienced great difficulties obtaining credit of a stabilization securities Account (SSA) , whereby the banks were debited with liquidity in their accounts with the central Bank.

The frequent changes and sometimes conflicting government monetary policies have also tended to hurt the SMEs for example , while the government increased total credit allocation to SMEs from 16 to 20 per cent , the same government removed excess liquidity in the banking industry through increase in the Minimum Rediscount Rate (MRR), transfer of government parastatals account to the central Bank and the creation of stabilization Security Account (SSA) where by the banks were debited with excess liquidity in their account with central Bank.

Another shortfall of government is the mis-appropriation of funds and wrong allocation of credit facilities. Obi,(2001) pointed out that the plan to provide modest loan to Small and medium-scale enterprises (SMEs) operation was a flop, because loans were granted in most cases on political matters rather than on commercial or project viability considerations.

Another factor is the government improper implementation of its policies. Its inability to recruit trained manpower and adequate equipment to and the extension services it put in place to support the Small and medium-scale enterprises.

According to Obi, (2001) the development centres were not endowed with adequate manpower to carry out technical appraisal of applications for loans from surging applicants.

2.3 Empirical Review

Few studies have been carried out on SMEs and poverty reduction and the reviews are seen below.

Akabueze (2002) asserts that the impact of small and medium scale enterprises in the drive for economic growth is fairly well established and generally accepted. For instance, the take-off and efficient performance of any industrial enterprises, be it small or large, will require the provision of funds for its capitalization, working capital and rehabilitation needs, as well as for the creation of new investments. Apart from entrepreneurship, funds are required to bring together the other factors of production-land, labour, capital-before production can take place. Provision of funds to the industrial sector, particularly, for the SMEs has therefore been of prime interest to policy makers in both the public and private sectors. Aladekomo (2003) notes that successive governments in Nigeria have since the last three decades, shown great interest in financing of SMEs, by establishing specialized banks and other credit agencies/schemes to provide customized funding to the sub-sector to enhance growth and stability. In addition to these programmes like the Nigerian Directorate of Employment (NDE), Better life for Rural women, Family support programme, Child care trust, People's Bank, National poverty Eradication programme (NAPEP), to mention but a few, have been introduced

Issues relating to the small and medium scale enterprises (SMEs) have become very critical in the development of most third world Nations. No nation ever develops without appreciable inputs from the small and medium scale Enterprises segment of her economy. The performance and effectiveness of SMEs as instruments for economic growth and development thereby reducing poverty incidence among the populace is the topic under scrutiny. In the case of Nigeria, SMEs have performed at a very poor level Ihua, (2009). Their poor performance has added to the level of poverty, unemployment and the low standard of living in the country. Though SMEs provide 70% industrial employment and 60% of agricultural sector employment, it only account for 10-15% of the total industrial output with a capacity utilization of a little over 30%. The dearth of funds has further aggravated the start-off operations of many business endeavours.

Small and Medium-Scale Enterprises are considered globally to be the engine of growth of modern economies and serve to provide more employment to large portion of the population in a given economy than the big organisations and hence contribute in reducing poverty.

According to Fatai (2011), the Nigeria's current problems of hunger, poverty and unemployment have been undermined by the capacity of the SMEs. He added that the unfortunate development is the inability of SMEs to provide the mechanism to propel economic growth and development which is the basis for mitigating poverty.

The realization of the impact of SMEs in fighting unemployment and hence poverty reduction has been an age long phenomenon in Nigeria but the right policies and incentives coupled with business environment have continued to

hamper the pivotal roles of SMEs in addressing Nigeria's economic problems. This is justified by Sanni (2009), who looked at historical issues of SMEs in Nigeria which have been on the burner since independence in 1960 in terms of giving attention to this sector through seminars, studies, researches, workshops for its appraisal, importance and the need to institutionalise them. He added that since the introduction of SAP in 1986, attention has shifted from government led industrialization to SMEs as the potential agent for developing domestic linkages for effective growth and development.

In a similar vein, Oni and Daniya (2012), said that governments over the years have formulated several policies with a view to developing SMES in Nigeria as they have been recognized as organs for achieving self-independence, employment creation, import substitution, effective and efficient utilization of local raw materials and contribution to economic development of the country.

It is against this backdrop that this project will investigate the impact of SMEs and poverty reduction in FCT-Abuja.

Mahajar and Yunus (2012) explored the inclination towards entrepreneurship among university students. The total population in his study was 181 and the respondents were selected by using simple random sampling. The findings of the research showed that the role of universities in promoting entrepreneurship, entrepreneurial curriculum and content and role models had significant impact on the inclination of the students towards entrepreneurship. In a similar study, Gafar, kasim and Martin (2013) examined entrepreneurship training in the tertiary institutions and development of innovative business idea to the business venture start up stage. The business team project partnership program (BT-PPP) was

identified as a strategic teaching curriculum for facilitating entrepreneurship idea generation. The study was based on a survey among the students of real estate students and facilities management students of universities Tun Hussein Onn Malaysia (UTHM), in 2012 business team projects partnership program. The result showed that PPP passed the suitability fitness for motivating entrepreneurial idea generation, interaction and networking as entrepreneurial learning outcomes.

Conversely, Caloghirou, Protogerou and Deligianni (2013) focused on the role of education in the promotion of entrepreneurial activity among students and young university graduates. The study examined the link between relative educational programmes designed to stimulate knowledge-intensive entrepreneurship with emphasis on engineering education. The study was based on a survey undertaken among graduates of the National technical University of Athens (NTUA). The findings showed that contents of the curricular offered by NTUA was weak in offering the necessary non-technical knowledge and skills that would assist young graduates in setting up entrepreneurial ventures. In a similar work by Papadimitriou (2017), the study compared the entrepreneurial intention of business students attending the first and the fourth year of Business studies, in a Greek University in order to determine the impact of curriculum and to explore the role of the Theory of planned behavior (TPB) in explaining students' entrepreneurship studies. Copies of questionnaire were distributed to a sample of 186 students attending the 1st (108) and the 4th (78) year of studies at Business management. The results of the research showed that entrepreneurial curriculum contents were insignificant in influencing the intentions of business students to pursue a self-employed career.

In a related research, Bilic, Prka, and Vidovic (2011) assessed the influence of education curriculum on entrepreneurship orientation and intention. The study adopted a survey method using 253 undergraduates and graduate students enrolled in entrepreneurship courses in the faculty of Economics University of Split, Croatia. The main goal of the research and study was to assess the effect of education system as well as the curriculum in terms of its role and effectiveness in providing relevant knowledge and tools necessary for implementing and engaging entrepreneurial or business idea in practice or in real life situation. The study also examined the willingness and abilities of students to employ additional opportunities such as scholarships, grants and international work experience which should provide additional ample evidence of their considerations for a career in entrepreneurship after graduation. The findings of the research suggest that there is a low correlation between the education system and entrepreneurship orientation. According to the authors, this may be as a result of the inability of the curriculum to stimulate entrepreneurial ideas.

In a study carried out by Kickul, Gundry, Barbosa, and Whitcanack (2009) on the critical role of various cognitive styles in opportunity identification and recognition, individuals with an intuitive cognitive style were observed to be positive about their capacity to identify opportunities, while individuals with an analytical cognitive style were observed to be more certain about their capacities to identify, assess, plan and marshal resources. In another research by Nab, Bulte, and Pilot (2013) on fostering the competence of science students in identifying business opportunities, an educational design resign approach was employed using a case of 23 graduate students of Utrecht University. The findings showed that students were able to identify business opportunities and other entrepreneurial

outcomes in pursuit of entrepreneurial goals and aspirations.

In the same light, Kickul (2009) illustrated a set of assignments for teaching students, particularly the aptitude of writing an opportunity proposal that determines how students ought to exploit business opportunities following an analysis of the industry. The assignments resulted in an increase of students' entrepreneurial self-efficacy and students were able to identify business opportunities. This is also similar to the study of Muzychenko (2008) on international opportunity identification. The author stressed the role of a competence-based and experimental approach to teaching. According to the author, this approach centers on opportunity identification and the self-perceived task competence (self-efficacy) of the entrepreneur, especially on the grounds that self-efficacy and opportunity identification are unequivocally connected and correlated.

Nkala and Wanjau (2013), examined factors influencing implementation of the entrepreneurship programme conducted in tertiary technical institutions in Kenya. The study investigated the influence of teaching and assessment methods, teachers' network with entrepreneurship practitioners and availability of training resources. A census survey of entrepreneurship education teachers in technical training institutions in Nairobi County was conducted, using a structured self-administered questionnaire. The authors asserted that teachers use traditional pedagogical approaches that are not practical oriented. According to the authors; this has a negative effect on students as regards entrepreneurial learning and identification of opportunities.

Arasti, Falavarjani and Imanipour (2012) who examined the skill of

entrepreneurial educators and appropriate teaching methods required for business planning competence of entrepreneurship graduate students. The research was based on a M.Sc. entrepreneurship Management course in three Universities of Tehran, Iran. The study adopted a qualitative approach using ten semi structured interviews on a sample of business plan experts and entrepreneurship lecturers respectively. The results for the sample of experts showed that formal lectures, group project and simulation were effective teaching methods however, the results for the sample of lecturers showed that group project, case study, new venture creation project and problem solving approaches are deemed appropriate. Nevertheless, the authors argued that students effectiveness in writing business plan can only be achieved based on the teacher's skill and knowledge of teaching methods in entrepreneurship education.

Similarly, McGing (2016) investigated the present practice and comprehension of the teaching of the double weighted final year Business plan module to undergraduate level for BA (Hons) in Business studies students in Griffith College Dublin. The author focused on the teaching approach utilized on the course and analysed its viability. A quantitative approach was utilized which included the majority of the students, various supervisor, and the Business plan Co-ordinator. The author posited that business planning in tertiary education is important and that business planning and entrepreneurship education should go hand in hand with a specific goal to encourage students to be more proactive in the full business cycle.

Lame and Yusoff (2013), evaluated the relationship between entrepreneurship education and Nigerian Polytechnic students' perception towards the

entrepreneurship education courses. A descriptive study was conducted in three Nigerian Polytechnics. The authors argued that one of the major challenges facing entrepreneurship development in Nigeria is that there are very few trained entrepreneurship lecturers in Universities hence inculcating entrepreneurship skills in students becomes a challenge.

University support systems tend to motivate knowledge sharing among entrepreneurship students which may culminate in innovations. This is in line with the study of Amalia (2012) which was based on a survey of 51 students with the aim of exploring the role of the university support systems and development of student entrepreneurship. The result showed that 26 students were sufficiently supported by faculty through seminars, training, mentoring entrepreneurs, business incubators and similar activities. The author asserted that university support systems enhance innovative business building by students. In a similar research, Shirokova, Tsukanova, and Bogatyreva (2015) assessed different types of entrepreneurial capital provided by universities and their impact on student involvement in entrepreneurship. The authors used data from the Global University Entrepreneurial spirits students' survey (GUESSS) as empirical basis for research. Based on the result of a hierarchical regression data analysis, the authors concluded that university initiatives to develop human and social capital influence positively based on the extent to which students were engaged in innovative entrepreneurial activities. In the same vein, the study of Saeed, Yousafzai, Yani-De-Soriano, and Muffatto (2015) proposed and tested an integrative, multi-perspective framework. The authors hypothesized that the three dimensions of university support, which is perceived educational support, concept development support, and business development support, together with institutional support,

shape students' entrepreneurial self-efficacy and intentions. A sample of 805 university students took part in the study and data were analysed using structural equation modelling. Based on the findings of the research, the authors asserted that perceived educational support exerted the highest influence on entrepreneurial self-efficacy, followed by concept development support, business development support and institutional support.

Munoz, Mosey, and Binks (2011) also concluded that entrepreneurship courses need to motivate a change in the perception of students regarding reality and also interpret information to enable them to more effectively and efficiently identify new business opportunities. However, what these studies have not been able to explain is how the engagement of an appropriate pedagogy, motivate students to identify business opportunities. Therefore, the role of experiential pedagogical approaches in motivating a shared vision/focus and opportunity identification by entrepreneurship students cannot be over emphasized. Identification of business opportunities is consequent upon the fact that experiential approaches to pedagogy, can create a shared vision about real life scenarios as regards what entrepreneurship is about. Hence, understanding the main crust of the process of entrepreneurship in a real life context may motivate opportunity identification by entrepreneurship students. This implies that the place of entrepreneurship pedagogy, in creating a shared vision for identification of business opportunities by students in Nigerian universities, is not clearly established in related empirical literature.

In the same vein, White, Hertz, and D'Souza (2014) on an empirical research on business plan argued that although business plan writing is one of the most

important elements in sound entrepreneurship education, however, the discipline has not yet agreed on accepted criteria for how the craft can most effectively be taught. Arasti, Falavarjani, and Imanipour (2012) argued that students' effectiveness in writing business plans can only be achieved based on the teacher's skill and knowledge of teaching methods in entrepreneurship education. However, an entrepreneurship educator's competence must also infuse a drive, energy and commitment in students to learn and write business plans. The argument here is that an educator could possess the required skill and knowledge in business plan writing and still fail to motivate students' to be committed to learning the craft, as well as actually writing a business plan to chart the course of their entrepreneurial goals and aspirations. Therefore, it implies that the role of the competence of an entrepreneurship educator, in motivating the commitment of university students to learning and business plan writing, is not clearly discussed in literature especially in the Nigerian context.

Central Bank of Nigeria (CBN), 1998 Small scale business as firms (excluding general commercial) whose total investment (including land and working capital) does not exceed 1million. Ajose (2010), has defined small and medium-scale enterprises (SMEs) as an enterprise that has asset base (excluding land) of between #4million and #400million and labour force of between 11 and 300 in its establishment. The National Directorate of Employment (NDE) since 1987 has been supporting the activities of some small and medium-scale enterprises (SMEs), employing as few as three (3) people.

The National Economic Reconstruction Fund (NERFUND) puts its highest amount as not exceeding #10million while the section 37b (2) of the companies and Allied Matters Act of 1990 defined it as one with

(a) An annual turnover of not more than 2million

(b) A net asset of not more than 1million

i. **Roles of Small and Medium-Scale Enterprises (SMEs) in FCT**

Abuja on Job Creation and Poverty Reduction

All over FCT Abuja, available data shows that small and medium-scale enterprises (SMEs) contribute significantly to the economy in different ways. They are acknowledged in industrialised countries as generators of significant economic growth, employment and business development. They constitute a vital element of the development process and their contribution in terms of production, employment and income in both industrialised and developing countries are widely recognized. Many regard as a key rationale for supporting the small and medium-scale enterprises (SMEs) sector and its potential to generate output, employment and income. The entrepreneurial character of the sector is seen as central to innovation, economic growth and job creation. Small and medium-scale enterprises (SMEs) are generally more flexible, thereby making it easier for them to adapt to rapidly changing global economy and the political pressure for raising unemployment.

Allal (1999), identified the following contributions of small and medium-scale enterprises (SMEs) to the economy.

(a) Job creation especially through self-employment, as well as when the enterprise owner agrees to employ others.

(b) Provision of products, such as garment, food products and handicraft etc.

(c) Provision of services for example, catering, repairs and transportation.

(d) Linkages with larger firms for example through sub-contracting

(e) Equitable growth across regions and between men and women

(f) Mobilization of savings and financial resources for productive enterprise activities.

(g) To start off a development path towards larger enterprises. Small and medium-scale (SMEs) create employment opportunities for the teeming population in Nigeria by:

- (i) Providing variety of choices for the consumer
- (ii) Performing a highly economic role in those areas where the optimum size of operation was small e.g. where there are short run productions, large variety of products and where customer service was of key importance.
- (iii) Providing an essential source of specialist supplies to most large firms
- (iv) Ensuring competition for establishments and contributing towards a more balance and stable industrial structure.
- (v) Maintaining a means of entry for new entrepreneurial talent.
- (vi) Small business helps in the reduction of waste in the economy

- (vii) Control the wave of urban-rural migrations and its attendant pressure on the limited urban infrastructure such as housing and utilities through its contribution to rural development
- (viii) Offering essential source of innovation and a seed bed of large firms of the future and furnishing a source of entirely new industries

ii **Importance of Small and Medium-Scale Enterprises (SMEs) in Reduction**

Small firms are backbone of National development. For a country to reach its full potential in terms of economic and social development, it cannot afford to ignore the importance of its indigenous small and medium-scale enterprises (SMEs) and the contributions that they make to the country's economy. In this wise trade liberalization and the encouragement of foreign directive, investment has to go hand in hand with a thorough and concentrated effort to help the growth and development of small and medium-scale enterprises (SMEs) to enhance development.

According to Brivon (2000), many small and medium-scale enterprises (SMEs) are created as a last resort rather than a first choice and have therefore invited growth potential.

Maksimonie (2002) found out that financially, more developed countries tend to have larger firms. This suggests that financial development ease financial constraints on successful firms and allow them to grow.

For instance, study done by the Federal office of statistics in 2004, shows that 97% of all businesses in Nigeria employ less than 100 employees. It then means that

97% of all businesses in FCT-Abuja use the umbrella' small businesses. The small and medium-scale enterprises (SMEs) sector provide on average, 50% of Nigeria's employment and 50% of its industrial output. No government can afford to ignore such a high contributor to its economy. The proportion of Nigeria small and medium-scale enterprises (SMEs) and their impact on the economy is pretty much similar to those in other countries of the world especially in advanced economies.

Areoye (2004),also wrote in his book;O`Level Commerce for West Africa, Ibadan Onibonoje Publishers stated that recently, dependence on government and multinational companies for white collar-jobs has reduced. This is evident from the liberalization policy of the government in the telecommunication and education sectors as a lot of investors on that line to provide employment opportunities for people.Onwuchuruba (2001).

Kayode (2006) also added that Small and medium-scale SMEs help to develop the non-oil sector especially agro-allied industries, which may offset rural migration.

iii Misconception of the Definition of What Small and Medium-Scale

Enterprises (SMEs) is

Another problem, which prevents accurate assessment of the roles played by small and medium-scale Enterprises (SMEs) in FCT, Abuja, is the misconception of its definition for instance, is the term of size of employment by difference in factor of proportion among establishment, the complexity of capital and the type of organisation are some of the considerations which reduces the operational meaningfulness of the definition.

In the area of export promotion, the misconception regarding the inability of small business to exploit market opportunities abroad is largely due to the fact that many developing countries have gone through a long period of import substitution oriented development in comfortable, protected home markets.

Consequently, the management of small and medium-scale enterprises (SMEs) operation in this environment seems to suffer from a psychological barrier to venturing into foreign market, which they consider as difficult and risky gross domestic product (GDP). In the European Union, small and medium-scale enterprises (SMEs) are seen as largely essential for European employment. Each year, one million new small and medium-scale enterprises (SMEs) are set up in the European Union. Small and medium-scale enterprises (SMEs) account for 99.8% of all companies and 65% of business turnovers in the FCT, Abuja. In 1997, there are 3.7 million businesses, with 99% of these having less than 50 employees. In fact there is no doubt that small and medium-scale enterprises (SMEs) are crucial to a successful business economy and National development.

iv Problems of Small and Medium-Scale Enterprises (SMEs) in FCT

Abuja

The major problems facing Small and Medium-scale Enterprises (SMEs) in FCT, Abuja is as follows:

- a. Commercial Problems
- b. Managerial and Technical Problems
- c. Lack of Basic Infrastructure
- d. Financial Problems

- e. Problem of High operation cost
- f. Problem of Market survey
- g. Lack of awareness on the part of proprietors
- h. Unlimited Liability
- i. Transportation problem/communication system

A. Commercial Problems

The commercial problems arise as a result of inability of an entrepreneur to organise market survey and product distribution channels in order to overcome this problems and be able to adapt in a highly competitive market, a company must first determine what it is, how much it can sell and what approaches must be used to get customers. The absence of feasibility study before getting into a particular type of business could result to failure.

Another commercial problem is inadequate location of firms. The location of firms should be considered. These include: Location of firm near the source of raw materials, where there is efficient transport system and near to market.

B. Managerial and Technical Problems

Another problem facing Small and medium-scale enterprises (SMEs),is the problem of incompetency on the part of the management, most business owners are managers of their own business while some employ some people to manage their businesses, It has been discovered that the management of most these businesses are incompetent and not qualified to take up a managerial

function. Ekwue (2009) and Madu et al (2008), tested that incompetence on the part of the management account for over 35% of failure in business, this is traceable to their inability to employ the right people with relevant experience and qualification. Instead of having personnel who are well informed, they get quacks and ill-groomed set of managers who help them in the total ruin of the business. Some of these managers use harsh measures on their employees instead of encouraging them to put more efforts in the attainment of the business objectives or set goals. It is in view of this that Elemayo (2010), said that for management to succeed, it must motivate its employees by giving certain incentives and formulates strong and lasting management policies and organizational goals which are capable of being executed for the proper growth and development of such organisation.

The problems related to management arise from the entrepreneurs, limited education and training. There is also the problem of emanating from the refusal of these small and medium-scale enterprises (SMEs) to team up and pull together available resources. The most predominant is corruption and lack of transparency. Desire to develop self rather than business, this is seen where some entrepreneurs use the loan obtained from Small and medium enterprises industrialist credit scheme in taking titles and erecting personal buildings. Technical problems on the other hand are due to entrepreneurs' limited know-how in project planning and appraisal and little or no exposure to modern technology.

C. Lack of Basic Infrastructure

The Small and Medium-scale enterprises (SMEs) businesses in Nigeria operate in an environment with very poor infrastructure which constitutes a barrier to entry

and hinders international competitiveness. In some places in FCT, there is non-existence of infrastructure, inability to access market, communication failure, power failure, lack of pipe borne water etc.

D. Financial Problems/Inadequate Capital

Lack of short, medium and long term capital, inadequate access to financial resources and credit facilities affect the growth of small and medium-scale enterprises (SMEs). Every business organization whether big or small, is set with a lot of problems facing it. The prominent among these problems is finance, many people underestimate the amount of capital required to put a business on profitable basis. According to that the failure to appreciate the financial requirement of running a business has been one of the chief causes of business failures. Many business owners enter into business because of the achievements other people have recorded in the business without making adequate financial budget.

In any business organization especially the small and medium-scale enterprises (SMEs), the owners normally encounter financial problems that is, the obstacle of securing the capital needed to put the business into strong financial footing. Closely related to this problem, is that of lack of proper accounting system and capable financial experts. AS Kogan puts it in his book, accounting provides a score card, a means of measuring performance on how a company is doing. SMEs ignore this important function of accounting and do not keep proper books of accounts, calculating profits or trying to figure out who owns what became literally impossible. Kogan, further stated that sound financial management is essential at all stages in the life of a business if the problem of securing adequate working capital is to be solved. But due to ignorance and financial constraints,

quite often the owner of the small and medium-scale enterprises (SMEs) becomes the manager, the accountant and the sales manager, making him jack of all trade and master of none.

It is in view of this that Olufemi (2007), stated that one of the factors limiting the size of business in West Africa is finance. Furthermore, he stated that even if production is capable of being handled on large scale, there is difficulty of obtaining capital for operation. Individual producers and small business owners are usually not well known and therefore, do not have sufficient reputation to be able to obtain credit from financial institutions, particularly, from commercial and industrial banks.

Sagagi (2006), noted that much changes and improvements have been achieved, reason being that limited financing and support, as well as inadequate infrastructure, insecurity and lack of training and vocational facilities, despite the huge amount spent on the development of these policies for small and medium enterprises (SMEs) growth.

This limitation of capital to small and medium-scale enterprises (SMEs) in FCT, Abuja, to finance their business is in no small measure affecting them. Consequently, in the area there are few financial institutions and they show nonchalant attitude towards the business organisations. This is nothing to write home about, considering the services banks or financial institutions should render to the business sector with regards to granting of credits in form of loans and overdrafts to them.

The small and medium-scale (SMEs) owners find it difficult to obtain loan from the financial institutions because of the collateral security attached to it. Even the local money lenders on the other hand are not helping matters, they ask for high interest rates and this deters prospective borrowers.

The small and medium scale enterprises (SMEs) businesses are common in FCT, because there is no adequate capital to set up large companies and this brought about low level of income and as incomes are low, investment also will be low invariably, poverty is not reduced.

According to Alyenuno (2011), if capital is borrowed, interests are usually paid. This has some effects on the profits of the business, because the interest must be paid from the profits. He further stated that where there are no profits, the interests must of necessity be paid out of the working capital which is the money, which the business was established. With these, losses abound, as the effects dig deep into the capital.

This shortage of capital keeps FCT, Abuja, at bottleneck to industrialization; there must be a rapid increase in capital per head to encourage private investors for the realization of rapid industrial expansion which aids economic growth. Some measures which the government introduced such as Structural Adjustment Programme (SAP) reduced capital per head and denied investors of the large capital needed for industrial set up. As a result of this shortage of capital, low domestic saving rate of prospective investors' ensued. Consequently, investors would not invest, for savings have to be matched by investment for economic growth.

Tawaih (2010) also said that local small businessmen and women are unable to save money for expanding his /her business due to low profits and heavy spending on marriages, funeral ceremonies and extended family commitments. He also said that many firms start their businesses in a small way due to insufficient capital. Therefore; such firms are unable to expand by re investing back profits since profits obtained are very low.

Osaze (2010) also reiterated that one of the three major problems facing SMEs is finance. He said that small and medium enterprises (SMEs), experience very little seed capital gap.

E. Problem of High Operation Cost

High operation cost have hindered repaid small and medium-scale enterprises (SMEs) development in FCT, Abuja, because most of the time, operation do provide basic required infrastructural facilities, which are the responsibilities of the government. For instance power supply is never reliable. These businesses have to provide stand-by generator for electricity. Most of the operators lack the fund to provide the even when they can, operating cost are added in their production cost for the customers to bear. Access roads are not available especially for agricultural resources, which are supplied to the big industries that require them. There are lots of problem of water supply, they may be compelled to provide boreholes before commencement of production. Security situation in most part of the country are very poor and communication is yet to improve to meet up with the required challenges of current millennium development goal of the government.

F. Problem of Market Survey

Lack of survey into the new and existing market by investors, constitute problem to the small and medium-scale enterprises (SMEs) in poverty reduction in FCT, Abuja, in particular and the nation in general. The reason for this forecast into the future of their intended business. They jump into business without proper survey which at the end leads to the collapse of the business, thereby retarding the growth of the business.

According to Anene (2010), not surveying into the existing market by the business owners before deciding on the line of goods or products they want to produce, makes it impossible for many investors to reap profit in their business.

Forecasting as one of the management functions is very pertinent for the proper and strong development of small and medium-scale enterprises (SMEs).When there is forecast and survey into the ready market, the returns on investment can be ascertained, and the cash flow ratio can also be determined for the investors, so that the business owners will know what he is investing on. Most business owners lack foresight in the sense that most of them sell goods or produce goods without adequately finding out whether the goods are desirable to them or appeal to them in both mental sense and otherwise.Ironem (2009).Securing a market for a product is therefore one of the steps of marketing potential products.

G. Lack of Awareness on the Part of Proprietors

Awareness on the part of the proprietors of business in FCT, Abuja, constitutes a problem to the small and medium enterprises (SMEs).It is on this note that Edemez Yor (2006), said that many small and medium-scale enterprises (SMEs)

businesses in Nigeria are owned by proprietors who having neither adequate general education nor the requisite skill training to manage such businesses and they do not have the skills to run them. As retail shops predominate mostly in this area (FCT-Abuja), many of them do not keep records of their financial activities as regards book of accounts so as to ascertain the rate of profit margin.

In this area council, most business owners are either illiterates or semi illiterates and possess not the adequate managerial and technical skills for managing the activities of their business. One finds out that in most businesses, owners or proprietors employ relations who know nothing about coordinating affairs in the organization. This attitude of bringing ill-equipped human elements in business brings about lapses like absenteeism, defrauding etc. Okoh (2007).

Olalere (2003) stated that experience is one of those things prospective enterprises should take into consideration as it goes a long way in making management more efficient. Experience is usually acquired either as paid assistants in firms or articulated apprentices. In this view, Ikpasaja (2004) stated that money is the life blood of business but it is certainly not the life blood of the success of a business, without sound and effective financial management, a business tycoon may experience a business collapse.

H. Unlimited Liability

Another problem facing the Small and medium enterprises (SMEs), may be termed unlimited liability. This means that every owner of the business liable for all the debts of the company. For a business owner to be fully liable for all the debts of

the firm, that means that the liability is independent of the amount of money which the owner may have put into the business.

i Transportation Problem/Communication system

There is also the problem of transportation and communication system. Lawal also wrote in one of his book A' Level Economics for West Africa State that inadequate and crude communication and transportation facilities, especially in the rural areas pose great obstacles to business organization, poor transport and lack of communication hinders the free flow of information and goods from one place to another.

v. Importance of Small and Medium-Scale Enterprises (SMEs) in

FCT-Abuja

The importance of Small and Medium-scale Enterprises (SMEs) in FCT, Abuja, cannot be over emphasized. Now that the Nation is experiencing the most critical moment of economic crisis, e.g., thousands of our Youths especially the young school leavers (including graduates of all categories) are found roaming the streets of the Nation, because of unemployment. Some are partially employed and others are completely unemployed. So in the area unemployment, SMEs help to offer a lot of jobs to the youths. Palmers in his research work said that small and medium enterprises have contributed in the reduction of unemployment. He further said that it is worthy of note to bring into focus that Small and Medium enterprises employ about 50% of the manufacturing work force in the economy. Maksimonie (2002) found out that financially more developed countries tend to have larger firms. This suggests that financial development ease financial constraints on successful firms and allow them to grow. Other practical importance accruing or

arising from the Small and medium Enterprises business can be itemized as follows:

1. They are dependable sources of government revenue
2. Small and Medium Enterprise businesses help to mobilized domestic savings
3. Small and Medium Enterprises offer sound training for man power development, e.g. training of company managers and other semi-skilled manpower.
4. The next benefit from this sector is that they enable the owner or the manager to make use of the specialized services of men and women of scarce talents
5. The Small and Medium-scale enterprises (SMEs) make it possible for the enhancement of economic balance arising from the production of intermediate products for the use of bigger firms and other local consumption.

Vi The Roles of Government in the Development of Small and Medium- Scale Enterprises (SMEs)

It is worthy of note that various government of the federation have mapped out a number of ways to render practical assistance towards the development of small and medium enterprises, some of the positive steps taken by government to redeem Small and medium enterprises from collapsing are as follows:

The establishment of industrial development association (IDA), has gone a long way to remove once and for all the probable handicaps of small and medium enterprises. For instance, the nature of technical services rendered by IDA are great, some of which are stated below:

(a) Technical Advice:

Industrial development association (IDA), offer technical advice to small and medium enterprises, with regard to the selection of proper manufacturing process for products in view.

(b) Selection of Machinery/Raw Materials:

Small and Medium enterprises buy the right kind of heavy duty industrial machineries and equipment as well as the selection of the suitable raw materials for production processes

Industrial development association (IDA) also helps the small and medium enterprises operators on the job training of the artisans in the handling and operation of complex industrial machines. They also offer useful advice to the operators of small and medium enterprises as well as quantify their products.

(c) Management Services:

They offer some management services to small and medium enterprises in the area of proprietary training and the supervisory staff of various small and medium enterprises firms in up to date management techniques and practices suited to their businesses, they give sound counselling as regards the current market prices, packaging sales strategies, advertising and marketing method for the promotion of sales of products and their writing feasibility sales of their intending small and medium enterprises businesses.

Furthermore, this body has a duty to ensure disposal of small and medium Entrepreneurial businesses, which will have linkage effect with several other bigger industries. This is to defeat the deep seated belief that small and medium-

scale enterprises can only thrive in big cities, where there are different types of products.

Types of Small and Medium Scale Enterprises (SMEs)

Fasua (2006) categorised business that falls under SMEs as follows

- a. Firewood supply
- b. Packaging of food items
- c. Meat retailing
- d. Plantain production
- e. Restaurant service
- f. Small scale poultry
- g. Rabbit raising
- h. Organizing labour squads
- i. Operating a nursery for children
- J. Home service
- k. Educational consultancy services
- L. Security operative services
- m. Studio/Camera services
- n. Arranging food for parties and a host of others
- o. Business centres

p. Event management/confectionaries

2.4 Theoretical framework

Although, there are few theories in the explanation of SMEs development and poverty studies in Nigeria, there are theoretical evidences of factors responsible for entrepreneurship studies, development and success among people generally. This section will briefly review human capital theory and Revans Action learning model, McClelland psychological theory, risk taking theory and the pecking order theory. The five theories though differ in focus, view education as an important factor in entrepreneurship development.

2.4.1 Human Capital Theory

The human capital theory advocates education as a tool for improving human capital, stimulating labor productivity and boosting the levels of technology across the globe (Robert, 1991). Human capital theorists encourage investment in nation's workforce (people working with public and private sector organization) because expenditure on training and development is a productive investment like investment on physical assets (Olaniyan and Okemakinde, 2008). Besides, human capital enhancement through quality education is a critical factor that people's economic growth and sustainable development in East Africa, Hong Kong, Korea, Singapore and Taiwan (Olaniyan and Okemakinde, (2008).

Further Schumpeter (1934) views entrepreneurship training as responsible for creative destruction, implying that education acts as an impetus for creating new ideas, improved techniques, new technologies and new products. In addition, Van-Den-Berg (2001) establishes a correlation between the level of education and new

products development in knowledge-based economies that invested massively in education, technology and related growth elements.

According to Abubakar (2010) the human capital theory provides a framework for examine the impact of acquired variables such as education, learning and experience on career outcomes and it was further develop on the assumption that education can serve as a key determinant of decision choice and providing benefits to specific ventures. Generally most of the theories examined on this topic assumed education as a means of enhancing managerial capabilities and generating broader option of making entrepreneurial selection leaser or great value (Dickson et al, 2008).

In cognizance of this fact (Adejimola and Olufumilayo, 2009) contents that education should be refined with a view to create and enhance the supply of entrepreneurial initiative and activities. The bottom line here is to inculcate the spirit of entrepreneurship in the student through education. In fact, this calls for more serious adjustment of policies and new curriculum in line with demand of the present time.

2.4.2 Revans' Action Learning Model

Revans in 1971 developed a model of action learning (Dickson et al, 2008) which focuses on learning by reflecting on actions that solve real problem of an organization. In their review of work of some researchers on this issue, a number of question were raised that will aid in generating understanding about relationship between education and entrepreneurship spirit and skills among youngsters. There are, first the probability of selection into entrepreneurship increases with the level of individuals general education. Secondly, is the level of general education linked to entrepreneurial performance and if so what types of performance have been

linked to education. In the final analysis, from the reviewed researchers, it was concluded that in both developing and industrialized countries that there is evidence to support a positive and significant relationship between education and entrepreneurial performance, whether performance is measured as growth and profit or earning power of the entrepreneur. (Abubakar, 2010) they further concluded that evidence linking general education to selection into entrepreneurship is ambiguous and cannot be classified as either positive or negative (Dickson et al, 2008). Similarly, another important question is on the reason to become an entrepreneur is the selection of an entrepreneurship by the student a matter of opportunity or necessity. Opportunity entrepreneurship came into being as a result of exploiting certain opportunity that exist while on the other hand necessity come as a respond to employment crisis, this necessitate second option of being self-employment (Koster and Rai, 2009, Lippman et al in Keister 2005).

2.4 3 Pecking Order Theory

Ohanga (2005) asserts that, from the borrower's perspective, if faced with a cost of lending that is above the true risk-adjusted cost, the borrower will have incentives to seek out alternative sources of funding. Bank lending theory suggests that, where information asymmetry and moral hazard are prevalent, firms are likely to fund themselves firstly from retained earnings and then from bank debt rather than issuing equity. This is referred to as the pecking order theory/hypothesis. The theory further suggests that the mix of debt and equity should be the cumulative result of hierarchical financing decisions over time.

Evidence around the world indicates that small scale enterprises provide an effective means of stimulating indigenous entrepreneurship, enhancing greater

employment opportunities per unit of capital invested and aiding the development of local technology (Sule, 1986: World Bank 1995). Through their wide dispersal, they provide an effective means of mitigating rural-urban migration and resource utilization. Furthermore, by producing intermediate products for use in large scale enterprises, SMEs contribute to the strengthening of industrial linkages. These explain the increased interest which developing countries have shown in the promotion SMEs since the 1970s (Ekpenyong and Nyong, 1992).

Akabueze (2002) asserts that the significance of finance in the drive for economic growth is fairly well established and generally accepted. For instance, the take-off and efficient performance of any industrial enterprises, be it small or large, will require the provision of funds for its capitalization, working capital and rehabilitation needs, as well as for the creation of new investments. Aladekomo (2003) notes that successive governments in Nigeria have, since the last three decades, shown great interest in financing of SMEs, by establishing specialized banks and other credit agencies/schemes to provide customized funding to the sub-sector to enhance growth and stability. In addition to these, programmes like the Nigerian Directorate of Employment (NDE), Better Life for Rural Women, Family Support Programmes, Child Care Trust, People's Bank, National Poverty Eradication Programme (NAPEP), to mention a few have been introduced.

2.4.4 McClelland Psychological Theory of Entrepreneurship

This theory was propounded by McClelland in 1961 and it postulated that traits, motives and personalities and major motivating factors that instil entrepreneurship spirit in an individual. The psychologist was of the view that there is a minor urge in someone that makes an entrepreneur to desire for a change of status and environment that may lead to innovation.

The inner urge or force should be injected into students to see a desire for a change of status that inspires them to generate ideas and also energize them pursues small scale businesses for economic growth and achievement in life. McClelland explains that there would be a relatively greater amount of entrepreneurship activities in the society, where the average level of need achievement is relatively high. The import of the theory is that when students/learners are sufficiently motivated to have high need for achievement in life through entrepreneurship education, there is greater tendency for them to set up their own businesses after graduation

2.4.5 Risk Taking Theory (RTT)

Another theory that supports entrepreneurship education is the risk taking theory of Richard Cantillon and John Stuart Mill. The theory perceives entrepreneurship as a mental education that stimulates individuals to take calculated risk for which future stream of benefits are guaranteed and people taking big risk have to contend with a great responsibility (Alam and Hossan, 2003). The summary of the theory is that entrepreneurship education improves the ability, capability and potentials of individuals to undertake risks for which economic benefits are ensured.

2.6 Summary

This chapter has been able to look at the literature review as it relates to the introduction; conceptual framework of the study; its empirical review; theoretical framework and the summary.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter provides description of sample and data collection procedures. It provides guidelines which direct the researcher towards solving the research problem. Data will be collected by use of questionnaire, while the secondary data will be from website, academic research journals and other literature related to the study. The operational measures of variables used in the study, as well as the statistical tests used to evaluate the hypothesis are also presented in this chapter.

This chapter equally treats subject areas such as the research methodology, research design, population and sampling technique, the methods of data collection, procedure for data analysis and model specification, justification of model and the summary. This will be treated in a sequential order to aid the researcher in its findings.

3.2 Research Design

A research design is a plan for collecting information or data for a period of 10 years. This study employs the survey research design which studies a group of people or items by collecting and analysing data from a few people or items considered to be representative of the entire group. The research gathering instrument used for this study is the questionnaire. Questionnaire will be administered and the result analysed to determine the impact of SMEs and poverty reduction in FCT-Abuja

3.3 Population, Sample and Sampling Techniques

A research population refers to all members of the study target or the total number of common characteristics that may lead to obtaining the relevant information for the purpose of the research. The target population of 1300 SMEs within the rural area councils of FCT-Abuja were considered for this study.

Agu (2007) defines a sample as a group of items or cases chosen from a population so that the most important and relevant attributes of the population are represented in the group. Sample is a representative subset of population.

Applying the **Yamane formula** we have

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

Where N = Total population

S = Sample size

e = Margin of error

When population size is 1300

$$N = 1300$$

$$e = 0.05$$

$$S = \frac{1300}{1 + 1300(0.05)^2}$$

$$S = \frac{1300}{1 + 1300(0.0025)}$$

$$S = \frac{1300}{4} = 306$$

4.25

S = 306

A total number of 306 samples will be selected for this study. In other words, 306 small and medium-scale enterprises consisting of both manufacturing and services businesses and 306 questionnaires will be administered to them so as to solicit the needed data. The SMEs selected for this study were printing business, food vendors and restaurants, business centres, printing materials shops with employment capacity ranging from 2-10 employees and spread across the five (5) selected rural area councils of FCT-Abuja.

Sampling Technique is a plan specifying how the elements will be drawn from the research population. In this study random sampling will be used.

3.4 Methods of Data Collection

Questionnaire was the instrument used in data collection and the distribution was by self (by hand). Out of the 306 questionnaire administered only 250 were returned and used as the sample size.

3.5 Procedure for Data Analysis and Model Specification

To derive useful meaning from the data generated, the following statistical techniques and procedure was used.

Chi-square: This was adopted in testing the hypothesis formulated. The chi-square formula is stated below:

$$X^2 = \frac{\sum(O-E)^2}{E}$$

Where:

O= Observed frequencies

E= Expected frequencies

X^2 =Chi-square

Σ = Summation

Decision Rule

If the calculated chi-square is less than the critical value, the null hypothesis will be accepted while the alternative hypothesis will be rejected. Therefore: the null hypothesis is accepted because is less than the critical value.

3.6 Justification of Methods

The study made use of questionnaires with the aid of well-structured questions to enrich the study. The survey method was justified by the nature and distribution of the population and also to encourage high degree of representation, thereby reducing the sampling error (Anyanwu 2000).

The chi-square statistics was then applied to the impact of SMEs and poverty reduction in rural areas of FCT-Abuja. The method is to make and draw inference about the research population relying on the content of the information in the sample and it seems to be the most appropriate for study of this nature because it will facilitate the successive conclusion and useful recommendations that will be useful and beneficial to all.

3.7 **Summary**

This chapter has been able to describe the methods that will assist in justifying the impact of SMEs and poverty reduction in rural areas of FCT-Abuja.

Therefore, under the research methodology sub titles were discussed such as introduction, research design, population and sampling technique, methods of data collection, procedure for data analysis and model specification, justification of methods and summary.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1 Introduction

This chapter focuses on the presentation and analysis of data obtained from the questionnaire. The data were grouped into basic characteristics of age, sex, educational qualification and marital status. The questions relevant to the hypotheses would be presented and analysed for the purpose of confirming them; the questions not directly related to the hypothesis would also be presented and analysed accordingly.

4.2 Analysis of Research Questions

Table 4.1: Responses of respondents on SMEs contribution to employment generation in the rural areas of FCT, Abuja

Responses	No.of Respondents	Percentage (%)
Strongly Agree	100	35.5
Agree	80	25.5
Undecided	60	20
Disagree	40	13
Strongly disagree	26	6
Total	306	100

Sources: Field survey, 2018

From the above table 4.1,100 respondents represent 35.5% of the respondents strongly agreed to the question,80 respondents agreed with 25.5%,while 60 respondents undecided representing 20%,40 respondents disagreed with 13% and 26 respondents strongly disagreed with 6%.

Table 4.2: Responses of respondents on whether the youth should be encouraged to develop and nurture entrepreneurial spirit in the rural areas of FCT, Abuja

Responses	No. of Respondents	Percentage (%)
Strongly agree	95	33.5
Agree	75	23.5
Undecided	55	16
Disagree	45	18
Strongly disagree	36	9
Total	306	100

Source: Field Survey, 2018

From the above table 4.2, it shows that 95 respondents represent 33.5% that responded strongly agreed, while 75 respondents agreed with 23.5%, 55 respondents undecided represented 16%, 45 respondents disagreed representing 18% and 36 respondents strongly disagreed representing 9%.

Table 4.3: Responses of respondents on whether SMEs contribute to standard of living in rural areas of FCT, Abuja.

Responses	No. of Respondents	Percentage (%)
Strongly agree	110	36.5
Agree	90	30.5
Undecided	50	15
Disagree	40	13
Strongly disagree	16	5
Total	306	100

Sources: field Survey, 2018

From table 4.3 above, it shows that 110 respondents who strongly agreed represented 36.5%, while 90 respondents who agreed represents 30.5%, 50 respondents undecided represents 15%, 40 respondents disagreed with 13% and 16 respondents who strongly disagreed represents 5%.

Table 4.4: Responses of respondents on whether entrepreneurship reduces poverty and improve standard of living in rural areas of FCT, Abuja

Responses	No.of Respondents	Percentage (%)
Strongly Agree	105	34.5
Agree	95	30.5
Undecided	45	18
Disagree	35	10
Strongly disagree	26	7
Total	306	100

Sources: Field Survey, 2018

From the above table,105 respondents who strongly agreed represents 34.5%,while 95 respondents who agreed got 30.5%,45 respondents of undecided represents 18%,35 respondents who disagreed represents 10% and 26 respondents who strongly disagreed represents 7%.

Table 4.5: Responses of respondents on whether government policies encourage the SMEs in improving the standard of living in the rural areas of FCT, Abuja

Responses	No.of Respondents	Percentage%
Strongly agree	40	13
Agree	26	7
Undecided	47	20
Disagree	113	37.5
Strongly disagree	80	22.5
Total	306	100

Sources: Field Survey, 2018

From the above table,40 respondents represent 13% of the respondents who strongly agreed to the question,26 respondents agreed with 7%,47 respondents undecided representing 20%,113 respondents disagreed with 37.5% and 80 respondents strongly disagreed.

Table 4.6: Responses of respondents on whether SMEs reduces social vices amongst the youth in rural areas of FCT, Abuja.

Responses	No.of Respondents	Percentage (%)
Strongly agreed	140	40
Agree	95	22
Undecided	30	15
Disagree	20	11
Strongly disagree	21	12
Total	306	100

Sources: Field Survey, 2018

From the above table,140 respondents represent 40% of the respondents who strongly agreed to the question,95 respondents agreed with 22%,30 respondents undecided representing 15%,20 respondents disagreed with 11% and 21 respondents strongly disagreed with 12%.

TEST OF HYPOTHESIS

The analysis of data and test of the hypothesis of this study would depend on the chi-square(χ^2) distribution test.It involves a test of statistics which examine the extent to which the frequencies that are actually obtained in the study differ from frequencies that are expected. It is the frequencies that determine whether the null hypothesis would be rejected or if it should be accepted. The expected frequencies are the various data which occur under the null hypothesis while the observation and the statistical techniques are calculated as:

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

X^2 = Chi-square

\sum = Summation

F_o = Set of observed frequencies

F_e = Set of expected frequencies

Operative Assumption

Level of Significance 5% = 0.05

DECISION RULE:

The principle involves rejecting the null hypothesis (H_o) if the computed value of X^2 is greater than the critical value from the chi-square (X^2) table, otherwise accept the null hypothesis.

TESTING OF HYPOTHESIS ONE

Table 4.7: Responses of respondents on the extent SMEs has contributed to economic development of the rural areas of FCT, Abuja

Responses	No. of Responses	Percentage (%)
Strongly agreed	95	33.5
Agreed	75	23.5
Undecided	55	16
Disagreed	45	18
Strongly disagree	36	9
Total	306	100

Sources: Lifted from table 4.2 above

Using table 4.7 above, we can test hypothesis one as it is in line with the research question.

Table 4.8 CHI-SQUARE TABLE

Responses	Fo	Fe	Fo-Fe	(Fo-Fe) ²	(Fo Fe) ² /Fe
Strongly agreed	95	50	45	2,025	40.5
Agreed	75	50	25	625	12.5
Undecided	55	50	5	25	0.5
Disagreed	45	50	-5	-10	-0.19
Strongly disagreed	36	50	-14	-28	-0.56
Total	306			χ	52.75

Calculated

$$X^2 = 52.75$$

Expected frequency is gotten as follows: $\frac{306}{4} = 76.5$

Critical value of X^2 with a degree of freedom of 3 and level of significance of 0.05 is 7.815.

Decision:

The calculated Chi-square of 52.75 is greater than the critical value of 7.81. Therefore; the null hypothesis is rejected while the alternative accepted which states that SMEs contributes to economic development of the rural areas of FCT, Abuja.

TEST OF HYPOTHESIS TWO

H^2 : Entrepreneurship does not reduce poverty and improve standard of living in rural areas of FCT, Abuja

H^2 : Entrepreneurship reduces poverty and improve standard of living in rural areas of FCT, Abuja.

Table 4.9: Responses of respondents on whether entrepreneurship has reduced poverty and improve standard of living in rural areas of FCT, Abuja.

Responses	No.of Respondents	Percentage %
Strongly agree	105	34.5
Agree	95	30.5
Undecided	45	18
Disagree	35	10
Strongly disagree	26	7
Total	306	100

Sources lifted from table 4.4 above

Using table 4.4 above, we can test hypothesis two as it is in line with the research question.

Table 4.10 CHI-SQUARE TABLE

Responses	Fo	Fe	Fo-Fe	$(Fo-Fe)^2$	$(Fo-Fe)^2/Fe$
Strongly agreed	105	50	55	3,025	60.5
Agreed	95	50	45	2,025	40.5
Undecided	45	50	-5	-10	-0.2
Disagreed	35	50	-15	-30	-06
Strongly disagreed	26	50	-24	-48	-0.96
Total	306				93.84

Table 4.9: Responses of respondents on whether entrepreneurship has reduced poverty and improve standard of living in rural areas of FCT, Abuja.

Responses	No. of Respondents	Percentage %
Strongly Agreed	105	34.5
Agreed	95	30.5
Undecided	45	18
Disagreed	35	10
Strongly disagreed	26	7
Total	306	100

Sources lifted from table 4.4 above

Using table 4.4 above, we can test hypothesis two as it is in line with the research question.

Table 4.10 CHI-SQUARE TABLE

Responses	Fo	Fe	Fo-Fe	(Fo-Fe) ²	(Fo-Fe) ² /Fe
Strongly Agreed	105	50	55	3,025	60.5
Agreed	95	50	45	2,025	40.5
Undecided	45	50	-5	-10	-0.2
Disagreed	35	50	-15	-30	-0.6
Strongly disagreed	26	50	-24	-48	-0.96
Total	306				93.84

Calculated:

$$X^2 - 93.84$$

$$\text{Expected frequency: } 50 = \frac{306}{4}$$

$$4$$

Critical value of X^2 with a degree of freedom of 3 and level of significance of 0.005 is 7.815.

DECISION:

The calculated Chi-square of 93.84 is greater than the critical value of 7.81. Therefore, the null hypothesis is rejected while the alternative is accepted which states that SMEs has reduced poverty and improve standard of living in rural areas of FCT, Abuja.

4.5 Summary of Findings

The summary of the findings from this research work is as follows:

- i. The study found that SMEs and employment generation has contributed to the poverty reduction in rural areas of FCT Abuja.
- ii. Result of the above analyses also indicates that the SMEs and standard of living has contributed to the poverty reduction in rural areas of FCT Abuja.
- iii. Furthermore, the analysis indicates that SMEs and economic development has contributed to poverty reduction in rural areas of FCT Abuja.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Summary

1. The commercial Bank credit to the SMEs is statistically significant but Without the correct sign, government participation in SMEs and the Interest rate regimes within the period of study in Nigeria are not Statistically significant in the performance of SMEs (SGDP).It can be Conclusively said that the poor funding and bank credit policies are the major problems inhibiting the successes of SMEs in Nigeria.
2. SMEs are strategic to attainment of economic prosperity objective of Any government. It should be realized however that, this will remain only a dream without giving adequate priority to the youths since them form chunk of the workforce of every economy.
3. It was discovered that for an economy to live up to expectation in the committee of Nation's development wise, such economy must achieve accelerated economic growth and development which is the sine qua non for improving quality of life. The economy depends on its working population for economic growth and development in which the youths constitute greatest percentage and this further establishes the reason why the youth should be gainfully employed. The youth should be encouraged to develop and nurture entrepreneurial spirit since entrepreneurship reduces poverty and improve standard of living.
4. It was also discovered that giving of right focus to the youth welfare through job creation reduced social vices in an economy. The youth can enhance sustainable development of the Nigerian economy.

5.2 Conclusion

There is no gainsaying the fact that the SMEs remain the main engine of growth in any economy as their operation and investments cover all aspects of economic or business activities. This has been recognized in Nigeria as it is reflected in most government policies such as SAP, NEEDS and the likes. It is not sufficient to know the cardinal roles of the SMEs when they have not been given full incentives for effective performance. It is therefore imperative that policy makers and governments and their agencies provide the technical, technological, financial, managerial, assistance and infrastructures needed for the enormous opportunities in the SMEs to be harnessed optimally.

These will enable SMEs to play their catalytic role in the economy and help government to reduce the high unemployment rate in the country and by extension, reducing poverty. By so doing, our SMEs will assist Nigeria in her quest to becoming one of the twenty biggest economies in the World by the year 2020. No country will be seen as developed with high poverty levels as is currently the case in Nigeria.

5.3 Recommendations

The following recommendations were made:

1. SMEs should be funded adequately by governments to enable them play major roles as engines of growth economic development. In this sense, the microfinance policies should be restructured in such a manner that prospective SMEs can have access to loans on a sustainable basis in partnership with banks in the areas of feasibility study, project development and finance.

2. The dearth of the commercial banks loans to SMEs could be judged from the point of view of not exposing themselves to the risk of repayment by the borrowers. The monetary authorities should formulate effective mechanisms whereby the risk of loan repayment is absorbed by the government.
3. The interest rate in the economy should be made to be a single digit rate. When the interest rate is high as it is in Nigeria at present, it will amount to disinvesting as no investor will be eager to invest in long term. It does not encourage entrepreneurship development, and as such the innovative zeal of entrepreneurs will be killed in Nigeria. Also, business owners should borrow money from friends, meetings etc., since interest rate would be lower than the banks.
4. The role of infrastructures is key to making SMEs function optimally. When basic infrastructures are provided, the entrepreneurs and SMEs will be motivated to take advantage of such amenities, expand their operations, employ more hands, and reduce unemployment and poverty.
5. Entrepreneurs should acquaint themselves with investment techniques and also seek professional advice from those who are already in such business.
6. Managers of business should have considerable amount of experience or skill in the business.

5.4 Suggestions for further Study

Having gone so far in this research work, the researcher wishes to stake that those who might wish to research further on the subject under study should focus their attention on the following areas:

1. Entrepreneurship development in Nigeria economy a challenge for the government, its agencies, financial institutions, entrepreneurs and other stake holders in a modern economy.
2. An assessment of the problems constraining sustainable entrepreneurship building in developing economy (Nigeria as a case study).

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APPENDIX I

Department of Business Administration
Faculty of Administration
Nasarawa State University Keffi
Nasarawa State
10th November, 2018

Dear Sir/Madam,

LETTER OF INTRODUCTION

I am a student of the above department, conducting a research on the topic “The Impact of SMEs and poverty reduction in rural areas of FCT, Abuja”.

This is in partial fulfilment for the award of Masters in Business Administration (MBA). I will be glad if you help fill the attached questionnaires to enable me carry out this research successfully.

I assure that your responses will be treated in confidence and used solely for this research.

Thanks for your cooperation.

Yours faithfully,

Chibuogwu Doris N.

APPENDIX II
QUESTIONNAIRE

Instruction: Some of the questions contain response alternative, you are expected to tick against the alternative(s) of your choice, as thus (√)

SECTION A

1. Sex: Male Female
2. Age Bracket: Below 25 yrs. 26-35 yrs. 36-40 yrs. 41 yrs. and above
3. Marital Status: Single married others
4. Educational Qualification: GCE/WASCE A 'Level/OND
B.Sc./HND/BA M.Sc./MBA

SECTION B

1. Has SMEs contributed to employment generation in the rural areas of FCT, Abuja? Strongly disagree Disagree Undecided Agree
Strongly agree
2. Should the role of enabling environment on sustainable employment generation be re-echoed in the rural areas of FCT Abuja? Strongly disagree Disagree undecided Agree Strongly agree
3. Should the Youth be encouraged to develop and nurture entrepreneurial Spirit in the rural areas of FCT, Abuja? Strongly disagree Disagree
Undecided Agree strongly agree
4. Is promotion of SMEs and improvement in employment generation related in the rural areas of FCT, Abuja? Strongly disagree Disagree
Undecided Agree strongly agree
5. Is the employment generation by SMEs feasible in the rural areas of

- FCT, Abuja? Strongly disagree Disagree Undecided Agree
Strongly agree
6. Does SMEs contribute to standard of living in rural areas of FCT
Abuja? Strongly disagree Disagree Undecided Agree
Strongly agree
7. How adequate is the salary/wages for workers in rural areas of FCT
Abuja? To a large extent To a small extent
8. Does entrepreneurship reduce poverty and improve standard of living
in rural areas of FCT,Abuja? Strongly disagree Disagree
Undecided Agree strongly agree
9. Can SMEs promote industrial and technological growth in the rural
Areas of FCT Abuja? Strongly disagree Disagree Undecided
Agree Strongly agree
10. Does government policies encourage the SMEs in improving the
Standard of living in the rural areas of FCT,Abuja? Strongly disagree
disagree Undecided Agree Strongly agree
11. To what extent has the SMEs contributed to economic development
of the rural areas of FCT,Abuja? To a large extent To a small
extent.
12. Is accelerated economic growth and development a sine qua non for
improving the quality of life in the rural areas of FCT? Yes No.
13. How does SMEs reduce social vices amongst the youth in the rural
areas of FCT,Abuja? Adequate Inadequate
14. Does a relationship exist between SMEs and economic growth and
development in the rural areas of FCT,Abuja? Strongly disagree

Disagree Undecided Agree Strongly agree

15. To what extent can SMEs development lead to growth in GDP? To a large extent To a small extent