LIMITATIONS TO GROWTH AND DEVELOPMENT OF SMALL AND MEDIUM SCALE ENTERPRISES IN NIGERIA: A STUDY OF PLATEAU STATE

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Abstract
The paper seeks to establish the factors inhibiting the growth and expansion of small and medium scale enterprises (SMEs) in Nigeria with particular attention to Plateau State. Based on descriptive analysis of primary data, the paper reckons that financing problems and management incompetence are the major constraints to the expansion of SMEs in Nigeria. As a result, SMEs are unable to drive growth and development with respect to investment undertakings, employment creation, income generation, and output growth in the country. The paper suggests that the central bank of Nigeria should review its credit guidelines and compel banks to allocate 40% of their total loan portfolio to the SMEs sub-sector, especially those SMEs that operate in agriculture, manufacturing and trading. Government should therefore place severe penalty on banks that fail to meet the required quota of loans to small and medium scale businesses in Nigeria. Banks should ensure that money borrowed by SMEs is used for the purpose it was meant through a system of checks and balances. However, SMEs owners should avoid financial recklessness and inculcate financial discipline by separating personal expenditures from that of the business in order to improve on profitability and business performance. Small scale entrepreneurs should invest in research and development (R&D) to improve on product quality, marketability and productivity, amongst other recommendations.

Keywords: *SMEs, Credit Policies, Manufacturing , Agriculture, Growth Development*

Introduction
The growing concern over low employment elasticity of modern, large scale production has made countries around the world to embrace small and medium scale enterprises (SMEs) to drive growth and development. Since the adoption of structural adjustment programme (SAP) in 1986, there has been a decisive switch of emphasis from the ostentatious capital intensive, large scale industrial projects to small and medium businesses in Nigeria. This was based on the philosophy of import substitution to small and medium scale industries which have immense potentials for developing domestic linkages for rapid and sustainable industrial development.

The government of Nigeria through its credit guidelines has provided increased incentive schemes for the development of SMEs in the country. Government has made efforts to encourage commercial, microfinance and development banks to extend a sizable portion of their credits to small scale entrepreneurs who operate in the SME sub-sector. This implies that government has been making policies that are deliberately meant to encourage banks to finance small and medium scale businesses. Despite the incentives provided by government to motivate banks in financing small and medium scale businesses, statistics have shown that banks' assistance to these enterprises have a downward trend. Banks have demonstrated discernable degree of reluctance to extend credit to SMEs. With the Central Bank of Nigeria (CBN) credit guidelines directing banks to lend a given proportion of the total loans and advances to operators of SMEs, the banks are still not committed to it. They often violate the guidelines.

For instance, the target prescribed in 1980 was 16% and rose to 20% in 1996, which kept fluctuating downwards in subsequent years and has grown and remained at 20% level till date. Performance of the banks measured against this prescribed target has been disappointing. Out of a total of about 20 banks, only about 10 to 12 gave loans to SMEs in 1980 and 1981. The loan given amounted to N102.1million and N203.1 million respectively. These were against the aggregate loans and advances of 16%. The loans so granted constituted only 1.6% and 2.3% of the total loans and advances. In 1982, 1983, 1984 and 1985, loans and advances granted SMEs were N206.7, N351.3, N345.3, and N977.2 millions, representing percentage allocations of 2.0%, 3.1%, 3.0% and 7.9% respectively (Ande and Jat, 1999).

SMEs are the core of development in any human society or nation. These enterprises exist in Nigeria and indeed Plateau state which is one of the federating units of the country. But these enterprises are confronted with many problems that this study would identify and proffer solutions. The paper therefore, examines the limitations of small and medium scale business in Plateau State, Nigeria with a view to proffering the way out of these constraints. Nine out of the 17 Local Government Areas (LGAs) of Plateau State were selected for this research. These LGAs were chosen based on their proximity and accessibility to banking services, and three LGAs from each of the three senatorial zones of the state were chosen as a representative sample. The LGAs include Jos North, Jos South, Bassa, Mangu, Bokkos, Pankshin, Langtang North, Quaanpan and Shendam.

The paper is made up of nine sections. The foregoing is the introduction. Section two gives the statement of research problem and objective. Section three empirically reviews relevant academic literatures on subject of study. Section four dwells on theoretical background of the study. Section five describes the research methodology. Section six gives an overview of credit policies and the problem of loaning bank funds to SMEs in Nigeria. Section seven analyses the data and discusses the findings of the study. Section eight concludes the work as section nine gives policy recommendations.

Research Problem and Objective

Small and medium scale enterprises (SMEs) have been recognised globally as the foundation for economic growth and development. However, the performance of SMEs in Nigeria is generally poor. Small and medium enterprises are shrinking rather than expanding in the country. Many of these businesses have winded up, and many of the existing ones are undergoing distress. This is evident in the poor performance of the Nigerian economy in terms of trade, investment, growth and development over the years. The motivation for the study stems from the fact that SMEs are widely recognised as being very important in many economies, because of their flexibility and their ability to quickly implement innovations. Moreover, in some countries, such as Australia, they are responsible for a large proportion of economic activity (Cameron and Roger, 1996). In Nigeria, the story is different as frustration grips small businesses. For the past 30 years, for example, the Federal Government's policy interventions for the Small and Medium Enterprises (SMEs) sector of the economy have not produced the desired results as the sector currently contributes one per cent to the GDP. Today, according to International Finance Corporation (IFC), SMEs make an average of 50 per cent contribution to the GDP in both Europe and the USA and 40 percent in Asian countries. In Nigeria however, 96 per cent of firms in the manufacturing sector are SMEs, and they account for 70 per cent of employment, yet, contributing a mere one per cent to the GDP (Vanguard, 2013). According to the Vanguard, lack of access to finance, policy inconsistency, failing infrastructure, are the reasons for this low contribution of SMEs to the economic fortunes of the country.

The question then arises; what are the limitations to growth and development of SMEs in Nigeria? What measures could the government and small scale entrepreneurs take to overcome these limitations? The study would provide answers to these research questions. From the foregoing research enquiries, the objective of the study is to examine the limitations to growth and development of SMEs in Nigeria, and proffer solutions to overcome these impediments or barriers. The significance of the study is that the work would contribute to existing literature on SMEs development in Nigeria. It implies exploring the contentious role of SMEs to growth and national development, and identifying measures for government to tackle the challenges confronting SMEs in the country.

Literature and Empirical Review

SMEs growth depends on many factors that vary from country to country. McIntyre (2002) argues that a synergistic relationship between the SMEs and the larger enterprise sector is a critical factor. Havie (2002) observes that in China, the development of the Township and Village Enterprises (TVEs) is an important aspect for the growth of SMEs. Regnier (1994) examines the overall experience of the four Asian newly industrialized countries (Singapore, Korea, Hong Kong and Taiwan) as examples for the need to promote the SMEs sector and also to encourage linkages between large and the small-scale enterprises. Empirical evidences in some developing Asian countries also support this trend: large firms (particularly state enterprises) sponsored and promoted local SMEs in Indonesia (Hill, 2002); the Department of Industrial Promotion (DIP) in Thailand implemented programs for promotion of linkages between SMEs and large firms, and develops SMEs clustering and networking (Brimble, Oldfield and Monsakul, 2002).

Dudley (1972) investigates 400 small and medium sized metal engineering businesses in United States of America. He found that only 50% of resources of these enterprises were utilised by the metal engineering businesses. He concluded that at least 20% of materials were not utilised by these businesses. It implies that enterprise funds are put to other uses. An empirical diagnosis done by Chenery et al (1974) show that the causes of poverty were not confined to unemployment but the lack of meaningful engagement in small and medium enterprises. According to them, large scale industrial production would not absorb a significant portion of the rapidly expanding labour force, and that the immense benefits of economic growth would not be realised, and the use of large scale, capital intensive techniques is partly to blame. This point was supported by Aftab and Rahim (1989) who investigates the role of SMEs in economic development in Nigeria, and concluded that engaging in small scale production would increase productivity as well as alleviate poverty in the country.

Adebusuyi (1997) assesses SMEs performance in Nigeria. The study revealed that SMEs account for about 70% of industrial employment in the country. Similar study was conducted on the impact of SMEs on growth in Nigeria by Odeyemi (2003). The study shows that over 50% of the country's gross domestic product came from SME investment activities. Gushibet (2010) investigates the linkage between SMEs and economic development in Nigeria between the periods 1992 to 2008. The study revealed that SMEs have contributed insignificantly to economic development in the country. The study concluded that lack of finance has hindered the establishment of new industries and inhibited expansion plans of existing small and medium enterprises in the country.

In the United States, the world's biggest and sophisticated economy, more than 60% of new jobs are created by small and medium businesses. The governments of United States and China have since recognised that SMEs are critical to economic recovery and strength, to building the future of their countries, and to helping these countries compete in today's global marketplace (Osalor, 2012). Gulfam, Syed and Raza (2011) study the employment growth rate of small and medium scale enterprises in Islamabad. Using primary data obtained from 131 SME entrepreneurs and applying statistical tools on the information received, the analyses of the results show strong relationship between SMEs and employment growth in Islamabad. Brian (2011) empirically examines obstacles to developing indigenous small and medium enterprises in Sri Lanka and Tanzania. Lack of access to finance emerged as the binding constraint for small and less established firms in Sri Lanka and all of Tanzania's SMEs.

Terungwa (2011) evaluates small and medium enterprise equity investment scheme (SMEEIS) in Nigeria, using Benue and Nassarawa states as case study. Secondary data of total credit to SMEs as percentage of banks total credit for the period (1993-2008) were made available. Using paired sample t-test to test the significance of bank loans before and after the introduction of SMEEIS, the result shows that there was no significant difference between the loans disbursed by banks despite the introduction of the scheme. It was also found that the SMEEIS funds were beyond the reach of predominant number of SMEs in Nigeria. The study recommends for mutual agreement between government and the banking sector on risk-sharing strategy in a credit guarantee scheme, and this will encourage banks to channel funds to the SMEs sub-sector for the growth and development of Nigeria.

Wu (2013) examines small and medium firms in Taiwan using entrepreneurship, core competence and market performance. A total of 1207 questionnaires were distributed to SME owners across Taiwan. 155 answered questionnaires were received back from the SME companies in Taiwan. The study found that while SME owners have high entrepreneurship spirit to improve revenue growth and profitability, enhancing their core competences would improve market performance to compete favourably in the global value chain.

Furthermore, SMEs help in the achievement of improvement in rural infrastructure, improved living standard of both urban and rural dwellers thereby creating employment, enhancing utilisation of indigenous technology and increasing the revenue base of the private individuals and government (Odubanjo 2000; Onwureme 2000; Wahab and Ijaiya, 2006). While business owners establish and manage their own enterprise for personal gains, small but visionary entrepreneurs exploit brilliant ideas that establish businesses that benefit them, the society and act as a poverty reduction weapon (Olagunju, 2004).

The literatures discussed above have pointed to the rising importance of SMEs to economic growth and development. It implies that a lack of attention to SMEs would result in underdevelopment or economic stagnation. The literatures reviewed have explained the role played by SMEs in economic development of countries, including Nigeria. Since the performances of SMEs have been disappointing in Nigeria, these researches did not show the various impediments or constraints to the growth and development of SMEs in the country. This paper would fill this gap and would show whether these limitations could be surmounted. Moreover, the literatures show that there is a limited amount of carefully gathered and analysed evidence in the domain addressed by this paper.

Theoretical Framework

The study tracks the theoretical background in Thanh, Quamrul and Prajogo (2008) who offer various theoretical explanations that the growth of SMEs originates from different perspectives. However, in order for a SME to develop its core competency, adequate resource (both internal and external) is an importance prerequisite. These theories include resource based theory and institutional support theory.

Resource Based Theory

Advocates of resourced based theory such as Rindova and Fombrun (1999) argue that resources, capabilities and core competencies are essential for a firm's competitive advantage. Therefore, adequate resource support and policies to create capability are critical for SMEs' growth as they are small in size and need assistance. Resource based theory provides a framework to explain how small businesses can identify suitable measures to overcome growth obstacles, have better access to technology resources, manpower resources, financial resources, natural resources, infrastructure, and access to the market. According to Barney (1991) and Grant (1991), the four types of tangible resources are financial, organizational, physical, and technological. The three types of intangible resources are human, innovation and reputational resources. An example is the TVEs model in China, where TVEs rely on the state sector as a source of capital, materials, equipment, specialised personnel, technology, subcontracting arrangement and sales revenues (Harvie, 2002).

Institutional Support Theory

Protagonists of institutional support theory include North (1990), Kartz (1995) and Murrell (2003). North (1990) emphasizes that market economies convert resources - land, labour, energy, and capital - into manufacture services and goods. To make this conversion a success, institutions must also help and guide those transformations in predictable ways. Kartz (1995) observes from the economic histories of both newer and mature markets based in Asia, North America and Western Europe that private enterprises cannot emerge and prosper in an imperfect market without a favourable policy environment and institutional support system. Murrell (2003) also states that at the beginning of economic transition, institutional support is vital. Institutions must be designed so that they are able to work in the environment in which they are to be implemented. The success of China indicates that transitional institutions, formed by incremental change, can be helpful. In China, there was much enthusiasm for accepting new measures to improve the economic situation, but under the condition of not moving too far from the existing system.

The two strands of theory attest to the growing importance of small and medium enterprise development in any economy. Both theories are relevant in this study because resource mobilisation, innovation and institutional support are, from a policy point of view, crucial for SMEs expansion which in the long run would drive growth and development in real economy.

Research Methodology

The survey research design was adopted as data were collected from primary sources (SMEs and their operators or entrepreneurs). The primary method of data collection include the use of personal interview, observation, administration of questionnaires based on field wok, and critical review of existing records in terms of financial statuses and experiences. Descriptive method of data analysis was utilized using tables, figures, ratios and percentages to analyse the research outcomes. In addition, critical reviews of conceptual and theoretical issues were carried out to assist in drawing sound conclusions, inferences and recommendations.

To get the sample size and sample distribution, purposive sampling technique was employed to select the Local Government Areas (LGAs) under study. The cluster sampling procedure was therefore used. The choice of this method allows for the selection of local governments based on geographical spread. There are 17 LGAs in Plateau State. Nevertheless, three LGAs were randomly selected from each of the clusters (senatorial zones). Jos North, Jos South and Bassa LGAs were chosen from the Northern senatorial zone. While Mangu, Bokkos and Pankshin LGAs were chosen from the central zone, Langtang North, Shendam and Quaanpan LGAs were selected from the southern zone.

Three hundred and sixty (360) small and medium scale enterprises were selected as sample size. It implies that 360 questionnaires were administered. Forty (40) SMEs were drawn from each of the selected LGAs. About ninety percent (90%) responses were received from the respondents. The remaining ten percent (10%) did not return the questionnaires given to them. It means that three hundred and twenty four (324) questionnaires were filled, returned and analysed in this study.

Overview of Credit Policies and Smes In Nigeria

The Nigerian banking industry is increasingly becoming competitive and sophisticated with well educated and enlightened customers who know and demand for their rights. It is also characterised by high cost of funds, rapid technological changes and a more stricter and effective control and surveillance by the regulatory authorities. This new banking environment calls for the formulation and adoption of a credit policy that provides consistent and uniform credit behaviour, continuity of decisions and a guide for administering the credit portfolio of the banks.

Credit policies as used by banks refers to all types of credit facilities such as loans, overdrafts, banks acceptances, commercial papers, bank guarantees, indemnities, bills discounted, etc. The broad aim of credit policy is to power the real sector in order to accelerate the rate of growth and development in the economy through employment creation, income generation, and output growth. The specific objectives of credit policy is to ensure sound asset and credit quality, security of loans granted, provide loan / overdraft to profitable businesses in order to maximise returns on shareholders' funds, to de-emphasise lending to contracting sectors in view of the high-risk nature of such businesses, to contribute to the economic and social development of the country, to establish uniform and systematic standard of control and performance evaluation as well as uniform lending practices and procedures. Other objectives are; to maintain a maximum ratio, which each bank's total advances to total deposits, subject to the regulatory requirements on credit expansion, will stimulate. Nevertheless, there is need to review the credit policies from time to time in the light of experiences over a period in order to achieve the above objectives.

Review of Credit Analysis and Interventions to SMEs in Nigeria

As part of the credit policies of banks, each credit request from a customer is critically analysed using the general principle or canons of lending. These include succession (in case of sole proprietorship and family businesses), risk of the project, environmental factors, forecast, performance of the account over time, compliance with the prescribed sectoral distribution of lending, proven track record, provision of financial statements and their interpretation, marketable collaterals and provision of correct documentation.

Commercial banks and microfinance institutions face numerous problems in an attempt to advance loans to SMEs. These problems include the high rate of failure of small businesses, lack of adequately trained personnel to man these businesses and threats to loan recovery. Research reports from the Industrial Research Unit of Obafemi Awolowo University, Ile-Ife (1973) reveals that most small businesses encounter problems of lack of integrity in operations of such loans. Loans to SMEs are dubbed 'high risks' and accorded low priorities in the lending scheme of the banking sector despite CBN credit policy target to SMEs.

Sometimes, lending banks lack adequate number of qualified professional staff who can evaluate loan applications with objectivity and also monitor business performance and provide professional advice on a continuing basis. Once loans are granted, hardly does the banker take sufficient interest in the affairs of the small business beyond adopting legal action for loan recovery when matters have degenerated. Before then, the banker continues to perform their bureaucratic role of administration, sending notice of recovery of instalments and interests. If the advice had been carried out and the business is seen to have been moving fine, most small and medium scale enterprises would not have winded up.

However, some problems emanate from small and medium enterprises themselves. These include shortage of skills, loan diversion to unintended purposes, loan default, inadequate advice, lack of efficiency in business operation, under capitalisation, weak record keeping and poor accounting procedures. Owners of SMEs are most times people with little special skills or expertise; neither do they have finances to hire the resources of specialists on part-time or full time basis. This could result in faulty and inadequate records (Ande and Jat, 1999). According to Ande and Jat, SME owners often wait patiently on the banks with all sincerity of purpose to collect loans. After the loan sought for with great enthusiasm has been received, some of these businesses cease to operate. This attitude often occurs where loan is given against the security of the assets proposed for which it was obtained thus jeopardising the bank's interest. It implies that the disbursement is turned into loans without security or collateral. Some small scale entrepreneurs would turn the loan into resources for promoting personal aggrandisement in the form of more wives, cars, wrappers, clothes, gold, jewelleries, or ornament, or even as resources for settling past financial commitments.

Apart from loan misapplication, there is the problem of loan repayment resulting in the accumulation of arrears in many cases. Where businesses have earned reasonable profit, or are generating sufficient funds to allow the repayment of loans and interest due, the loans sometime are not repaid on a regular basis, and at times not paid at all, and the SME owners may even change their bankers to avoid repayment of both principal and interest. The misuse of funds and failure to repay the fixed amount seriously weakens the capacity of the lending institutions to benefit a large number of clients, and SMEs are the most affected.

From regulatory efforts and interventions point of view, SME financing scheme known as Microfinance Initiative (MFI) was introduced in 2005 to address this problem. The microfinance policy sought to convert all the community banks in the country to microfinance banks with capital base of N2 million to N1.0 billion for unit and state banking outfits respectively. As at date, there are a total of 866 microfinance banks operating in the country, yet SMEs are not empowered (Vanguard, 2013). According to the Vanguard, the CBN established three intervention funds to unlock credit to the SMEs sector. First, N200 billion refinancing and reconstruction fund: This fund was to refinance and restructure the outstanding credit portfolio of manufacturing SMEs in the country. As at June, 2011, the sum of N197 billion had been disbursed to 539 SME projects. Second was a N200 billion SME Credit Guarantee Fund: This scheme was a credit enhancement programme where the central bank provides 80 per cent guarantee to Deposit Money Banks (DMBs) to encourage lending to SMEs. As at June 2012, only N1.36 billion has so far been guaranteed.

The third intervention fund was N300 billion off-grid power and airline fund in support of SME cluster. This fund was for as low as five mega watt power supports to SME clusters or stand alone enterprises. However, these interventions were not prudently implemented and many SMEs in the country are struggling to survive. Considering the vital role of SMEs in economic growth and development, it implies that a critical review of Nigeria's macro-economic environment to ensure that entrepreneurship and SMEs' activity are able to thrive and prosper has become necessary.

Data Analysis and Discussion of Findings

A total of 360 questionnaires were administered. 324 of the issued questionnaires were filled and returned. This represents ninety percent (90%) responses received from the respondents. The remaining ten percent 10% (36 questionnaires) were not returned largely due to illiteracy and the fear of being taxed. It means that three hundred and twenty four (324) questionnaires were filled, returned and analysed in this study.

Table 1: Responses on Business Ownership

	Respondents	Percentage (%)
Sole ownership	235	72.5
Family business	64	19.8
Partnerships	20	6.2
Others	5	1.5
Total	324	100%

Source: Field Work, 2013

Table 1 has clearly shown that (72.5%) ownership structure of the SMEs is sole proprietary. It implies that most of the small businesses are owned by individuals, followed by family ownership and few partnership structures.

Table 2: Responses on Management Problems and Limitations to Growth and Expansion

	Respondents	Percentage (%)
Shortage of skills (expertise and competence)	6	1.9
Lack of finance to hire specialists & workers	10	3.1
Inadequate records	8	2.5
Inadequate planning	5	1.5
Lack of business strategy & dismal marketing skills	3	0.9
Inadequate information about the market	2	0.6
All of the above	290	89.5
None of the above	0	0.0
TOTAL	324	100%

Source: Field work, 2013

As shown in table 2 above, shortage of skills, managerial incompetence, lack of finance to hire specialists and employ workers, inadequate record keeping, inadequate planning, lack of business strategy, dismal marketing skills and lack of information about the market have been identified as management problems that have hindered the growth and development of SMEs in the area of study.

Table 3: Responses on SMEs that have Enjoyed Credit Facilities

	Respondents	Percentage (%)
Yes	103	31.8
No	221	68.2
TOTAL	324	100%

Source: Field Work, 2013

From the above table, only 103 small businesses representing 31.8% that have in the past enjoyed or are still enjoying credit facilities. Majority of the SMEs (68.2%) have never in their existence befitted from credit facilities. And only 42.5% (25.5% plus 17.5%) of such credit comes from commercial banks and microfinance institutions as shown in table 4 below:

Table 4: Sources of Credit

	Respondents	Percentage (%)
Commercial banks	26	25.2
Microfinance institutions	18	17.5
Cooperative societies	52	50.5
Finance institutions	2	1.9
Others	5	4.9
TOTAL	103	100%

Source: Field Work, 2013

The above findings in table 4 reveal a weak financial intermediation by commercial banks and microfinance institutions to the SME sub-sector. This could be attributable to lack of marketable collaterals to secure bank loans to SMEs. Nevertheless, the table also indicates clearly that cooperative societies have been the major source of credit to small businesses.

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Table 5: Preparing and maintaining Financial Records & Accounting Statements

	Regularly	Sometimes	Not at all
Trading, Profit and Loss Account	58	102	164
Balance Sheet	58	96	170
Funds flow statement	20	13	291
Budgets	53	88	183
Cash flow statement	12	111	201
Value added	96	104	124
Bank reconciliation statement	11	27	286
Others	3	1	2

Source: Survey Work, 2013

From the response to financial records above, about 18% of the respondents keep profit and loss account and balance sheet on a regular basis. These are two basic accounts that the owners of the business employed to have an overview of the financial situation of their businesses. The result above indicates that about 80% of SMEs do not keep financial records. The lack of records keeping or inadequate financial records largely accounts for the lack of financial support from banks. This could result in low efficiency and productivity, and the inability of the enterprises to survive stiff competition. This is in consonance with the findings obtained by Ande and Jat (1999).

Table 6: Data on SMEs Registration Status with Government

	Respondents	Percentages (%)
Yes	193	59.6
No	131	40.4
Total	324	100%

Source: Survey Work, 2013

Table 6 investigates the registration status of small businesses. 59.6% were registered against 40.4% which were not. Company registration certificate with government is part of the requirement for loan. This implies that the unregistered companies are not eligible to benefit from bank credits. This could largely explain the inability to access credit by majority of the sampled SMEs in this study.

Table 7: Data on Registration with Small Business Association

	Respondents	Percentage (%)
Yes	129	39.8
No	195	60.2
Total	324	100%

Source: Survey Work, 2013

From table 7 above, a total of 129 (60.2%) of the small enterprises were not registered with small business associations. It implies that the benefits derivable from being a member of an association are not enjoyed by the unregistered enterprises. The reasons for not registering are given in table 8 below; with lack of information about these associations as one of the major factors.

Table 8: Reasons for Non-Registration with SME Associations

	Respondents	Percentage (%)
No information	177	54.6
No interest	52	16.0
Lack of funds	26	8.0
Lack of confidence	39	12.1
Others	30	9.3
Total	324	100%

Source: Survey Work, 2013

The above response in table 8 implies that the proprietors of SMEs do not share their problems with each other; neither do they seek for information about their well being nor seek advice to find solution to their problems. This has been attested to by absence of registration with SME associations as explained above.

Table 9: Data on Capital Adequacy

	Respondents	Percentage (%)
Under-capitalised	291	89.8
Well capitalised	33	10.2
Total	324	100%

Survey Work, 2013

At a glance, table 9 signals gross undercapitalisation of SMEs in the area of study, a reflection of similar situation across the Nigerian economy. Majority of SMEs suffer from inadequate working capital. They are unable to raise funds in the capital market because they cannot meet up with the requirements of the capital market and stock listing procedures.

Table 10: How business money is utilised

	Respondents	Percentage (%)
Business proceeds is expended on business transactions only	62	19.1
Business money is used both for personal and business expense	251	77.5
Money is spent any how	11	3.4
Total	324	100%

Source: Survey Work, 2013

Table 10 gives a startling revelation where 77.5% of the respondents admitted that monies realised through their small and medium enterprises are used for both personal and business needs of the owners. This has underscored gross underdevelopment of the SME sub-sector. While 77.5% mixed business and personal expenditures and 11% spent their business income anyhow, only about 19% of the businesses studied were able to utilise business funds for business purposes.

Table 11: Major limitations to growth and development of small businesses

		Respondents	Percentage (%)
A	Inadequate and inefficient infrastructural facilities, which tend to escalate costs of operation as SMEs are forced to resort to private provisioning of utilities such as road, water supply and electricity	10	3.1
B	Lack of adequate credit for SMEs traceable to the reluctance of banks to extend credit to them owing among others to poor documentation of project proposals as well as inadequate collateral by SME operators	16	4.9
C	Weak demand for products arising from low and dwindling consumer purchasing power and lack of patronage of locally produced goods by those in authority	13	4.1
D	Incidence of multiplicity of regulatory agencies and taxes which has always resulted in high cost of doing business and poor management practices	11	3.4
E	All of the above mentioned problems in A to D	274	84.5
	Total	324	100%

Source: Field Work, 2013

Table 11 above gives the rundown of limitations to growth and development of SMEs in Nigeria. Infrastructural problems, lack of adequate credit for SMEs, weak demand for SME products arising from low purchasing power and lack of patronage of locally produced commodities, multiplicity of regulatory agencies, tax burden and high cost of production have been identified as major limitations to the growth and development of SMEs by 84.5% of the respondents as implied by option 'E'

From the above survey explanations, inadequate and inefficient infrastructural facilities tend to escalate costs of operation as SMEs are forced to resort to private provisioning of utilities such as road, water supply, and electricity. Lack of adequate credit for SMEs traceable to the reluctance of banks to extend credit to them is due to among others poor documentation of project proposals as well as inadequate collateral by SME operators. It was found that weak demand for products arising from low and dwindling consumer purchasing power and lack of patronage of locally produced goods by those in authority has limited the growth and development of SMEs in the country.

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Incidence of multiplicity of regulatory agencies and taxes which has always resulted in high cost of doing business and poor management practices, and low entrepreneurial skill arising from inadequate educational and technical background of many SME promoters have constituted additional constraints to expansion of SMEs in the area of study in particular and Nigeria at large. Developmental policies weigh in favour of large firms and sometimes foreign-owned firms implies leaving SMEs in a distressed and vulnerable position in the country. Regulatory compliance which ordinarily reduces the cost of doing business for the private sector and incurs costs - time and money, it however poses adverse effects on small firms.

The study reveals that undercapitalization, difficulty in gaining access to bank credits and other financial markets, corruption, lack of transparency, very high bureaucratic costs but most damagingly a seeming lack of government interest in and support for the roles of SMEs in national economic development and competitiveness. The most worrying of all among these challenges is funding. Most new small business enterprises are not attractive prospects for banks since banks would always want to minimize their risk profile.

Conclusion

Exploiting the economic potentials of SMEs in Nigeria is still a mirage since several policies aimed at their development in the country could not yield the desired results. This is due to a number of limitations, including poor implementation, erratic financing schemes, and administrative bottlenecks and ultimately the inability of the youths to embrace SMEs. Rather, the youths prefer white collar jobs than becoming business entrepreneurs. Summarily, financing problems and management incompetence are found to be the constraints to the growth and expansion of SMEs in the area of study in particular and Nigeria as a whole. The study reveals that adequate capital and credit have remained a key success factor for SMEs.

The sole proprietary ownership structure constitutes a hindrance to the expansion drive of small businesses. The manager who is the owner of the business is neither a technical expert nor an able administrator. These businesses suffer capital inadequacy since they are unable to meet the requirements of being listed in the Nigerian Stock Exchange. Poor accounting method whereby SME operators mix their personal funds with their business funds as cash and stock are taken away to meet personal needs. Such withdrawals or leakages are not recorded and if taken as soft loans or IOUs, they are not refunded back into the business account. It implies that the lack of proper accounting records has made efforts to assess the performance of SMEs a difficult and futile task.

Policy Recommendations

Based on the findings of this study, the following recommendations have become necessary: Owners of SMEs should employ the services of qualified accountants to assist in keeping and analysing financial records. Banks should ensure that money borrowed by SMEs is used for the purpose it was meant through a system of checks and balances. Loan conditions to SMEs should differ significantly from large and established corporations. The demand for marketable collaterals and credit policies should therefore be relaxed in favour of SMEs in the country. There is the need for SMEs owners to avoid financial recklessness and inculcate financial discipline by separating personal expenditures from that of the business in order to improve on profitability and business performance.

Nigerian people should patriotically patronise local manufacturers for their daily needs. This will enhance the growth and expansion of SMEs in the country. The central bank of Nigeria should review its credit guidelines and compel banks to allocate 40% of their total loan portfolio to the SMEs sub-sector, especially those SMEs that operate in agriculture, manufacturing and trading. This should be enforced by adequate monitoring to ensure compliance. Government should place severe penalty on banks that fail to meet the required quota of loans to small and medium scale businesses in Nigeria. To encourage banks channel bank funds to the SME sub-sector in order to stimulate growth and development in Nigeria, a mutual agreement on risk-sharing strategy between government and the banking sector in a coordinated system of credit guarantee scheme should be introduced in the country. To this end, government should establish SME Special Credit Guarantee Scheme (SMESCGS) to provide 90 per cent guarantee on banks' loans to SMEs in order to improve lending to small businesses. This implies that government would share in the bad debt that may arise from small and medium enterprises' inability to service their loan. Further, CBN should strengthen the supervision of Development Finance Institutions (DFIs) to ensure that they deliver on improving access to finance by the SMEs.

To consolidate on this, tax incentives and tax holidays should be granted to SMEs that are in formative phase or infant stage in order to encourage the development of small businesses. Tax rebate should be granted to performing SMEs that put effort on local sourcing of raw materials, adding value to commodities for exports and other business ethics, which government may wish to foster. Likewise, government could increase funding for the development of the sub-sector through direct budgetary allocations and enhance private sector investment opportunities that will focus on specific areas of capacity enhancement.

Government should provide adequate infrastructure in order to make small and medium businesses grow and become large corporations, and eventually metamorphose into conglomerates as well as multinationals. The development and upgrading of rural and urban road and rail networks, water and air transport systems, and communication infrastructure by government and the private sector has become crucial. On their part, small and medium scale entrepreneurs should invest in research and development in order to improve on product quality, marketability and profitability. It implies that small and medium business enterprises should set aside a reasonable percentage of their profits for research and development (R&D). This would invariably ensure rapid growth and development of small enterprises that would in the long-run transform the Nigerian economy.

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