

The Impact of Small and Medium Scale Enterprises in Nigeria: a Case Study of Abuja Municipal Area Council (AMAC)

¹Aigbedion I. Marvelous, ²Anefu-Apochi Eunice,
³Ezulike Chukwudi Cornelius & ⁴Gabriel Kurah Madaki
^{1,2,3,&4}Department of Economics, University of Abuja

Abstract

This study is attempted to examine the impact of Small and Medium Scale Enterprises in Nigeria: A Case Study of Abuja Municipal Area Council (AMAC). The study adopted primary method of data collection using structured questionnaire with three sections for data collection from the respondents. Three hundred and thirty-three (333) were distribution out of which three hundred and fifteen (315) were properly filled and returned by the respondents. The information gathered from the respondents was represented in tables and analyzed using percentage. The chi-square was used to test the research hypotheses. From the result it was shown that there are SMEs activities in Abuja Municipal Area Council (AMAC), the SMEs have low and poor social responsibility services in Abuja Municipal Area Council (AMAC) and the result also showed that SMEs activities in Abuja Municipal Area Council (AMAC) have positive impact on the wellbeing of citizens, job creation, availability of goods and services in meeting the needs of citizens and also income generation for entrepreneurs. Finally, the study showed that the challenges of SMEs in Nigeria are inadequate in finance, poor access to credit facilities, poor government participation, inconsistent government policies, poor infrastructure development in the country, low assistant of SMEDAN and other credit guaranteed financial institutions to SMEs in Nigeria. Therefore, the study recommends that the Nigerian government should provide the basic infrastructure that will assist the SMEs and there is the need to establish formal financial institutions just like the Bank of Industry (BOI) with the mandate of providing financial support specifically to the SMEs.

Keywords: *SMEs, Entrepreneurs, Job creation, Policies, SMEDAN*

Corresponding Author: Aigbedion I. Marvelous

Background to the Study

Small and Medium Scale Enterprises (SMEs) are sub-sectors of the industrial sector which play crucial roles in industrial development in developed and developing countries like Nigeria (Ahmed, 2006). Following the adoption of Economic reform program in Nigeria in 1981, there have been several decisions to switch from capital intensive and large scale industrial projects which was based on the issues of import development to SMEs which have better prospects for developing domestic economy, thereby generating the required goods and services that will propel the economy of Nigeria towards development. It is based on this premise that Ojo (2009), argued that one of the responses to the challenges of development in developing countries particularly, in Nigeria, is the encouragement of SMEs scheme.

Despite abundant natural resources, the country still finds it very difficult to discover her developmental bearing since independence. Quality and adequate infrastructural provision has remained a nightmare, the real sector among others have witnessed downward performance while unemployment rate is on the increase. Most of the poor and unemployed Nigerians in order to better their lots have resorted to the establishment of their own businesses. Consequently, SME is fast becoming a household name in Nigeria. This is as a result of the fact that the so called white collar jobs that people clamor for are no longer there. Even, the touted sectors (Banks and companies) known to be the largest employer of labour are on the down-turn following the consolidation crisis and fraudulent practice of the high and mighty in the banking sector. The companies of course are folding up as a result of erratic power supply, insecurity and persistent increase in interest rate which has led to high cost of production and undermines profit making potentials of companies operating in Nigeria. As a result of banking sector practices and continuous folding up of companies, a lot of Nigerians are thrown into unemployment which inevitably detriment the economic situation of the country (Ahmed, 2006).

Since the office jobs that people desire are no longer there for the teeming population, and few ones that succeeded in getting the jobs are thrown out as a result of the factors identified above, the need for the government and the people to have a rethink on the way-out of this mess became imperative. Hence, the need for SMEs became a reality as a means of ensuring self-independent, employment creation, import substitution, effective and efficient utilization of local raw materials and contribution to the economic development of our dear nation (Nigeria). All the so far stated benefits of Small and Medium Scale Enterprises cannot be achieved without the direct intervention of the government and financial institutions. Over the years, a number of policies have been formulated by the government with a view to developing SMEs. Despite these government policies in Nigeria there has been stunted growths and sluggish development in the SMEs 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 SMEs 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 growth and development.

Objective of the Study

The objective of the paper is to examine the impact of Small and Medium Scale Enterprises in Nigeria: A Case Study of Abuja Municipal Area Council (AMAC).

Literature Review

There is also a statistical definition or conceptualization of SMEs, which tends to vary from one country to another, and usually based on the number of employees or the value of the assets of the enterprise. These is a lower limit for SMEs usually set at 5-10 workers and the upper limit at 50-100 workers (Hallberg, 2000). Hallberg also notes that for medium enterprises, the upper limit is set at between 100 and 250 workers. A weakness of this definition is that it is difficult to compare size-distributions across countries. Further, it is necessary to place the definition either based on assets or the number of workers side-by-side with the level of development and sophistication of the economy. For instance, a small enterprise in say the U.K. or USA could turn out to be a large company in say Nigeria, India, Bolivia or Senegal.

In addition, Loveman & Sengenberger (1990) and Aremu (2010) all point to the fact that in the definition and conceptualization of SMEs, the terms we referred to earlier are elusive concepts. They contend that these definitions do hide a large heterogeneity in their types and forms. Country studies undertaken by these scholars in the 1990s showed that the definitions tend to vary. Depending on the institutional or historical contexts, major criteria for structuring SMEs sector are legal status (as in France), the ownership status (Hungary), the distribution between "craft" and "industrial" firms (Germany) or independent and subordinate firms (Japan), or small firms in industries where large enterprises dominate or where there is a mixed-size composition. Such structural variety within and across national boundaries will have to be taken into account when analyzing SMEs.

In the case of Nigeria hardly do you see a clear-cut definition that distinguishes between small and medium scale enterprises. However, the Central Bank of Nigeria in its monetary policies view small scale industries are those enterprises which have annual turnover not exceeding 500,000 naira. (CBN; 1992) Similarly in 1990 the Federal Government of Nigeria defined small scale enterprises for the purpose of commercial bank loans as those enterprises whose annual turnover does not exceed 500,000 thousand naira and for merchant bank loan those enterprises with capital investment not exceeding 2 million naira (excluding the cost of land) or a minimum of 5 million naira (Amadiou, 1999).

Small and medium scale enterprises', 'small and medium enterprises', 'small and medium industries', are some of the terms that are used interchangeably to describe this group of business organizations. They are a very heterogeneous group because they embrace a wide variety and diverse forms ranging from village handcraft makers/outfits, small machine shops, restaurants and computer software firms (Beyene, 1999).

Noticeable impacts of SMEs are its contribution to the development of indigenous entrepreneurship. Mention is being made of the Dantatas, Fajemirokuns, Dangotes, Igbinedions, Ekene Dili Chukwus, ilodibes, Dankabos and the Amazus. Its contribution to the mobilization of domestic savings and utilization of local resources is also a noticeable factor. They serve as good agents for disposal of industrial products and some services and have contributed immensely to the production of raw materials in the form of semi-processed goods for use by bigger industries. It is a base for the development of appropriate technology and provides a veritable ground for skilled, unskilled and semi-skilled workers. It has provided productive self-employment to a number of educated and less educated young men and women coming out of schools, colleges, polytechnic, and universities.

Ayozie (2004) specifically mentioned the role in the accelerated industrial development by enlarging the supply of entrepreneurs and the enlarging of small and medium enterprise sector, which offers better potential for employment generation and wider dispersal of industrial ownership. It has asserted in improving the performance of small industries by enlarging the supply of carefully selected and trained well rounded entrepreneurs and diversifying sources of entrepreneurship and business ownership.

Tijani (2004) enumerated that the entrepreneur viz a viz the small scale business person is the most critical factors in the economic development of any Nation. Entrepreneur organizes, and utilizes the various factors of production and finally sets productive machinery in action towards overall economic development; consequently, the availability of the small scale industry is therefore the undisputed precondition for economic growth.

Methodology

Population and Sample Size of the Study

The research population of this study covers SMEs in Abuja Municipal Area Council (AMAC). This population of the study was considered because of the objective of the study and the high rate of SMEs activities in recent years and access to research information. The instrument of data collection for this study is questionnaire, the questionnaire contained two sections; the first part is the classification, which includes respondents' bio-data like sex, age, occupation, qualification etc. the second part possesses the questions relating to the subject matter of investigation. Sample size of study is three hundred and thirty-three (333) through simple random sampling technique and three hundred and thirty-three (333) questionnaires was also designed and administered out of which three hundred and fifteen (315) were properly filled by the respondents and returned. Therefore, the total number of questionnaires ready for the research analysis was three hundred and fifteen (315).

Validation of Research Instrument

The reliability of the instrument of SMEs data inventory was ascertained using the split-half method. The score recorded was grouped into halves, positive and negative numbers. The result was analyzed using product moment correlation coefficient to show if the

coefficient is high enough to accept the instrument for the study. From the result the product moment correlation coefficient was 2.9 which show that instrument was reliable.

Method of Data Analysis

The method of data analysis adopted by the researcher in this work is the disruptive analysis, the simple percentage approach or the chi-square method was used to analyze the research information and data gotten from the questionnaire or respondents. This information gathered through questionnaire were represented in numerical figures and arranged in tabular form. The percentages of the figures were used in order to serve as indicators of effectiveness. The chi-square method was used for hypothesis testing value. It was used to judge the findings. The tabular value at the chosen level of significant at (r-1) (c-1) degree of freedom will be determined. Also, the sample value was computed using the chi-square formula

$$X^2 = \frac{\{(fo - fe)^2\}}{fe}$$

Where:

Fo is the Observed frequency, Fe is the Expected frequency, is the Ho Null hypothesis and H1 is the Alterative hypothesis. The two results will be compared and decision is taken as follows. If the calculated value is greater than the tabular value, we reject the null hypothesis (H₀) and concluded in favour of the alternative 'Hypothesis' (H₁) and vice-versa.

Presentation and Data Analysis

Data Presentation

The information gathered from the respondents through questionnaire were presented in this chapter. The information were presented in tables and each table is analyzed and explained using percentage. Total of three hundred and fifteen (315) questionnaire were properly filled and returned by the respondents against the three hundred and thirty-three (333) distributed to the respondents. Therefore, the discussion and judgment of this study is based on the numbers. The test of hypotheses was done using chi-square method and each hypothesis was tested and interpreted based on the result. Finally, discussion of the results were done.

Presentation of Data

Table 1: Frequencies and percentages relating to sex, age, position and year of experience of respondents

Sex distribution of respondents	Frequency	Percentage %
Male	192	61
Female	123	39
Total	315	100
Age distribution of respondents	Frequency	Percentage %
10-25	22	07
26-40	50	16
41-60	182	58
61-above	61	19
Total	315	100
Job Position of respondents	Frequency	Percentage %
CEO	132	42
Management	103	33
Senior Officer	56	18
Junior Officer	24	07
Total	315	100
Years of Experience of respondents	Frequency	Percentage
1-10	30	10
11-20	96	30
21-30	162	51
31-above	27	09
Total	315	100

Source: Administered Questionnaire, 2016.

From the table 1 above, 61 percent of the total respondents were males, while 39 percent of the total respondents were females. From the figures and percentage above it implies that male entrepreneurs were more into self-employment jobs than the female entrepreneurs. From the table 1 above, 7 percent of the total respondents were between the age brackets of 10-25, 16 percent of the total respondents were between the age brackets of 26-40, 58 percent of the total respondents were between the age brackets of 41-60, while 19 percent of the total respondents were between the age brackets of 61-above. The table 1 above also shows that 42 percent of the total respondents were Chief Executive Owners of businesses, 33 percent of the total respondents were management staff, 18 percent of the total respondents were senior officers, while 7 percent of the total respondents were junior staff.

Finally, from the table 1 above, 10 percent of the total respondents were between 1-10 years of experience, 30 percent of the total respondents were between 11-20 years of working experience, 51 percent of the total respondents were between 21-30 years of working, 9 percent of the total respondents were between 31-above years of working experience. From the figures above it is clear that larger percent of the respondents were experienced in their various field of businesses. This also implies that the information from the respondents can be used to judge the activities of SMEs in AMAC based on their experiences and practical participation.

Table 2: Frequencies and percentages of form of business, capital base, source of capital, model of production and number of employees in the SMEs organization

Line of Business of SMEs	Frequency	Percentage
Services	176	56
Power/Energy	06	02
Construction	09	03
Manufacturing	38	12
Mining	24	08
Others	62	19
Total	315	100
Capital base of your business organization	Frequency	Percentage
100,000-400000	13	04
500,000-900000	86	27
1000000-9000000	89	29
10000000-above	127	40
Total	315	100
Source of your initial business finance	Frequency	Percentage
Personal savings	182	58
Family/friends	24	08
Cooperative societies	58	18
Banks	51	16
Total	315	100
Mode of production in your organization	Frequency	Percentage
Labour intensive	213	68
Capital intensive	102	32
Total	315	100
Number of employee under your organization	Frequency	Percentage
1-10	76	24
11-20	86	27
21-30	132	42
31-above	21	7
Total	315	100

Source: Administered Questionnaire, 2016.

From the table 2 above, 56 percent of the total respondents were into service delivery, 2 percent were into power/energy, 3 percent were into construction, 12 percent are into manufacturing, 8 percent were into mining, while 19 percent of the total respondents are into other businesses. From the table 2 above, 4 percent of total respondents had 100000-400000 as their business capital base, 27 percent had 500000-900000 as their business capital base, 29 percent had 1000000-9000000 as their business capital base, while 40 percent of the total respondents had 10000000-above as their business capital base. This implies that SMEs in Nigeria good financial support because some business required large sum of capital for set up capital.

From the table 2 above, 58 percent of the total respondents had personal savings as their source of initial business finance, 8 percent had family/friends as their initial business

finance, 18 percent had cooperative societies as their source of initial business finance, and 16 percent had banks as their source of initial business finance. From the table 2 above shows also that 68 percent of the total respondents are labour intensive in modes of production in their organization, 32 percent of the total respondents are capital intensive in mode of production in their organization. Finally, from the table 2 above, 24 percent of the total respondents had 1-10 employees under their organization, 27 percent had 11-20 employees under their organization, 42 percent had 21-30 employees under their organization, 7 percent of the total respondents had 31-above employee under their organization.

Table 3: Frequencies and Percentages of SMEs financial services, challenges, government participation, and assistant from special Agencies for SMEs development

The financial services provided by banks to SMEs in Nigeria	Frequency	Percentage
Adequate	266	84
Inadequate	49	16
Total	315	100
The greatest challenge facing SMEs in Nigeria	Frequency	Percentage
Finance	116	37
Corruption	199	63
Total	315	100
Government participation in assisting SMEs in Nigeria	Frequency	Percentage
Below expectation	182	58
Up to expectation	96	30
Not certain	37	12
Total	315	100
The assistant of SMEDAN and other credit guaranteed financial system to SMEs in Nigeria	Frequency	percentage
Adequate	254	81
Inadequate	61	19
Total	315	100

Source: Administered Questionnaire, 2016

From the table 3 above, 84 percent of the total respondent agreed that the financial services provided by the banks to Small and Medium Enterprises are inadequate in financing the businesses and the investment of Small and Medium Enterprises in Nigeria, while 16 percent of the total respondents agreed that the funds provided by the banks to Small and Medium Enterprises in Nigeria are adequate in financing the Small and Medium Enterprises projects. From the table 3 above, 37 percent of the total respondents believed that the greatest challenge faced by the Small and Medium Enterprises in Nigeria is finance, while 63 percent of the total respondents believed that corruption is the greatest challenge faced by the Small and Medium Enterprises in Nigeria.

From the table 3 above, 58 percent of the total respondents believed that government participation in the development and the activities of SMEs in Nigeria is below expectation, 30 percent of the total respondents believed that government participation in the development and the activities of Small and Medium Enterprises in Nigeria is up to

expectation, while 12 percent of the total respondents are not certain of government participation in the Small and Medium Enterprises in Nigeria. Finally, the table above shows that the assistant of SMEDAN and other credit guaranteed financial system to SMEs in Nigeria, 81 percent of the total respondents believed that that the assistant of SMEDAN and other credit guaranteed financial system to SMEs in Nigeria is adequate while 19 percent of the total respondents believed that that the assistant of SMEDAN and other credit guaranteed financial system to SMEs in Nigeria is inadequate.

Table 4: showing the frequencies and percentage of SMEs and employment generation in Nigeria, using AMAC as a case study

Do you think that the activities of the SMEs generate employment opportunity in Nigeria?	Frequency	Percentage
Yes	262	83
No	43	14
No idea	10	03
Total	315	100
Do you think locations of SMEs in Nigeria increase employment generation by the SMEs?	Frequency	Percentage
Yes	218	69
No	89	28
No idea	08	03
Total	315	100
Do you think that SMEs in Nigeria pay good salaries and wages to their employees?	Frequency	Percentage
Yes	134	43
No	165	52
No idea	16	05
Total	315	100
Do you think SMEs Service delivery increases business opportunities in the Abuja Municipal Area Council (AMAC)?	Frequency	Percentage
Yes	174	55
No	135	43
No idea	06	02
Total	315	100
Do you think SMEs product quality increases wellbeing of citizens in Abuja Municipal Area Council (AMAC)?	Frequency	Percentage
Yes	186	59
No	121	38
No Idea	08	03
Total	315	100
Does your organization sometimes involve in human resources development of her employee?	Frequency	Percentage
Yes	172	55
No	127	40
No Idea	16	05
Total	315	100
Does your organization engage in social responsibility services?	Frequency	Percentage
Yes	132	42
No	181	57
No Idea	02	01
Total	315	100

Source: Administered Questionnaire, 2016

From table 4 above, 83 percent of the total respondents agreed that the activities of the SMEs generate employment opportunity in Abuja Municipal Area Council (AMAC), 14 percent of the total respondents disagreed that the activities of the SMEs generate employment opportunity in Abuja Municipal Area Council (AMAC) while 3 percent of the total respondents have no idea to the fact that the activities of the SMEs generate employment opportunity in Abuja Municipal Area Council (AMAC). From table 4 above, 69 percent of the total respondents agreed that locations of SMEs in Nigeria increase employment generation by the SMEs, 28 percent of the total respondents disagreed that locations of SMEs in Nigeria increase employment generation by the SMEs, while 3 percent of the total respondents have no idea to the fact that locations of SMEs in Nigeria increase employment generation by the SMEs.

From table 4 above, 43 percent of the total respondents agreed that SMEs in Nigeria pay good salaries and wages to their employees, 52 percent of the total respondents disagreed that SMEs in Nigeria pay good salaries and wages to their employees, while 5 percent of the total respondents have no idea on the fact that SMEs in Nigeria pay good salaries and wages to their employees. From table 4 above, 55 percent of the total respondents agreed that SMEs Service delivery increases business opportunities in the Abuja Municipal Area Council (AMAC), 43 percent of the total respondents disagreed that SMEs Service delivery increases business opportunities in the Abuja Municipal Area Council (AMAC), while 2 percent of the total respondents have no idea on the fact that SMEs Service delivery increases business opportunities in the Abuja Municipal Area Council (AMAC).

From table 4 above, 59 percent of the total respondents agreed that SMEs product quality increases wellbeing of citizens in Abuja Municipal Area Council (AMAC), 38 percent of the total respondents disagreed that SMEs product quality increases wellbeing of citizens in Abuja Municipal Area Council (AMAC), while 3 percent of the total respondents have no idea on the fact that SMEs product quality increases wellbeing of citizens in Abuja Municipal Area Council (AMAC). From table 4 above, 55 percent of the total respondents agreed that their organization sometimes involve in human resources development of her employees, 40 percent of the total respondents disagreed that their organization sometimes involve in human resources development of her employees and 5 percent of the total respondents have no idea on the fact that their organization sometimes involve in human resources development of her employees.

Finally, from table 4 above, 42 percent of the total respondents agreed that their organization engage in social responsibility services, 57 percent of the total respondents disagreed that their organization engage in social responsibility services and 1 percent of the total respondents have no idea on the fact that their organization engage in social responsibility services.

Test of Hypotheses

In this section, the hypotheses formulated in chapter one to ascertain the rejection or acceptance of the null hypotheses is tested using chi-squares (χ^2) statistical techniques and the table values.

Test of Hypothesis I

Table 5: Chi-square testing of hypothesis I

Options	Observed Frequency	Expected Frequency	Residual	Table Value	Chi-Square
Yes	262	105	157	1.45	52.0
No	043	105	-62		
No idea	010	105	-95		
TOTAL	315	315			

Source: Authors' computation, 2016

Table 5 above shows the chi-square testing of hypothesis one which stated both the null and alternative hypotheses as H_0 : There are no Small and Medium Scale Enterprises in Abuja Municipal Area Council (AMAC). H_1 : There are Small and Medium Scale Enterprises in Abuja Municipal Area Council (AMAC).

From the result in table 5 the chi-square calculated value of 52.0 is greater than the table value of 1.45. This implies that there are Small and Medium Scale Enterprises in Abuja Municipal Area Council (AMAC). Therefore, the alternative hypothesis is **accepted** while the null hypothesis is **rejected**.

Test of Hypothesis II

Table 6: Chi-square testing of hypothesis II

Options	Observed Frequency	Expected Frequency	Residual	Table Value	Chi-Square
Yes	132	105	27	1.45	-2.0
No	181	105	76		
No idea	002	105	-103		
TOTAL	315	315			

Source: Authors' computation, 2016

Table 6 above shows the chi-square testing of hypothesis two which stated both the null and alternative hypotheses as H_0 : There are no SMEs social responsibility services in Abuja Municipal Area Council (AMAC). H_1 : There are no SME social responsibility services in Abuja Municipal Area Council (AMAC).

From the result in table 6 the chi-square calculated value of -2.0 is less than the table value of 1.45. This implies that there are no SMEs social responsibility services in Abuja Municipal Area Council (AMAC). Therefore, the alternative hypothesis is **rejected** while the null hypothesis is **accepted**.

Test of Hypothesis III

Table 7: Chi-square testing of hypothesis III

Options	Observed Frequency	Expected Frequency	Residual	Table Value	Chi-Square
Yes	262	105	157	1.45	52.0
No	043	105	-62		
No idea	010	105	-95		
TOTAL	315	315			

Source: Authors' computation, 2016

Table 7 above shows the chi-square testing of hypothesis one which stated both the null and alternative hypotheses as H_0 : Small and Medium Scale Enterprises have no positive impact in Abuja Municipal Area Council (AMAC). H_1 : Small and Medium Scale Enterprises have positive impact in Abuja Municipal Area Council (AMAC).

From the result in table 7 the chi-square calculated value of 52.0 is greater than the table value of 1.45. This implies that Small and Medium Scale Enterprises have positive impact in Abuja Municipal Area Council (AMAC). Therefore, the alternative hypothesis is **accepted** while the null hypothesis is **rejected**.

Summary of the Major Findings

Study shows that there are male entrepreneurs are more into self-employment jobs than the female entrepreneurs in AMAC and there are more SMEs in services sector that other sectors of the economy. From the analysis in table 2 majorities of the SMEs sourced their initial capital from personal savings and profits from other businesses. This showed that the credits facilities in Nigeria are not easily accessible by the SMEs. The table 2 also showed that majority of the SMEs are into businesses and production with labour intensive due to lack of technology and high cost of technological facilities in the country.

From table 3 some of the challenges of SMEs in Nigeria are inadequate in finance, poor access to credit facilities, poor government participation, inconsistent government policies, poor infrastructure development in the country, low assistant of SMEDAN and other credit guaranteed financial institutions to SMEs in Nigeria.

From table 4 it is clear that the activities of the SMEs generate employment opportunity in Abuja Municipal Area Council (AMAC), that locations of SMEs in Nigeria increase employment generation by the SMEs, and those SMEs in Nigeria pay minimum salaries and wages to their employees. The table also showed that SMEs Service delivery increases business opportunities in the Abuja Municipal Area Council (AMAC), that SMEs product quality increases wellbeing of citizens in Abuja Municipal Area Council (AMAC), that organization sometimes involve in human resources development of her employees and organization engage in social responsibility services but this social responsibility services are not effective. The study showed that Small and Medium Scale Enterprises have positive impact on economic activities in Nigeria such as wellbeing of citizens, job creation, availability of goods and services in meeting the needs of citizens and also income generation for entrepreneurs.

Conclusion and Recommendations

In conclusion, SMEs remain the back bone of any economy because SMEs activities can guarantee wellbeing of citizens, job creation, availability of goods and services in meeting the needs of citizens and also income generation for entrepreneurs. And SMEs help in reduce unemployment, crime in the society and foster socio-economic development especially in the developing countries like Nigeria. The study has assisted in establishing that SMEs are vibrant means of creating employment to reduce poverty in the country. Towards this end, the study therefore recommends as follows;

- i. Since SMEs source their initial business capital from the informal financial sources which they believe are largely inadequate, there is the urgent need for the government to integrate the operations of the formal financial institutions with that of the informal financial agents so as to broaden the credit base of the latter institutions. The banks should rely on the informal agents for loan repayment by the SMEs since they have inbuilt to ensure full repayment of loans as at the due date.
- ii. The activities of the various government agencies such as SMEDAN and NAPEP etc. are yet to produce the desired outcome. As a matter of urgency, there is the need to establish formal financial institutions just like the Bank of Industry (BOI) with the mandate of providing financial support specifically to the SMEs. The Bank if established should provide loans and other financial support at the barest minimum interest rate. This is purposive so as to encourage the SMEs to patronize these institutions.
- iii. The Nigerian government should provide the basic infrastructure that will assist the SMEs. These may include the provision of good roads, electricity, water supply, research institutes and so on. These no doubt will go a long way in reducing the production costs of SMEs. This expectedly will allow for an increase in employment base, retained earnings and also the ability to participate favourably in the international market.
- iv. The current effort of the government in fighting corruption needs be re-examined and strategized. The EFCC, ICPC and so on at present are performing below expectation. These institutions need be re-energized to ensure transparency and complete eradication of corruption in the economy. The claim that these agencies were only used to checkmate the political opponents of those in power deserves more attention. The agencies must not only be seen as independent; they must also act independently.

References

- Ahmed, S. A. (2006). *The role of SMEs in developing economy*. Abuja: Omotayo and Co. Ltd.
- Amadiou, M. (1999). *Entrepreneurship processes and small business management: Industrial science centre, Owoyemi House, Abeokuta road Sango*. Otta: Ogun state, Nigeria.
- Aremu, M. A. (2010). *Small and medium scale enterprises as a means of employment generation and capacity building in Nigeria*. A paper Presented at the International Conference on Management and Enterprise Development on, "Intellectual and New Strategies for Sustainability Development of the Third World" Held at Conference Center, University of Ibadan, Ibadan, Nigeria, October 5 – 8, pp. 39-48.
- Arriyo, D. (1999). *Small firm are the Backbone of Nigeria economy*. Africa Economic Analysis, Africa Business Information Service, Bridgnorth United Kingdom.
- Ayozie, D. O. (1999). *A handbook on small scale business for national diploma student*. Ilaro: Danayo Inc. Coy Ilaro.
- Beyene, A. (1999). Policy, legal and regulatory constraint to small scale enterprise development, *Modus International Law and Business Quarterly*, 4 (4), 46-52
- CBN Bullion, (1992). *Central Bank of Nigeria (CBN) prudential guidelines for commercial banks*.
- Hallberg, K. (2000). *A market oriented strategy for small and medium enterprises*. Lagos: Nigeria.
- Loveman, G. & Sengenberger, W. (1990). In, Sengenberger, W. et al. (eds). *The reemergence of small enterprises*, (Geneva: ILO).
- Ojo, O. (2009). *Impact of Micro Finance on Entrepreneurial Development: A case of Nigeria*. A paper presented at the International Conference on economic and administration, organized by the faculty of Administration and Business, University of Bucharest, Romania, 14th -15th November
- Tijani, A. (2004). *Entrepreneurship processes and small business management: Industrial Science Centre, Owoyemi House, Abeokuta road Sango*. Otta: Ogun State, Nigeria.