

**EFFECT OF SMALL AND MEDIUM SCALE ENTREPRISES ON
ECONOMIC DEVELOPMENT IN NIGERIA**

BY

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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 anyway previous application for **MBA**. All quotations are indicated and sources of information specifically acknowledged by means of references

Sign

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CERTIFICATION

The project (Effect of Small and Medium Scale Enterprises of Economic Development in Nigeria), meets the regulations governing the award of (MBA – Entrepreneurship) of the school of post graduate studies, Nasarawa state University, Keffi and is approved for its contribution to knowledge.

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ABSTRACT

The main objective of this research is to evaluate the effect of small and medium scale enterprises on economic development in Nigeria.

Small and medium scale enterprises are regarded as a wheel that promote equitable distribution of wealth and narrow down the gap between the rich and the poor, from this, the common man has the opportunity to take part in the economic activities of the nation. The challenge of economic development has remained daunting for Nigeria in spite of the avalanche of economic strategies and measures implemented over the years since independence in 1960, respectable economic development has remained elusive. Nigeria is richly endowed with human and natural resources; still the country is not able to break away from the vicious cycle of poverty. Majority of its citizens are poor and hungry. The indication therefore, meaning that even though resources are necessary for economic development, their existence alone does not constitute a sufficient condition for development it occurs. The methodology used, in meeting up with this objective, secondary data was sourced and used for the renew of literature, while primary data was sourced with the use of well structured questionnaire, which was analyzed using the simple percentage means of data analysis and postulated hypothesis tested, using chi-square X^2 statistical tool of test of significance.

The findings revealed that there is a significant effect of small and medium scale enterprises on economic development in Nigeria.

The development in the economy of Nigeria therefore depends largely in the survival and growth of small scale business, because of their large potentials for creating linkage, employments generation, technological adoption and skills transfer.

It is therefore recommended that, government as a matter of urgency should prioritize the small and medium scale enterprise (SMEs) sector, giving it devoted practical and visible attention, with a view to make it virile, vibrant, focused and productive.

CHAPTER ONE

INTRODUCTION

1.1 Background to The Study

The failure of the import substitution and large-scale industrialization and large-scale industrialization policies of the post independence era led to the growing acceptance to the central role of the small scale industries in the industrial development of developing nations and Nigeria in particular (Amako, 2008).

Their importance, particularly looking at the growth and experience over the few decades cannot be over emphasized. Student rave indicated that small scale business firms provide an effective means of stimulating indigenous enterprise and enhancing greater employment of local technology (World Bank, 1999: BCA, 2001: CBN 2005, Uzor, 2010). The development of small scale industries (SSIs) is, therefore an essential element in the growth strategy of most economies and hold particular significance for Nigeria.

Small and medium Scale enterprise (SMSE) have accepted strategic, vital and vibrant role in the economic growth and development of various countries of the world, including Nigeria, this facts has been of great concern to the government, operators, practitioners and the organized private sector group as various organizations battle with the effect of the

global finance crisis. The government of Federal, State and Local Levels through budgetary allocations policies and pronouncement have signified interest and acknowledgement of the crucial role of the SME subsector of economy and hence made policies for energizing the same. There have also been financial incentives, grants bilateral and multilateral agencies support and as well as specialized institutions all geared towards moving the SMSE subsector vibrant in order to fast track economic growth and development in Nigeria. Small scale enterprises do not only cultivate significantly to improve living standards they also bring about substantial local capital formation and achieve high level of productivity and capacity.

Small and medium scale industries are increasingly recognized as the principal means for achieving equitable and sustainable diversification and disposal and in most countries, they account for well over half of the total share of employment, scales and values added (Udechuklem 2003).

Any government policy that seeks to target poverty reductions food security and industrialization as well as mitigate rural-urban migration must be hinged on the development of small scale industries. The various development plan Nigeria formulated since 1960's acknowledged the small scale industries as having important roles to play in the industrial development of Nigeria, especially in the creation of employment opportunity, the mobilization of local resources, and mitigation of rural-

urban mitigation and the achievement of a more even distribution of individual enterprises in different part of the countries (Adam, 2005). Subsequently, a lot of support programmes were put in place to promote and sustain small scale industries in Nigeria. Immediately after political independence, there was urgent need to achieve economic emancipation as well. This promoted the government to adopt the import substitution industrialization (ISI) as a development strategy with the aim of reducing consumer goods and to create employment opportunity for Nigeria work force (Fabayo, 1983, Adam, 2005. Uzor, 2010). And since then, successive governments of different point in time have designed various industrialization polices have changed, with the degree in successive regimes the main industrialization objectives of government generation, poverty reduction, have largely remained (Ibbih, 2008). The return of democratic government in 1995 was followed by aggressive enthusiasm by the government in redirecting industries polices in the country (Amakeon, 2008). Besides the crafting of a new industrials policy with array of incentives, the government has also embarked on other policy initiatives to boast industrialization, the setting up of the small and medium industries equity investment scheme (SMIEIS). Small and medium enterprises development agency of Nigeria (SMEDAN). The bank of industry (BOI), and the micro finance bank. The small and medium scale enterprises are

regarded as a wheel which promotes equitable distribution of wealth and narrow down the gap between the rich and the poor. Through this, the common man has the opportunity to take part in the economics activities of the nation. Ohanemn (2006) averred that, the planners of developing nations recognize the development of small scale enterprises as a part of catalyst towards the economics development of their nations; hence the role of small industries in the development process has been the subject of a large number of studies overt past four decades. It is the general belief that small scale enterprises workshops and factories facilitates large share of recorded industrial employment, more labour intensive and also more widely assist in town and cities development. As a result of this, it is argued that a sluft of investment towards SMSE would improve earning opportunities of large portions of the labour force and in addition, promote industrial and economic development. In order to boost development of small scale enterprises, many developing nations government have embarked on different programmes for instance infrastructure development, financing extension and advisory services manpower training. It is therefore appreciable the effort of the countries toward developing small and medium scale enterprise an economic development of Nigeria.

1.2. Statement of the Problem

The challenge of economic development has remained daunting for Nigeria in spite of the avalanche of economic strategies and measures implemented over the years since independence in 1960, respectable economic development has remained elusive. Nigeria is richly endowed with human, natural, and other resources. Yet the country is not able to break away from the vicious circle of poverty. The majority of its citizens are poor and hungry. The inference therefore, is that even though resources are necessary for economic development, their existence alone does not contribute a sufficient condition for development to occur. Until the global financial crisis began to impact the Nigeria economy in 2007, there were noticeable improvements in micro economic indicators, such as growth rates, fiscal balance, external reserves, inflation and exchange rate among other. But daytime challenge have remained the growth achieved has not been accomplished by meaningful increases in employment and reduction in poverty and inequality. The development of SMSE's in Nigeria is a step towards building a vibrant and diversified economy (Mahmoud, 2005). However, the love of occur to credit to Stat or expand small enterprise as often plagued that sector of the economy. Most SMEs tend to rely on the personal resources of their owner, and loans from friends and relatives to fund the enterprises (Sule, 1986). The expectation has been that, after the

initial take off of the small scale enterprises, the business should be able to raise funds from the other formal sector, especially MFI's of banking industries to expand has operations. This has been the case for a number of reasons (Sule, 1980), Inang and Ukpong, 1996, Iniodu and udimesiet, 2004.

- i. The perception of small and medium enterprises has high risks
- ii. Inability of the SMEs to prepares acceptable or viable banking business plans
- iii. Poor record keeping, especially of financial operations which at times make the entrepreneur draw money more than expected from the business, either for personal or family use.
- iv. Discriminatory cultural practices which at times make it impossible or difficult for women to borrow or owe assets or land tittles.
- v. Weak capacity on the part of banks to downscale their lending to SMSE's.

Many researchers have conducted various studies in the past on industrial development in Nigeria and also in the various contributions of larger industries as major source of economy growth and development, but this research study is focus on the impact on small and medium scale enterprises on economic development in Nigeria.

1.3 Research Questions

In order to achieve the set objectives of this study, the following research questions are here postulated which the researcher intends to provide answers to:-

- i. What is the effect of small and medium scale enterprise on employment generation in Nigeria?
- ii. To what extent has small medium scale enterprise contributed to the standard living in Nigeria?
- iii. What is the effect of SMEs on poverty rate in Nigeria?

1.4. Objectives of the Study

- i. To examine the effect of SMEs on Employment generation in Nigeria.
- ii. To examine to what extent has small medium scale enterprise contributed to the standard of living in Nigeria
- iii. To examine the effect of SMEs on poverty rate in Nigeria.

1.5. Statement of Hypothesis

H₀₁: SMEs has no significant effect on employment generation in Nigeria

H₀₂: SMEs has no significant effect on the standard of living in Nigeria.

H₀₃: SMEs has no significant effect on poverty rate in Nigeria.

1.6. Significance of the Study

This study will be highly useful after its completion for both current and future student, researchers, entrepreneurs, business organization, financial institutions and the government.

The findings and recommendations of this study will be of great contribution to academic work as if it is a contribution to body of language on impact of small and medium scale enterprises to the economic development in Nigeria and support of the various governments established agencies.

To entrepreneur – the Knowledge of change from this study will enable entrepreneurs and business managers plan strategically and are proactive to survive the volatile business environment.

To Business Organizations and society – the study will equally be useful to organizations and the society at large.

To Banking industry being abreast with the opportunities of wealth and employment of small and medium scale enterprises and their strategic role in serving large organizations and society at large.

To Banking Industry – the study will also help the banking industry by highlighting the area that needs strategies to small and medium scale

enterprises in the area to credit facilities being granted in order to increase their productivity.

1.7 Scope of the Study

Small and medium enterprise (SMEs) is an aspect of enterprise established by an individual of low income earnings who scan an environment for people's needs and substantial level of production and capacity. Small and medium enterprise (SMEs) is a means for achieving equitable and substantial diversification and disposal in most countries SME accounts for well over half of the total share of employment scales and value added (Udochulem, 2003)

PLACE – the scope of the study covers Abuja, there is an established government agency, known as SMEDAN – (Small and medium Enterprises Development Agency of Nigeria), which oversees and guides SMEs.

PERIOD - small and medium scale enterprise is for the period of 3 Years. It serves as a catalyst for economic development in Nigeria and to an extent, the Nigeria government has supported these small and medium scale enterprise for increased productivity.

CHAPTER TWO

LITERATURE REVIEW

2.1 Concept and Definition of Small and Medium Scale Enterprises.

Small business do not confirm to any neat parameter because much of their activities depend on the industry in which they operate, also the personalization and aspiration of those in charge of these business. These factors vary from manufacturers to retailers' couple team, professional managers, high growth, high standard ups that are funded by revenue capitalist to self financed of making a living (David and Nicholas 2006).

There is no generally accepted definition of a small business, because the classification of business into large-scale or small-scale is a subjective and qualitative judgment. In countries such as the U.S.A, Britain and Canada, small-scale business is defined as that industry with an annual turnover of 2 Million pounds or less with fewer 200 paid employees.

In Nigeria there is no clear cut definition that distinguishes a purely small scale enterprise from a medium –scale enterprise. The central bank of Nigeria in its monetary policy circular, No 22 of 1988 defined small-scale enterprise as having an annual turorer not exceeding ₦500, 000.00 Naira. In the 1991 budget the federal government of Nigeria defined small-scale enterprise for purpose of commercial bank loans as those with an annual

turnover not exceeding ₦500, 000.00, and for merchant bank loans, those enterprise with capital investments in machinery and equipments not exceeding ₦500, 000.00 and 2 million naira, respectively, with not more than 50 and 100 paid employees, respectively. These definitions may at best relate to medium-scale enterprise, hence, small-scale enterprises in niger regained a separate definition. Economic history of small and medium scale enterprises in Nigeria. Ukaegbu (2004), in his review of activities of small scale business stated that prior to the introduction of the structural adjustment programme in Nigeria, small and medium scale industries were virtually regulated in all the development plan of the country. However, with the lent ten year, there have been significant changes in attitude to small and medium scale industries and entrepreneurship among policy-making and managers of the Nigeria economy. This change is mentioned according to Ezenwa (2005) has been attributed to an acknowledgement of the number of entrepreneur job creation and the promotion of it contribution to the Gross National Production (GNP).

2.2 Empirical Review/Review of Previous Studies Pre-Independence-Historical Development

Before Nigeria independence the colonial and other European Multinational companies, use united African company (UAC) GB- Olivant, Unilever Plc,

Pettersons, Zeachnics Levents etc. these firms primarily engaged in bringing into Nigeria financial goods from their parent companies overseas. These companies have vast business experience and strong capital base, and dominated the Nigeria economy, the government encourages them to become stronger by giving incentives as favourable traffics and tax conversion. However, towards the tail end of the 1950's the Nigerian industrial Development bank (NIDB) was formulated to assist potential entrepreneurs to get involved in agricultural exploration of National resources, commerce and industrial production. This time and early 1960s witnessed massive increase in Nigeria import market, while the Nigeria economy became largely dominated by very few Nigerians mostly the semi-illiterates benefited from the generous government attitude of this time. The educated Nigerians were not interested in entrepreneurship mainly because their focus was on the positions being vacated by the expatriate staffs, who were leaving the civil service to return home because of the imminent independence in 1960, even then, Nigerians commend the civil service to be more prestigious than business, despite the creation of the colony development loans board by the colonial administration. POST Independence-Historical Development since Nigeria's 1960 independence, industrialization has been recognized as the artificial factor to the economic transformation of the country. To achieve the desired result, government

had, for the past two and half decades focused in its industrial policy mainly on the promotions and establishment of large-scale industries (LSIS) in pursuance of import substitution industrialization strategy (Udoh, et al, 2011). The promoters of small and medium industries (SSIs), on the other hand, received relatively low direct government investment, and were left to the initiatives of the private entrepreneur. In the mid 1980s, when the oil prices collapsed many of the government promoted large scale industries found it difficult to source foreign exchange to import raw materials and machinery. This adversely affected capacity utilization particularly, in the large scale industries. This further necessitated a change in policy direction of government towards privates sectors participations, by promoting small and medium scale industries in particulars (Ibbih, 2005). Since the present civilian Administration come in 1999, it has part in place policy measures, schemes and support systems to develop the small scale industries (SSIs) sub-sector and to make it products more competitive. Through the development of the SSIs, government intended to achieve the main objectives of industrial growth and self sufficiency, create employment, enhance sustainable livelihood and reduce poverty, promote entrepreneurship encourage transfer of technology and utilization of local source and talents, mobilize savings and encourage capital accumulation, and integrate SSIs with other sectors of the economy (Udoh et al, 2011).

Small and medium enterprise in Nigeria can be categorized into urban and rural enterprises, but in a more unorganized enterprises. The organized enterprises have paid employees with a registered office, while the unorganized enterprises are mainly made up of artisans, who work in open spaces. Operating in temporary wooden shops or structures, the unorganized enterprises rely mostly on apprentices or family members and mostly employ low rate or no salary paid workers. Rural enterprises are made up of farm by group, women that engaged in food products from local farm groups and individual artisans. The major activity involved in the sector includes, soap, detergent, fabrics, textile and leather, local blacksmith, tinsmith, ceramics, clothing and tailoring, timber and winning bricks and cement, food processing, wood furniture, beverages, bakeries, electronic assembling, agro-processing , chemical based product and mechanics.

2.2.1 SMEs and Employment Generation

It examines the effect of SMEs on employment generation in Nigeria.

This study examines the Contributions of Small and Medium Scale Enterprises (SMEs) to employment generation in' Nigeria. Past efforts at providing solution to this malaise facing developing nations of the world are often faced with stiff opposition sometime right from conception. The aim of this study therefore; was to provide a sectoral analysis of the

efficacy of SMEs as a vibrant tool for employment generation in the country. The Binomial Logistic Regression Analysis was employed as tools for statistical analysis. The study observes that the sector was unable to achieve this goal due to its inability to obtain adequate business finance for the sector. It was observed that virtually all the SMEs that were sampled relied on the informal sources of finance to start their business. As a way out, the study suggests the need for the integration of the activities of the formal with that of the informal financial institutions. Also, government should as a matter of urgency, provide the needed infrastructure such as roads, water, electricity and the needed enabling environment. The paper is of the view that these efforts will reduce the cost of doing business, increase retained earnings of the SMEs, their average monthly income and poverty on the lone run. Small and Medium Enterprises Development (SMEs) has continued to be a popular phrase in the business world. This is because the sector serves as a catalyst for employment generation, national growth, poverty reduction and economic development. SMEs world over can boast of being the major employers of labour if compared to the major industries including the multinationals. According to Peterise (2003), SMEs both in the formal and informal sectors employ over 60Percentage (%) of the labour force in Nigeria. More so, 70Percentage (%) to 80Percentage (%) of daily necessities in the country are not high-tech

product, but basic materials produced with little or no automation. Most of these products come from the Small and Medium Enterprises. Odubanjo (2000), Onwumere (2000), and Nnanna (2001) all supports that SMEs help in the achievement of improvement in-rural infrastructure, improved living standard of the rural dwellers thereby creating employment utilization of indigenous technology, production of intermediate technology and increase in revenue base of the private individuals and government (Wahab and Ijaiya, 2006). China has tenaciously understudied these facts and aggressively capitalizes on it. The SMEs with fewer than 300 workers account for 99.5Percentage (%) of the factories in Tokyo and employs 74 percent of work force there. Korea and Taiwan prospered as both countries manufacture and export with the aid of its SMEs. In the United State of America, the SMEs account for 87 percent of the countries workforce. The German SMEs employs about 72.6 percent of its labour force. SMEs employ a large percentage of workers in these countries. What then does it really take Nigeria to produce Lemon drinks or juice out of oranges or mango and package it for sale in Nigeria and export?. To move the economy forward, more attention should be to re-focus our attention by encouraging the growth of Small and Medium Enterprise. The SME sector, past studies have shown, employs 70 percent of the nation's industrial labour force, yet it only accounts for 10 to 15 percent of the total industrial

output while utilizing only about 30 percent of its installed capacity. The major reason adduced to these dismal performances is its poor access to credit. Kadiri, (2008), Wahab and Ijaiya, (2006), Cookey, (2001), Ihyembe, (2000), Olaide, (1999) and Levy, (1993) all support this position. Sanda et al (2006) comparing large and small firms ability to create employment observed that small firms are relatively better at creation of employment opportunities. Nigeria still depends largely on oil exports instead to learn from past experiences. The initial exceptionally high oil prices that brought a huge inflow of oil revenues that raised the per capita income from \$1,300 in 1972 to \$2,900 in 1980 thereafter collapsed. Furthermore, as a result of the countries over reliance on oil as its main source of income, a decline in the international price of oil resulted into drop in real per capita income of the country, expenditure, consumption and rise in poverty. Countries that have succeeded in reducing poverty significantly indicate the importance of diversification from the mono-economic system, sustained growth and development in achieving better result. But high growth is not enough, the pattern and sources of growth are extremely important from the point of view of raising the incomes of the poor (ILO, 2004). The study therefore raises some questions that need be answered. Why has Nigeria not benefited from the miracle SMEs had had in other countries of the world?

Can finance as posited by past studies really be a stumbling block? This therefore forms the basis for the study.

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i. Materials and Methods

The need for sound financial system cannot be underestimated in any country that truly wants to develop. An economy's financial system, simply put, is the whole gamut of financial institutions, financial instruments and financial markets, with primary responsibility for financial intermediation (Oneida 1998). These institutions use various financial instruments to obtain surplus funds from those that forgo current consumption for the future and make them available to the deficit spending unit (borrowers) for investment purposes. African financial system has been historically divided into dualistic market with little connection between formal banks and informal agents (World Bank group 1996).

Formal financial institutions

Essang and Olayide (2003) defines a formal financial institution as a monetary institution owned either by the government or private businessmen for the purpose of profit making. In an attempt to realize this

core objective by banks, they perform a number of functions. One of these multifaceted functions is the acceptance of deposits from the public. These deposits are in turn given as credit to entrepreneurs and business men for productive purposes (Kadiri, 2007, Wahab and Ijaiya 2006, Ijaiya, 2003,). The money given out by banks with a future date of repayment (credit) is crucial to the economy due to its multiplier effect. Nnanna (2001) observes that the bank credit is important for the take-off and efficient performance of any enterprise. Such an enterprise may be small,

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Medium or large.¹ Besides the entrepreneurs' initial need for capital for investment purposes, it is equally required to coordinate other factors of production such as land and labour. Nzotta (1999) also reiterated that bank credit influences positively the level of economic activity in the country. It is capable of influencing what is to be produced, for whom and how is it to be produced and even at what price the good or services is going to be available to consumers.

Over the years, the ratios of commercial banks loans to SMEs total credit have continued to decline almost uncontrollably. Hence, the need for

alternative funding of SMEs in the country which is readily obtained in the non- financial institutions.

TABLE: 1 RATIO OF LOANS TO SME'S BY COMMERCIAL BANK

(N = Million)

YEAR	Commercial Banks Loans to SME'S (N : M)	Commercial Banks Total Credit (N : M)	Commercial Banks Loans to SMEs as % of Total Credit
1980	6,344.00	102.00	1.50
1981	8,604.80	185.00	2.10
1982	10,277.00	206.70	2.00
1983	11,100.00	351.30	3.20
1984	11,550.00	705.70	6.10
1985	12,170.30	972.20	8.00
1986	15,701.00	3,587.30	9.30
1987	17,531.00	1,445.30	20.46
1988	24,602.30	5,090.00	20.69
1989	28,108.80	5,789.50	20.60
1990	28,640.80	5,900.00	22.90
1991	32,912.40	7,572.30	23.80
1992	20,400.00	41,810.00	48.80
1993	15,462.90	48,056.00	32.20
1994	20,552.50	92,624.00	22.20
1995	32,374.50	141,146.00	22.90
1996	42,302.10	169,242.00	25.00
1997	40,844.30	240,782.00	17.00
1998	42,260.70	272,895.50	13.60
1999	46,824.00	353,081.00	13.30
2000	44,542.30	508,302.20	8.80
2001	52,428.40	796,1664.80	6.60
2002	82,368.80	954,628.80	8.60
2003	90,176.50	1,210,033.10	7.50
2004	54,981.20	1,519,242.70	3.60
2005	50,672.60	1,899,346.40	2.70

2006	21,201.70	2,385,643.30	10.90
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Source: Central bank of Nigeria Statistical Bulletin, Various issues

In the table above, it will be observed that the commercial bank loans to SMEs increased up to a point before it started to decline. The initial increase was only in figure when compared to the commercial banks total credit. For instance, between 1980 and 1986, the average commercial banks loan to total credit was only 4.6 percent. As a result of government regulations and Structural Adjustment Programme of the Federal Government of Nigeria, banks in 1986 were mandated to allocate a certain percentage of their loans to the SMEs. Thus, the percentage jumped up unprecedented to 20.46 percent in 1987. This continued up till 1992 when the figure doubled to 48.80 percent. The figure thereafter started a downward trend and this continued ever since at an alarming rate. These periods also witnessed performance of banks exhibiting negative trends. As a result, the number of banks in the country declined steadily from 63 in 2001 to only 51 in 2004. More so, this period also witnessed a rise in marginal banks from 8 in 2001 to 16 in 2004. In addition, unsound banks rose from 9 to 10 in 2004. Available reports

also showed that 9 banks failed to meet the required minimum capital adequacy ratio of 10Percentage (%) as at December 2004, which led to their being classified as unsound (New Age June, 2005: 22). Also, despite the banking sector reforms put in place by the Nigerian government, .the ratio of commercial bank loans to SMEs have continued to decline. As at 2006, the figure went down to only 0.9 percent. The claims by Banks on the poor ratio of the commercial banks total credit to loans advanced to SMEs, among others, include the shortage of skill among the sponsor of the SMEs, weak infrastructural facilities, high administrative costs to monitor loans advanced to the SMEs, poor demand for the finished products of the SMEs, restricted access and land tenure system in operation in the country, difficulties in input procurement and lack of continuity after the death of their owners.

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The vast majority of people most especially in the developing world do not have access to formal financial services. The sector reaches only a small fraction of the population, with very few people having even something as basic as a bank account. There exist great disparities in the availability of banks, ATMs and other financial services in the country. For instance,

with a population of about 140 million, there is one bank branch per 240,000 people. Past studies agree that informal financial lenders hold more monitoring power advantage over formal lenders. They can control the use of funds but often credit constrained. The need now arose more than ever to examine and investigate alternative sources of financing SMEs as practiced in other developed countries of the world.

Informal financial institution. A common characteristic of credit markets with weak legal institutions is the co-existence of formal and informal financial institutions. Informal transactions, such as loans from money lenders, traders, families and friend's e.t.c. account for between one third and three quarters of total credit in Asia (Germidis *et.al.*, 1991). Informal financial transactions can be defined as financial activities that are not regulated by Central Bank supervisory authorities. Unlike formal institutions, such transactions rarely use legal documentation or the legal system to enforce contracts. The SMEs, on the other hand, accuse the Banks of using unstable regulations and institutional rigidities which often result into corruption, administrative sluggishness, high management costs, payment delays, high and unstable interest rates and structural rigidities which are equally factors that necessitated the coexistence of the formal and informal financial institutions. The informal financial institutions/

agents have wide range of scopes and exhibit different characteristics. While some are group or community based, others relate on individual basis. The financial repression school as championed by Me Kinnon and Shaw (Akanji, 1998), posits that the

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Genesis of informal finance was an offshoot of multiple and unstable regulations of the formal financial system. These regulations and institutional rigidities do result into corruption, administrative sluggishness, high management costs, payment delays, high interest rates and structural rigidities. The promotion and development of informal financial institutions was to checkmate these inefficiencies that were observed. The structuralists on its part view the genesis of informal finance as product of forces other than economic (Hugon, 1990). They concur that informal financial system was aimed at serving social goals rather than profit maximization. As observed in many African countries, the informal financial institutions came about as a result of social interaction and welfare of members. The informal financial sector succeeds through information based on personal and social networks. It uses bilateral, character-based relationships to achieve high repayment rates. The near absence of

commercial incentive form loans and financial assistance obtained from families, friends and relative, has threatened these sources of informal business finance. Often, low interest is charged and no collateral required before the funds are made available to the beneficiary. This makes it hard to assess the multiplier effects of this form of finance. Similarly, the source is inherited capital from family members. The commercially motivated informal finance, on the other hand, can be grouped into three (World Bank Group 1996). The first category specializes in the credit side of the market. Those that operate on the credit side of the market provide fund even when the traders have no previous savings with them. The Moneylenders and traditional mortgagors operate in this side of the market. Loans are usually given out to the trader at a predetermined rate of interest and to be repaid at a specified time period. Unlike the money lenders, the traditional mortgagor provide loans that are interest free, no time -bound for the repayment of the loan, but the trader is expected to mortgage either human being or his property (wife, children or farm land e.t.e) to be used by the provider of the fund freely as collateral and as his own profit until full re-payment of the loan. The shortfall of this form of credit is that funds available are often limited in relation to the demand. Hence very little intermediation in term of mobilization of funds from other sources (Bank inclusive) in case there is shortfall of fund (Excess Demand). The second categories are those that

operate from the saving side. Saving collecting (Ajo) or Ato is common in this side of the market. A trader can only participate in this source of business finance based on the financial relationship earlier established. These savings collectors take regular deposits (daily or weekly) of an amount determined by each trader and return the accumulated sum at the end of a stipulated period but less 1 day's contribution which serves as commission to the collector. Ordinarily, credit are not extended to the clients they only get as much as the amount saved. A major constraint facing this form of finance is that the amount to be saved is often predetermined from the onset it does not give room for fluctuations in the financial position of the client whether to increase or reduce its daily contributions. At the end of the month, where sales dropped and the trader cannot meet up with the established sum; it will almost be impossible to meet up with such expectations. The third category mobilizes and lends funds to the general public. They may be registered legally as a Cooperative society or the saving and credit arm of a cooperative formed for other purpose. All recipients under this category but the last receive the pooled sum sooner than they had saved the same amount individually. Unlike the Ajo, Esusu trader pays a predetermined sum of money at regular intervals into a common pool. These funds are often made available to each other in turn. According to the World Bank group (1996), at least

80Percentage (%) of informal agents in Ghana and Nigeria reported no delinquent borrowers, and all expected virtually 100Percentage (%) repayment within three months of the date due. This makes this form of finance safe and applicable to the Nigeria economy.

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Research Methodology

Population and Sample size

In an attempt to carry out this study, a survey was first carried out and a total of one thousand six Hundred (1600) SMEs were identified in the study areas. Out of these, three hundred and Seventy (370) belong to the agro-allied category while one thousand two hundred and thirty (1230) operate in the non-agro allied sector. Of these number, one hundred and eighty agro allied SMEs (180) and four hundred and seventy (470) non agro allied SMEs were duly registered by the government and have been operating in the business for a minimum of five years.

The six hundred and fifty (650) which comprises of 180 agro allied and 470 non-agro allied SMEs represents the population of the study. A sample size of four hundred SMEs was chosen using multi-stage sampling technique.

This sampling method is informed by the relative homogeneity of SMEs characteristics and the residential structure of the enterprise under study. Ogunbameru (2003:106) is of the opinion that a sample size of about one third is a good representation of the entire population.

2.2.2 SMEs and Standard of Living

These examines to what extent has small and medium scale enterprises contributed to the standard of living in Nigeria.

This paper deals with an analysis of rural households' perception of their standards of living in context of SME in which they work. The results are based on a primary questionnaire survey conducted by authors among Czech rural households at the end of 2014. Household's ' subjective opinion on satisfaction with standards of living and SME's contribution to the positive development of its environment are analyzed among households divided into groups according to the characteristics of SME in which the head of the household works. The-paper points to correlation between SME's legal form and the distance from household's residence and SME's contribution to the development of its environment and also between SME's distance from household's residence and household's satisfaction with standards of living. Findings of the paper help to deeper our knowledge about the connection between

SMEs and rural standards of living. They would also help to understand which factors rural development policy should focus on in order to increase interest of population in rural areas or to avoid urbanization. Correlations between variables were analyzed using the method of Pearson's Chi-squared test and Cramer's contingency coefficient using STATA software. In the last decades, many European countries have to face many negative trends. It applies to many issues, especially rural areas, which are struggling with high unemployment level, high average age, low population density or less accessible services and markets (Terluin, 2003; OECD, 2006). These trends result in deteriorating level of infrastructure, education or business activity, considered as a major factor of rural development (examples. Bourne, 2011; Mainardes, Alves and Raposo, 2011). Development of the rural areas is closely connected with small and medium-sized enterprises - SMEs (Holmes and Smitchz, 1990). These companies create new jobs (for example, SMEs employed 61Percentage (%) of Czech population and 67Percentage (%) population of European Union - MPO, 2013; EC, 2014) and innovations or increase income level, causing an increase in standards of living and prevent population migration into the cities (Walsh *et al*, 2012; Milbourne and Doheny, 2012; Mottiar and Ryan, 2007). It is obvious, that SMEs play a crucial role in social, cultural and economic

development and without basic rural services (examples. grocery, post office and restaurant) or sufficient job opportunities; development of standards of living would not be possible. Although, many authors are focused on the issue of standards of living and SMEs, impact of SMEs on households' standard of living is still unexplored area - especially in terms of the Czech Republic. Therefore, the aim of the authors is to focus on the issue and fill this gap. The main purpose of this article is to determine how households assess the role of SMEs in context of rural development. If they perceive SMEs' activity in the context of standards of living development and if there exist some SMEs' characteristics influence this perception. It is difficult to think of something else with a greater preoccupation than the standard of living, which is part of people's everyday thoughts. Today's idea of the standard of living is full of contrasts, conflicts and even contradictions. Without general definition, the views on this issue vary and create a disorganized unit (Sen, 1989). Bennett (1937) already expressed the idea that the standard of living is the most complex and difficult-to-grasp concept. Cottam and Mangus (1942) agree with that and add that some definitions of the standard of living focus more on material consumption. Vad'urova and Miihlpachr (2005) come with a fundamentally different view, stating that today there is actually a tendency to purely subjective evaluation of quality of life,

which indicates a decisive approach. The category which is intertwined with quality of life is happiness. Many thinkers argue that the existence of the human species is based on happiness and every person should try to get it because it is the most essential goal of human existence (Tefler In Shin and Inoguchi, 2009). Shin and Inoguchi (2009) adds that in professional public it is prevailing a consensus that happiness has a significant impact on quality of life. The concepts 'standard of living' and 'quality of life' overlap in many areas and their definitions are clearly reserved. Some authors try to include their penetration to the concept of welfare. The thing that the experts agree with is that all these concepts are closely linked to human needs. Vecernik (2012) explains the concept of multidimensional welfare which is a quantifier of standard of living. An important stimulus for the research was Sarkozy's report drawn up by the commission led by Stiglitz, Sen and Fitoussi. According to them, well-being and welfare are influenced by the following external factors- material living standards, consumption and wealth, health, education, personal activities including work, political environment, social contacts and relationships, .natural environment, personal and economic uncertainty (Stiglitz *et al.*, 2007). The most commonly used indicator of the standard of living is gross domestic product per capita. Many economists take GDP growth per capita as the most important goal, but

Krugman and Wells (2006) argue that it is not sufficient for measuring human well-being and also it is not a suitable tool for political decisions. When we increase revenue, the output of the economy is growing, but it's up to us whether we use the money to improve the quality of life or not. GDP per capita is not a direct reflection of the standard of living but it is one of many determinants that are involved in it. There are interesting studies about the context of wealth and subjective well-being which are summarized in the following paragraphs Diener and Biswas-Diener (In Ryan and Deci, 2001):

- People in the richer countries are happier than those living in poorer countries.
- The increase of national wealth in developed countries has been followed by the growth of subjective well-being; the difference in the Wealth of Nations shows only a weak correlation with happiness.

Growth in personal wealth generally does not lead to the growth of happiness.

Although there is no clear consensus in definitions of standard of living, quality of life, well-being and welfare, the fact is that all these concepts

are related to man and their lives. If you want to convert international comparisons, it is necessary to identify the “determinants of standard of living. The assumption is that the determinants found out on the base of subjective standard of living will be different in Europe in comparison with Africa, for example. Also, it can be expected that there will be differences between different groups within one country, whether due to economic activity and gender, or a place of residence. Similarly, the sector in which people work constitutes a factor that can cause differences in opinions on the standard of living. For these reasons, the authors of this paper are motivated to focus on a narrow group of people — the rural population of the Czech Republic. There is an interest to find out the interconnection of importance of standard of living factors with SMEs in which the most people in rural regions of the Czech Republic work.

2.2.3 SMEs and Poverty Rate

It clearly distinguishes the effect of small and medium enterprises on poverty rate in Nigeria. This article x-rays the role of Small and Medium Scale Enterprises (SMEs) in poverty reduction in Nigeria, between 2001 and 2011. It is aimed at finding out the extent to which small and medium scale enterprises, through their employment activities, helped to address

poverty reduction. In trying to establish the thrust of the paper we used secondary data and the adoption of econometric model, specifically simple linear regression, to empirically explain this relationship. From the empirical results, SMEs' income captured by their contributions to GDP, are statistically significant in explaining the level of employment and hence poverty reduction. Also the funding of SMEs and the level of government participation are not significant to the growth of SMEs measured by their level of income (SGDP). The models formulated have good fits judging from the R s and their adjusted values. Also the F-ratio validates the overall significance of the variables and their non-conformity to the apriority expectations of some of the variables. These call for concern. With this development, some recommendations were made amongst which are: that government should provide mechanism for SMEs to have access to loans with long payback period; and that interest rate should be reduced to a single digit to encourage entrepreneurs' innovativeness. It is therefore imperative that policy makers, governments and their agencies provide the technical, technological, financial, assistance and infrastructures needed for the opportunities in the SMEs to be harnessed optimally. **Key words:** Small and Medium Scale Enterprises (SMEs), Poverty, poverty reduction, Employment Generation, Gross Domestic Product. Poverty is a living

condition in which an entity is faced with economic, social, political, cultural and environmental deprivation. It is a state of involuntary deprivation to which a person, household, community or nation is subjected to. Poverty and weak economic performance are the greatest challenges militating against Nigeria's transformation and development today. Gone are the days when Nigerian graduates at all levels could easily secure jobs. Graduates had enough job offers 'to choose from depending on their qualifications. This trend changed over the years starting from early 80s and 90s because a great number of tertiary institution graduates are in search of white-collar jobs that are no longer available. Again some organizations chose to prune or right size their workforce due to harsh economic conditions occasioned by poor global economy which adversely affected economic and business activities in Nigeria. Nigeria as a country has been described by the World Bank as a paradox in that the enormous wealth of the nation contradicts the poverty level (Obadan, 2001). The data on poverty records rating across different nations indicate that about 1.1 billion people earn less than one or more dollars (\$1.00 \$2.00) per day, coupled with daily risks and hardships that determine their survival and even existence. Barnes (2010), Omadjohwoefe (2011) and USAID (2011) have shown evidence on how poverty permeates Nigeria's society. Issues relating to the development of Small and Medium Scale Enterprises

(SMEs) have become very crucial 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 70Percentage (%) industrial employment and 60Percentage (%) of agricultural sector employment, it only account for 10 - 15Percentage (%) of the total industrial output with a capacity utilization of a little over 30Percentage (%). 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 a large portion of the population in a given economy than the big organizations 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 roles 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 institutionalize 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 article will investigate the relationship between the employment generation capabilities of SMEs and poverty reduction in the country. It will cover the period of 2001 and 2011, a period of ten years.

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 SME 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 a small scale industry as an establishment with capital investment of N5,000.00 and employing 'as few as three people (Isemin, 1998). The National Economic Reconstruction Fund (NERFUND) puts its highest amount as not exceeding 10 million naira while the section 37 b (2) of the Companies and Allied Matters Act of 1990 defines it as one with

- a) An annual turnover of not more than 2 million naira.
- b) A net asset of not more than 1 million naira.

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

There are many definitions of SMEs and there is no uniformity 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 (Osotimehin, Jegede, Akinlabi and Olajide, 2012). When we talk of poverty 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. Edoh (2003) and¹ (2010) state that there are two issues that have been consistent in an attempt to define poverty. These are the issue of (a) who are the poor? (b) at what level is poverty defined?

Kenkwanda (2003:3) defines poverty as a multidimensional phenomena influenced by a wide range of factors, which include: poor people's lack of access to income earning and productive activities and to essential services. Poverty can be manifested in intellect and poverty of ideology (Adejo, 2006). The Copenhagen Declaration of 1995 seems to shed more light on what really constitute poverty when it asserts 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 services, increase morbidity and mortality from illness, homelessness and inadequate housing, unsafe environment, social discrimination and exclusion. It is also characterized by a lack of participation in decision and in civil, social and cultural life (Edoh, 2003:68). 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 measures in handling the programmes of poverty alleviation. A condition of poverty can be recognized and described as being any of the following:

Absolute poverty is used to describe an individual or household below a minimum acceptable level which has been fixed over time as a global stand for meaningful human existence known as poverty. Absolute poverty

is also referred to as subsistence poverty is grounded on the idea of subsistence - the basic condition that must be met in order to sustain a physically healthy existence. Individuals or groups who lack basic needs of food, shelter and clothing fall under this category. It is held that standards for human subsistence are about the same for people of the same age and physique regardless of where they live (Addison, Hulme and Kanbur 2008; Todaro Smith, 2007). Relative poverty is used in positioning the individual or household compared with the average income in the country, such as poverty line set at one half of the mean income or at the 40th percentile 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 not able to maintain average standard of living (World Bank, 1996). Chronic/Structural poverty is used when it is persistent or long-term. Obadan (1997) opines that it causes are more permanent and depend on a host of other factors such as: limited resources, lack of skills for gainful employment, locational disadvantage, or endemic socio-political and cultural factors. Conjectural/Transitory poverty is used if the poverty is temporary/transient or short term and caused mainly by transient factors such as: natural or manmade disasters (wars and environmental degradation) or structural changes induced by policy reforms which result in loss of employment, loss in value of real

income, assets, etc. Spatial/locational poverty depends on geographical or regional spread and incidence. Two such conditions are recognized in literature, namely; urban squalor and rural poverty. Generalized, island or case specific poverty: This conceptualization depends on the degree of its prevalence. It is described as generalized if it is widespread, common and pervasive, sometimes, among gender groups or social class arising from social and economic rights or exclusion mechanisms. It is described as island if it exists in the midst of plenty such as Nigeria's case, 'which the World Bank (1996) considers a paradox, and case specific, if it is caused by reversal in the fortunes of some individuals or families in affluent societies arising from mishaps such as ill-health or disability (Abaukaka, 2004). Apart from the above, Oladunni (1999) categorized five dimensions of deprivation, which are personal and physical deprivation, economic deprivation. Social deprivation, cultural deprivation and political deprivation. Meanwhile approaches to poverty reduction according to Ogwumike (200-1) include economic growth approach, basic needs approach, rural development approach and target approach. The two distinct strategies that have featured in Nigeria's national development plans and planning are the growth strategy and the rural/agricultural development strategy (Obadan. 2001).

Table 1: Incidence of Poverty in Nigeria (2001 - 2011)

Year	Incidence of poverty
2001	65.6
2002	65.6
2003	70.0
2004	54.4
2005	54.0
2006	54.0
2007	54.0
2008	54.0
2009	54.0
2010	69.0
2011	71.5

Source: CBN: Annual Report and Statements of Accounts for various years.

From the table 1, the incidence of poverty was quite high as of 2001 to 2003, 65.5Percentage (%) to 70Percentage (%), and then it dropped to 54.4Percentage (%) in 2004 and to 54.0Percentage (%) in 2005 which was maintained until 2009. It increased to 69, 0Percentage (%) in 2010 and went up again to 71.5Percentage (%). Though the economic growth has been on the increase during these years but slowed down to 6-7Percentage (%) recently, this has not impacted enough on the poverty level.

2.3. Theoretical Framework

While it has become widely acknowledged is that entrepreneurship is a vital force in economies of developed countries, Hebert and Link (1980),

postulated that there is little consensus about what actually constitutes entrepreneurship activity. Scholars have proposed a broad array of definitions which operationalized, have generated a number of different measures. Hebert and Link (1999) further identified three distinct intellectual traditions in the development of the entrepreneurship literature. These three traditions can be categorized as the German traditions, based on Knight and Schultz, and the Austrian tradition, based on Kirzner and Shackle.

Schumpeter proposed a theory, called creative destruction, where new firms with entrepreneurial spirit, displace less innovative incumbents, ultimately leading to a higher degree of economic growth. Schumpeter (p. 13) in his 1942 classic, *Capitalism and Democracy*, still argued that entrenched large corporations tend to resist change forcing entrepreneurs to start new forms, in order to pursue innovative activity. "The function of entrepreneurs is to form or revolutionize the pattern of production by exploiting an invention or an untapped technological possibility for producing a new commodity or producing an old one in a new way. To undertake such new things are difficult and constitute a distinct economic function, first because, they lie outside of the routine task which everybody understands, secondly, because the environment resists in many ways. Hebert and Link (1980) distinguish between the financial capitals, innovation, and allocation of resources among alternative uses and decision making. Thus, an

entrepreneur is someone encompassing the entire spectrum of these functions; “The entrepreneur is someone who specializes in taking responsibility for and making judgmental decisions that affect the location , form and the use of goods, resource or institutions. In construct, ashlo main and Stevenson (1991), from the management performance, differentiated between entrepreneur and managers that entrepreneurship is a way of managing that involves pursuing opportunity without regard to the source currently controlled entrepreneurs identify opportunities, assemble required resources, implement a practical action plan and harvest the reward in an timely flexible way. The Economic Importance of Small and Medium Scale Enterprises. The relative importance of small and medium scale enterprise in advance and developing countries has led and would continue to lead to a recommendation of the role of small and medium scale enterprises in the economy of nations. The development of many countries is often measured by such indices as the level of industrialization, modernization, urbanization, gainful and meaningful employment for all those who are able and willing to work income and the welfare and quality of life enjoyed by the citizenry. Government should promote small and medium scale enterprises, because of their greater economic benefits, compare to firms in terms of job creation, efficiency and growth, some of this evidences are discussed below-

- i. Labor intensity- small firms employ a large share of labor force in many developing countries. Small and medium scale enterprises are more labor intensive than large firms (Little, et al 1987, Snodgrass and Biggs, 1996), but the evidence suggests that the enterprise scale is an unreliable guide to labor intensity. Many small firms are more capital intensive than large ones in the same industry (ibid, p.314).
- ii. Job Creation- it is often argued that small and medium scale enterprises are important for employment growth (that is job creation). Though the evidence may not support the conventional wisdom, while gross job creation rates are substantially higher for small firms exhibit high birth rates and high death rates, and many small firms failed to grow. In advanced countries, net job creation do not exhibit but a supplementary relationship to firm size (Storey and Johnson, 1987; Davis, et al 1993).
- iii. Efficiency of the enterprise- measures of enterprise efficiency (examples., labor productivity or total factor productivity) vary greatly both within and across industries. Firm size may be associated with some other factors that are correlated with efficiency, such as management scale and technology, and the effects of the policy environment. In the U.S and U.K manufacturing sector, industries in

which larger firms have a greater market share have greater productivity growth. Most studies on developing countries show that the smallest firms are the least efficient, and there is evidence that both small and large firms are relatively inefficient compared to medium firms (little,et.al , 1987).

iv. Wages and Benefits- the weight of evidence suggests that larger employers often better jobs in terms of wages, fringe benefits working conditions, and opportunities for skills enhancements, as well as jobs security (davis,et.al.1993). in low income countries like Nigeria, small enterprises have much lower productivity levels than larger firms, and this is reflected in the lower wages and wage benefits paid by small and medium scale enterprises compared to larger firms.

v. Social, Political and Equity Justifications: small and medium and medium scale enterprises are often said to contribute to a more equal distribution of income or wealth. However, some owners of small and medium scale enterprises and workers are unlikely to be the poorest of the poor, so that small and medium scale enterprises promotion may not be the most effective poverty alleviation instrument. The strategy of promoting small and medium scale enterprise, to achieve equity objectives may be less effective than more direct methods,

examples income transfer, (hallberg, 1999). In reality the desire of government to promote small and medium scale enterprises, is often based on social and political considerations rather than on economic grounds. Sometimes the growth of small firms is seen as part of a democratization process and increased social stability, or as an instrument of regional development.

Small and Medium Scale Enterprises Contribution to the Nigerian Economy

Small and medium scale enterprises have contributed to Nigerian economy I some ways: a few years ago small and medium scale enterprises represent about 90 percent of the industrial sector in term of number of enterprises and furthermore, they contribute a scarcity one percent of gross domestic product (NIPC, 2002) this is significant when compared to countries like – Indonesia, India and Thailand, where small and medium scale enterprise contributes almost 40 percent of their Gross Domestic Product (GDP). In many countries, small and medium scale enterprise form an important part of the business land scope but they are faced with significant challenges and obstacles that compromise their efficient ability to function and to contribute to contribute to Nigeria Economy. Cooperate Affairs commission, Abuja, in 2001, estimates that 90 percent (Percentage (%))

Nigerians business employed less than fifty people this clearly shows that given necessary support, small and medium scale enterprise could become an important play maker in the development process of the Nigeria economy, it has proved to be the most viable sectors with economic growth potential. A broad insight into the investment activities and the earnings and small and medium scale enterprise can be gained by examine and analyzing the findings of the Nigeria institute of social and Economic research (NISER). This institution (NISER) has been surveying business conditions, experience, expertise and expectations of the operators of Nigerian Manufacturing sector for almost decades. The survey has enormously in major Industrial duster (Kano, Aeaba, Onistsha, Nnewi, Kaduna, Jos and Logos in Nigeria. Small and medium scales enterprise contribution in the industrial sector to the nation's Gross Domestic Product (GDP), according to SMEDAN (2009) Small and medium enterprise development Agency) has been valued at about 37 percent, thereby making it the second largest contributor to Nigeria's Gross Domestic Products after all oil sector small and large, small and medium scale enterprise has gradually and steadily became an important topic in the recent years apart from the numerous goods produced by small and medium scale enterprise, they provide a veritable large scale employment, because they are labour intensive, provide

training grounds for entrepreneurs, because they rely more on the use of local materials

Small and Medium Scale Enterprise's Constraints

According to Fabayo (1999), the potential for contributing to export promotion by the small and medium scale enterprise, can be seen from South Korea, Taiwan, Japan, USA and Singapore, where industrial experts are drawn from small enterprises producing textiles, electrical goods, clothing, leather products, etc out of 30, 000 manufacturing firms then, which engaged in export trade in USA, nearly 70 percent are small firms the Japanese economy despite its level of development is still characterized by a strong vertical relationship, known as Keiretsu between small scale industries and large enterprise (Daibi, et. Al. 2009). However, in Nigeria, instead of developing into medium and large scale industries, many of small scale industries have stagnated on the number of people employed, while some have even rendered the number of employees or folded up completely, combine factors of unfavourable macro-economics, fiscal and monetary policy regimes, inadequate infrastructural support raw materials supply bottlenecks as well as unfair competition from foreign firms activities of smugglers of low or sub-standard textile products among many factors, contributed to their collapsed (Basil, 2005). Small and medium

scale enterprise suffer from constraints that is lower than resilience to risk and prevent them from growing and attaining economic of scale (CBN, Baseline study, 2004). The challenges are not only in human resources developments, market access and access to modern technology and information (Basil, 2005), access to financial resources is constrained by both internally, most small and medium scale enterprise lack credit worthiness and management capacity so they have problem securing funds for their business activities, such as processing raw materials and products and investing in plant and equipment (Ogbim, 2007).

From the external view small and medium scale enterprise are regarded as unsecure and costly business to deal with, because they lack required collateral and have capacity to absorb only small amount of funds from financial institution (Basil, 2005) so they are rationed in their access to credit, because of high immediate cost, including the cost of monitoring and difficulties in enforcing loan contracts. Small and medium scale enterprise encountered other problems such as lack of technical know-how, good managerial skills, commercial skills incentives, production problems. Lack of enabling environment, problem of improper financial record keeping. e.t.c.

CHAPTER THREE

RESEARCH METHODOLOGY

Research Design

Research design can be described as process of collecting analyzing and interpretation data, (Elikwu, 2009). According to Asika (2004), research design defines the domain of generates, indicating whether the obtained research interpretation can be generated to larger population or to different situations. The generations of what to supply, what to observe and how to collect data are treated by research design.

Research design has four components, which includes comparisons manipulation control and generalization. The type of research adopted in this study is survey design.

The survey approach is used because it involves collecting data in order to answer research questions, as well as to test hypothesis related to the study.

3.2 Population Sample and Sampling Techniques

Population of SMEs in Abuja in the entrepreneur development and promotion development of small and medium enterprise development agency of Nigeria (SMEDAN) in Abuja, and some selected small and medium scale enterprise in Nigeria. Due to social economic and cultural

factor that affects the study, it is not possible to achieve a total coverage of the population, hence selected small and medium scale enterprise in Abuja metropolis formed the other part of the population of the study. Sample represents the actual number small and medium scale enterprises selected for a particular study. The actual total sample size for the study is fifty respondents and being the number of questionnaires duly completed. The researcher employed the simple random sampling techniques in order to arrive at the same size. This was to allow all the members of the population equal chance of participation. The various cadres of entrepreneurs and small scale business cutline across various sector of the economy were chosen as the target in order to get desired information.

3.3 Methods of Data Collection

The classification of data as other primary or secondary based on two possible sources

Primary Data – this comes from direct observation of the events, manipulations of variables and includes contrivance of research situations.

Primary are those collected straight or direct from their source, for the purpose of this study, the research used questionnaire and personal interview as the source of primary data.

Secondary Data – These are data previously collected and circulated, either from outside or inside the organization of the case study. Secondary data is a data collected from secondary sources and which emanated from the processing of data collected from primary source.

3.4 Technique of Data Analysis

Having gathers the data through the administration of questionnaires, the collected data will be coded, tabulated and analyzed according to the research question and hypothesis.

In order to analyze the data collected effectively and efficiently for any management and accuracy, the simple percentage method was the analytical tool used for this research project and a sample size of fifty will be presented by 100Percentage (%) for easy analysis of the responses. Also, chi-square is also used to test the hypothesis in chapter one.

$$X^2 = \frac{(FO - FE)^2}{FE}$$

Where O = Observed Frequency

E = Expected Frequency

3.5 Justification of the Methods

Chi-square as a statistical technique is used in testing of hypothesis, so as to predict what the relationship between two variables should be. It is used in drawing and reaching conclusion by collating the observed value from the questionnaire administered to respondents, testing the degree of freedom and carrying out a decision rule determining the critical value of the hypothesis. The formula being.

The X^2 Value obtained from the formula is compared with the value of tabulated X^2 for a given significance and degree of freedom.

CHAPTER FOUR
DATA PRESENTATION AND ANALYSIS

4.1 DATA PRESENTATION

SECTION A

Table 1. GENDER CLASSIFICATION.

VARIABLES	RESPONDENTS	Percentage (%)
Male	33	66
Female	17	34
Total	50	100Percentage (%)

Above table indicates that the SMEDAN of SMEs have more staff members and entrepreneurs than their female counter part.

TABLE 2 AGE CLASSIFICATION

VARIABLES	RESPONDENTS	Percentage (%)
18 – 25 years	3	6
30 – 39 years	18	36
40 and above	5	10
Total	50	100Percentage (%)

This table shows the various age categories, as contained in the questionnaire. It shows that the respondents are made up of men and women, who are young and dynamic to be innovative in managing SMEs

TABLE 3 Marital Statuses.

VARIABLES	RESPONDENTS	Percentage (%)
Singles	14	28
Married	31	62
Widowed	5	10
Total	50	100Percentage (%)

Analysis of the table reveals that, 28Percentage (%) of the respondents are singles 62Percentage (%) of the respondents are married, while10Percentage (%) of the respondent are windowed. If the general believe in the society that married widowed person is more responsible and reliable is anything to go by, then they will be more devoted to their duties.

TABLE 4 Educational Qualifications

VARIABLES	RESPONDENTS	Percentage (%)
WAEC/SSCE/GCE	4	18
OND/NCE	9	8
BSC/HND	32	64
MCS/MBA/PHD	5	10
TOTAL	50	100Percentage (%)

Above table show the educational qualifications of the respondents. One can deduce that most of the small business owners are qualified entrepreneurs running the affairs of their various entrepreneurs on the minimum qualification is WASSCE, which is just 18Percentage (%) of the total respondent.

TABLE 5: Sector Respondent

VARIABLES	RESPONDENTS	Percentage (%)
SMEDAN	22	44
SMES (Manufacturing)	13	26
SMES (Service)	15	30
Total	50	100Percentage (%)

Above table shows the sector of the various respondents to the questionnaire. The highest Percentage (Percentage (%)) of respondents is staff member of SMEDAN constituting 44Percentage (%) of the respondents, 26Percentage (%) of the respondents are small scale entrepreneur in the manufacturing sector, while 30Percentage (%) of the respondents are small scale enterprise in the service sector.

SECTION B Questions

TABLE 1: Do you agree that small and medium scale enterprises are crucial to the growth of Nigerian economy?

RESPONSES	RESPONDENTS	Percentage (%)
Strongly Agree	21	42
Agree	19	38
Undecided	6	12
Disagree	4	8
Strongly Disagree	0	0
Total	50	100%

The table above shows that 42Percentage (%) of the respondents strongly agree that small and medium scale enterprises are crucial to the growth of the Nigerian economy, 38Percentage (%) agrees while 12Percentage (%) are undecided and 8Percentage (%) disagree.

Table 2: there are adequate basic infrastructures to help SMEs effectively cope with the challenges of the dynamic business environment.

RESPONSES	RESPONDENTS	Percentage (%)
Strongly Agree	0	0
Agree	5	10
Undecided	11	22
Disagree	19	38
Strongly Disagree	15	30
Total	50	100%

Table 2 above that, 38Percentage (%) of the respondents disagree that, there are adequate basic infrastructure to help SMEs effectively cope with the challenges of the dynamic business environment 30Percentage (%) of the respondent strongly disagree, 22Percentage (%) are undecided, while only 10Percentage (%) agreed.

TABLE 3: increase in the number of new SME business increase the rate of employment and wealth re-distribution.

RESPONSES	RESPONDENTS	Percentage (%)
Strongly Agree	29	58
Agree	15	30
Undecided	3	6
Disagree	2	4
Strongly Disagree	1	2
Total	50	100(%)

The above table shows that, 58Percentage (%) of the respondents strongly agree and 30Percentage (%) agree that, increase in the number of new SME business increase the rate of employment and wealth distribution, however, 6Percentage (%) are undecided, 4Percentage (%) disagree and 2Percentage (%) strongly disagreed.

TABLE 4: Do you think that government has done adequately in helping the growth and development of small industries like your organization?

RESPONSES	RESPONDENTS	Percentage (%)
Strongly Agree	8	16
Agree	11	22
Undecided	2	4
Disagree	17	34
Strongly Disagree	12	24
Total	50	100%

Table above shows that, 16Percentage (%) and 22Percentage (%) of the respondents strongly agree, while only 4Percentage (%) are undecided, however, 34Percentage (%) and 24Percentage (%) of the respondents disagree and strongly disagree respectively. This show that governments has done adequately in helping the growth and development of small scale industries.

TABLE 5: Are there tax incentives provided by the government to help encourage SMEs?

RESPONSES	RESPONDENTS	Percentage (%)
Strongly Agree	0	0
Agree	5	10
Undecided	11	22
Disagree	19	38
Strongly Disagree	15	30
Total	50	100%

The above table indicates 66Percentage (%) of the respondents strongly agree, while 30Percentage (%) agree and 4Percentage (%) are undecided.

This means that there tax incentives provided by the government to help encourage SMEs

TABLE 6: there is a significant effect of SMEDAN and other government agencies in the promotion and growth of small and medium scale enterprises in Nigeria?

RESPONSES	RESPONDENTS	Percentage (%)
Strongly Agree	14	28
Agree	19	38
Undecided	9	18
Disagree	2	4
Strongly Disagree	6	12
Total	50	100%

The table above shows that, 28Percentage (%) of the respondents strongly agree that, there is a significant effect of SMEDAN and other government agencies in the promotion and growth of SMEDAN, 38Percentage (%) of the respondent agree while 18Percentage (%) of the respondents are undecided, 4Percentage (%) and 12Percentage (%) disagree and strongly disagree respectively.

TABLE 7: Do you agree that establishment of microfinance banks have contributed into the growth of small scale business in Nigeria?

RESPONSES	RESPONDENTS	Percentage (%)
Strongly Agree	13	26
Agree	21	42
Undecided	3	6
Disagree	8	16
Strongly Disagree	5	10
Total	50	100%

The above analysis indicates that 26Percentage (%) of the respondents strongly agree and a higher 42Percentage (%) agree that, establishment of microfinance banks, have contributed into the growth of small scale business in Nigeria. However, 5Percentage (%) of the respondents are undecided, while 16Percentage (%) and 10Percentage (%) disagree.

TABLE 8: is the present economic and political environment conducive for improved productivity of small and medium scale in Nigeria?

RESPONSES	RESPONDENTS	Percentage (%)
Strongly Agree	19	38
Agree	24	48
Undecided	5	10
Disagree	1	2
Strongly Disagree	1	2
Total	50	100

In the above, 38Percentage (%) of the respondents strongly agree that, the present economic and political environment is conducive for improved productivity of small and medium in Nigeria, 48Percentage (%) of the

respondents agree 10Percentage (%) are undecided and 2Percentage (%) each disagree and strongly disagree.

TABLE 9: There is a significant effect of small and medium scale enterprise on economic development in Nigeria?

RESPONSES	RESPONDENTS	Percentage (%)
Strongly Agree	17	34
Agree	22	44
Undecided	6	12
Disagree	3	6
Strongly Disagree	2	4
Total	50	100%

Above table show, that 34Percentage (%) of representative strongly agrees and 44Percentage (%) agree that there is a significant effect of SMEs development in Nigeria, however, 12Percentage (%) are undecided, while 6Percentage (%) and 4Percentage (%) disagree and strongly disagree respectively

TABLE 10: Do you strongly agree that small and medium scale enterprises contribute to high productivity and improved standard of living while 42Percentage (%) are undecided and 2Percentage (%) disagreed.

4.2 Data Analysis and Results

TEST OF HYPOTHESIS

Given the analysis and discussion of data findings it is necessary to clarify how they relate to the postulated hypothesis.

The hypothesis will be tested, using chi-square statistical tool for test of significance

HYPOTHESIS ONE.

Ho: there is no significant effect of SMEDAN and other government agencies in the promotions and growth of small and medium scale enterprises in Nigeria.

CHI-SQUARE

Statistical Table for Hypothesis One

VARIABLES	(O)	E	O - E	(O - E)²	(O - E)²
Strongly Agree	14	10	4	16	1.6
Agree	19	10	9	81	8.1
Undecided	9	10	-1	1	0.1
Disagree	2	10	-8	64	6.4
Strongly Disagree	6	10	-4	16	1.6
Total	50		-		17.8

The formula for chi-square being:

$$X^2 = \sum \frac{(O_i - E_i)^2}{E_i}$$

Therefore the X^2 C value = 17.8

Degree of freedom (DF) = (C - 1) (R - 1)

Where C = Number of Columns

R = Numbers of Rows.

i.e $(5 - 1) (5 - 1)$

df = 44

Where level of significance is 0.05 therefore X^2_T at 0.05 with df = 4 is 9.49

Decision: since the calculated table value (X^2_{cal}) is 17.8, which is greater than tabulated value (X^2_{tab}) of 9.49, then we accept that there is a significant effect of SMEDAN and other government agencies in the promotion and growth of small and medium enterprises in Nigeria, hence we reject the Null Hypothesis (H_0)

HYPOTHESIS TWO

CHI-SQUARE

Statistical Table for Hypothesis Two

VARIABLES	(O)	E	O - E	(O - E)²	(O - E)²
Strongly Agree	17	10	7	49	4.9
Agree	22	10	12	144	14.4
Undecided	6	10	-4	16	1.6
Disagree	3	10	-7	49	4.9
Strongly Disagree	2	10	-8	64	6.4
Total	50	-			32.2

The formula for chi-square being:

$$X^2 = \sum (O_i - E_i)^2$$

$$X^2 = \frac{\quad}{E_i}$$

Therefore the X^2 C value = 32.2

Degree of freedom (DF) = $(C - 1) (r - 1)$

Where C = Number of columns

R = Numbers of rows

i.e $(5 - 1) (5 - 1)$

df = 4

Where level of significance is 0.05 therefore, X^2 T at 0.05 with df = 4 is 9.49

DECISION: Since the calculated table value (X^2_{cal}) is 32.2, which is greater than tabulated value (X^2_{tab}) of a 49, than we accepts the alternative hypothesis (H_1) when states that, there is a significant effect of small and medium scale enterprises on economic development of Nigeria hence we reject the null hypothesis (H_0)

4.3 DISCUSSION OF FINDINGS

Finding of the study showed that the main sources of initial capital investment open to an entrepreneur are personal savings marginally to the financing of small scale business. Consequently, an inadequate financial or

capital resource is still a major problem to the developments of this sub-sector. Finding also revealed that a vast majority of small-scale enterprises are not quoted in the Nigeria stock exchange as a result, cannot source for funds in the capital market. This is caused by the stringent listing requirements of the second tier securities market established not to accommodate small and medium scale enterprise. Accessibility is difficult because of stiff requirements and bureaucratic procedure, examples loans for agriculture production, micro-credit facilities, and some business entrepreneurs are not even aware of the existence of these incentives. This indicates that the people generally are not adequately informed of government policies and programmes. Central Bank of Nigeria led bankers committee on financing window for small and medium industries is applauded rest squarely on the condition that all parties concerned comply strictly with the operating rules and guide regulations. The rate of rural – urban drift, helping to salvage the unemployment problem, facilitating the availability of goods and services to all look and cranny of Nigeria and effect linkage providing for the efficient and effective operation of large scale business.

It is interesting to note that the sub sector has prospects greatly immeasurable, but this can be actualized, if precaution is taken to address holistically, the problems that bedeviled government policies and

programmes. A well developed small business sub-sector will constitute a veritable medium for the implementation and accelerated achievement of government income distribution of local technology development, stability in price, etc.

SUMMARY

The development of the economy of Nigeria depends largely on the survival and growth of small scale business. As an important tool to the success of the current culture of self-reliance, not only are those small scale enterprises capable of expanding production possibilities of the economy, they equally possess relatively large potentials for creating linkage, employment generation, technological adoption and skills transfer, hence the scope and objective of the research covered the effect of small and medium scale enterprises on economic development of Nigeria, a case study of SMEDAN.

The challenge of economic strategies and measures implemented over the years, repeatable economic development has remained elusive. In view of this, the researcher made interesting findings about those factors that motivate an entrepreneur to establish business of their own. These factors among others are the easy ways which small business can be established, managed, profit maximization, independence of power, having good

workable unique ideas that can become real, only by establishing and running business of your own. Importance of SMEs cannot be over emphasized for reasons, such as the entrepreneur's contributions to economic growth via the unemployment reductions problems, making goods and services available in the markets.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

The business environment seems not to be conducive for small scale enterprises survival. Infrastructure facilities are still grossly inadequate in supply. The epileptic nature of electricity supply does not encourage continues productivity of goods and services.

There are no good roads for easy transportation; accommodation is difficult to come by in view of availability and cost.

Government multiple taxation, outrageous rates and Levis on small-scale enterprises. Unstable political system breeds inconsistency in policy formulation and implementation, the adverse effect of such police inconsistency, is critical on the establishment, development and growth of small scale business.

Although, the business environment is believed to be un-conducive, for small-scale enterprises are able to weather the products, (goods and services). This positive performance result from the following issues; firstly

Having articulated personnel at the helm of affairs; secondly

Well articulated business plans; thirdly

Well developed organizational structure; fourthly

Efficient production system that produces quality goods and services;
finally

Efficient marketing strategy among others

5.2 Conclusion

Though Nigeria lacks adequate census on relevant economic indices. It is estimated that small and medium scale enterprises in Nigeria currently amount for over 75Percentage (%) of employment in the country (SMEDAN 2006). This relatively high percentage is however a paradox as 60Percentage (%) of Nigerians, still live below the poverty level (UNDP 2005), when 60Percentage (%) living below the poverty line, are taken into account, the share of those gainfully employed in the SMEs sector, is more luckily to be in the region of 10Percentage (%) as recorded by U.S industry small Business Administration (SBA). It has become quite apparent to be the government and policy makers. That the role of small scale industries is critical to the development and growth of the nation's available human and material resources by creating employment, mobilization of local savings and revising or halting rural-urban migration and its attendant negative said consequences.

Finance is the most important and cogent key of any enterprises. Small and medium scale enterprise must be financially supported, so that they can take

off and expand and be able to meet the needs of the Nigerians. Shortage of indigenous enterprise has been identified as a major impediment to economic development. Non-capital intense nature of small scale industries, is another important significance of small scale enterprises.

They are usually started with small savings, which made them affordable to go into the meager capital requirement of small-scale enterprise, make them to promote an even distribution of income in the economy. This is because, if there is adequate financial support, more unemployed Nigerian will engage in small scale enterprises, thereby gain their means of living earning than looking for unavailable white collar job.

By support and strengthening SMEs productive capacities and market competitiveness of small and medium scale enterprise in the country the small scale enterprises will be developing and providing a training ground for indigenous enterprises. The rural urban drift is due to lack of job opportunities in the rural area. This drift, particularly when they are sited in rural areas. In most developed countries, the small business sector is recognized as the engine room of economic growth and development, however, when Nigerian's industrialization policy for promotion SSIs is measured against international best policies in SSIs promotion policies, it will be related very low because of its inconsistency and lack of focus.

There is need for establishment of small scale enterprises, since they ensure community stability, since small-scale enterprises do less harm to the physical environment than large enterprises. They promote agro-unemployment and poverty in the country

5.3 Recommendations

Findings in this extensive research, indicates that SMEs in Nigeria, have made the sector to be relevant, focused, productive and also play important role in relation to contributing to the growth and development of Nigeria economy. However, there are challenges and problems faced by SMEs in Nigeria, which are hydra-headed and hence, would need stringent measures, for more effective impact of the sector in the economic development of Nigeria. This need to be effectively tackled by a multi-dimensional and concerted approach by all stack-holders, i.e the government (Federal, State, and Local) and their agencies and parastatal, banks regulatory authorities, tax authorities employees of SMEs multilateral, bilateral agencies and donors. Findings also discovered that a number of reforms are necessary to aid SMEs development in Nigeria so that all the institutions involved in the process would have to operate in a cohesive and cooperative manner.

The following are some of the recommendations

It is recommended that, Federal government should establish Small and Medium Enterprises information Administration (SMEIA), for gathering information in SME researches development and progress of the SME in the country.

It also recommended that, Federal government should formulate polices on trade defence Mechanism, to check flooding of the Nigerian market. With foreign products, thus aiming at protecting manufacturing sector from collapse to avoid how standard organization had failed in checkmating counterfeit product in Nigeria market as equally observed the unending eroding of NAFDAC in Nigeria counterfeit drug – menace

Similarly, Easy accessibility to credit through specialized oriented banking or financing institution that is funds being made available, through the source should be given at preferential interest rates.

Furthermore, Federal government must come out with policies that shares with aspirations of other sartorial interest, with links between federal government policies, states and the local government action plans on SME, approach also reinforcing its capacity to take decision

Consequently, The federal government could assist by establishing a well funded national credit guarantee funds the will act as buffer for credit facilities from bank and other financial institution over above the equity provided under SMLEIs.

In order words, That there is the need for provision of good infrastructural facilities i.e roads, electricity, water supply and telephone facilities

That Government should encourage small business by becoming a customer for their products through procurement, contracts. Etc.

Finally, Government should prioritize the SME sector, giving it devoted practical and visible attention with a view to make it virile, vibrant, focused and productive, i.e the period of lip-service attention to the sector, should be done away with without a vibrant SME subsector employment creation, wealth distribution and economic development cannot be achieved, so government should do everything within its power to reverse the institution.

5.4 Limitation of Studies

The development in the economy of Nigeria depends largely on the survival and growth of small scale business. As an important tool to the success the current culture of self-rehance, not only are these small scale enterprise capable of expanding productions possibilities of economy, they equally posses relatively large potential for creating linkages employment

generation, technological adoption and small and medium scale enterprise on economic development in Nigeria, case study of SMEDAN.

The challenge of economic development has remained denting for Nigeria. In spite of the numerous economic strategies and measures implement over the years repeatable economic development has remained elusive. In view of this, the research made interesting findings about those factors that motivates entrepreneurs to establish business of their own. These factors among others are the easy way which small business can be established, managed, profit maximization, independence of power having good and workable, unique ideas, that can become real, only by establishing and running business of your own. Importance of SME cannot be over emphasized for reasons, such as the entrepreneurs contributions to economic growth via the unemployment reduction problems, making goods and service available in the market

5.5 Suggestion for Further Studies

- i. That government should promote polices that will facilitate the rapid development of the agro based and solid mineral based raw materials for industrial development. Most of the existing industries rely on some raw materials, which are presently being exported in processed

at cheap prices, and only to effect the processed by-products at skyrocket process.

- ii. That to meet the present demand and quantity requirement for local and export market production also to guarantee sustainable industrial operation. It is necessary for government to develop the capacity for machinery spare parts and possibly equipment fabrications.
- iii. That exportation of raw materials, mostly those needed by the domestic industries be prohibited and investor be encouraged to go into processing of these raw materials, themselves, for maximum utilization and profits realizable
- iv. That government can accelerates the development of market for financial services befitting to the special characteristics of SMEs by promoting product innovation and building institutional capacity.
- v. That federal government should establish Small and Medium enterprises Information (SMEIA). For gathering information on SME researches development and progress of SME in the country
- vi. Development frame work for the university entrepreneur and industries collaboration.

APPENDIX I

Department of Business Administration,
Faculty of Administration,
School of post Graduate studies,
Nasarawa State University,
Keffi.

Dear Respondent,

The researcher, Lawal Adetunji .D, an MBA Student of the department of business administration, school of posts graduate studies, Nasarawa State university keffi, with Matric No. **NSU/ADM/MBA/144/2015/2016** is carrying out a research on “effect of small and medium scale enterprises on economic development in Nigeria” a case study of **SMEDAN**.

I will be grateful, if you could contribute to the very important research by completing this questionnaire and returning same to me as quickly as possible.

I promise that information supplied will be strictly kept confidential.

Thank you.

Lawal Adetunji D.

APPENDIX II QUESTIONNAIRE

Instruction

Please do not write your name, only indicate your answer by making “X” in the appropriate space provided.

SECTION A: BIO DATA OF RESPONDENTS

1. Gender of respondents

- (a) Male ()
- (b) Female ()

2. Age Distributions

- 18 – 21 Years ()
- 21 – 35 Years ()
- 35 – 46 Years ()
- 46 and above ()

3. Marital Status

- (a) Single ()
- (b) Married ()
- (c) Divorced ()

4. Educational Qualifications

- WASC/GCE ()
- OND ()
- Bsc/Hnd ()
- MBA/MSC ()
- SMEDAN STAFF ()
- SMEs (Manufacturing) ()
- SMEs (Service) ()

QUESTIONNAIRE

1. There are adequate infrastructures to help SMEs and employment generation.

Strongly Agreed ()
Agreed ()
Undecided ()
Disagreed ()
Strongly Disagreed ()

2. There is increase in number of SMEs and standard of living generation

Strongly Agreed ()
Agreed ()
Undecided ()
Disagreed ()
Strongly Disagreed ()

3. Do you agree that SMEs has reduced poverty rate in Nigeria? generation

Strongly Agreed ()
Agreed ()
Undecided ()
Disagreed ()
Strongly Disagreed ()

4. Do you agree that SMEs are crucial to the growth and development in Nigeria Economy? generation

Strongly Agreed ()
Agreed ()
Undecided ()
Disagreed ()

Strongly Disagreed ()

5. There is significant effect of SMEs in the promotion of growth in Nigeria

Strongly Agreed ()

Agreed ()

Undecided ()

Disagreed ()

Strongly Disagreed ()

6. Do you agree that establishment of micro finance banks have contributed to the growth of SMEs in Nigeria?

Strongly Agreed ()

Agreed ()

Undecided ()

Disagreed ()

Strongly Disagreed ()

7. Do you agree that SMEs contributes to high productivity and improved standard of living in Nigeria?

Strongly Agreed ()

Agreed ()

Undecided ()

Disagreed ()

Strongly Disagreed ()

8. Is the present economics and political environment conducive for improved productivity of SMEs in Nigeria?

Strongly Agreed

Agreed ()

- Undecided ()
- Disagreed ()
- Strongly Disagreed ()

9. Measures adopted by the government to cushion the effect of the global crisis on SMEs have been effective?

- Strongly Agreed ()
- Agreed ()
- Undecided ()
- Disagreed ()
- Strongly Disagreed ()

10. Do you agree that SMEs have benefited from the activities of **SMEDAN** for Entrepreneur?

- Strongly Agreed ()
- Agreed ()
- Undecided ()
- Disagreed ()
- Strongly Disagreed ()

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