

An Evaluation of the Challenges and Prospects of Micro and Small Scale Enterprises Development in Nigeria

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Abstract

Micro and small scale enterprises have been accepted worldwide as instrument of economic growth and development. No wonder that government, particularly in the developing countries has made tremendous efforts and establish policies to enhance the capacity of micro and small scale enterprises (MSEs). However, despite government institutional and policies support to enhancing the capacity of small and medium scale enterprises, small and medium scale enterprises has fallen short of expectations. This, then, generated serious concern and skepticism on whether SMEs can bring about economic growth and national developments in Nigeria. SMEs are faced with significant challenges that compromise their ability to function and to contribute optimally to the economy. This study examines the challenges and prospects of micro and small scale enterprises development in Nigeria. Most business enterprises in Nigeria by classification are grouped under micro and small scale enterprises, hence, the scope of study. This study was conducted in Lagos State, South Western Nigeria with the use of questionnaire and interview to gather relevant data that was statistically analyzed. The phenomenal growth of small and medium enterprise in Nigeria is mainly due to the people's quest to be self employed and not because it is easy to establish or manage. Financial constraints and Lack of management skill hamper the efficient performance of micro and small scale enterprises in Nigeria. In view of this, we recommend that government and other non-governmental organization should regularly organize seminars for potential and actual small and medium enterprise operators on how to plan, organize, direct and control their businesses, and that micro, small and medium enterprises operators' should device effective marketing strategies and good management customers relations at all times.

Keywords: MSE, Problems, Prospect, Development, Lagos, South-Western Nigeria.

1. Introduction

Perhaps, no other development strategy has enjoyed as much prominence in Nigeria's development plans as the Small and Medium Scale Enterprises (SMEs) development strategy.

In recent years, particularly since the adoption of the economic reform programme in Nigeria in 1986, there has been a decisive switch of emphasis from the grandiose, capital intensive, large scale industrial project based on the philosophy of import substitution to micro and small scale enterprises with immense potentials for developing domestic linkages for rapid, sustainable industrial development. Apart from their potential for ensuring a self reliant industrialization, in terms of ability to rely largely on local raw materials, small scale enterprises are also in a better position to boost employ raw materials, small and medium enterprise, are also in a better position to boost employment, guarantee a more even distribution of industrial development in the country, including the rural areas, and facilitate the growth of non-oil exports.

According to the National Council on Industry (1991) cited in Olajide, Ogundele, Adeoye and Akinlabi (2008), micro/cottage industry is an industry whose total project cost excluding cost of land but including working capital is not more than N500, 000:00 (i.e. US\$50,000); while small scale industry is an industry whose total project cost excluding cost of land and including working capital does not exceed N5m (i.e. US\$500,000). These definitions were further reviewed by the council in 1996, that cottage/micro industry is an industry whose total cost, including working capital but excluding cost of land, is not more than N1 million and a labour size of not more than 10 workers, while small scale industry is an industry whose total cost, including working capital but excluding cost of land, is over N1 million but not more than N40 million and a labour size of between 11 and 35 workers.

Small scale business started gaining prominence in Nigeria in the early 1970s when many personal enterprises started springing up. Before this time, agricultural dominate the economy. There were a lot of agricultural small holding before and during emergency of oil boom. Over 75 percent of agricultural holding were managed by the small farmers which comprise mainly family business Government agricultural holdings were not more than 10 percent.

Micro and small scale businesses are catalyst in the socio – economic development of any country. They are a veritable vehicle for the achievement of national macroeconomic objective in term of employment generation at low investment cost and enhancement of apprenticeship training. In Kenya, for instance, Kombo, Justus, Murumba and Makworo (2011), submitted that “micro and small scale entrepreneurs who include agriculture and rural businesses have contributed greatly to the growth of Kenyan economy”. The sector contributes to the national objective of creating employment opportunities, training entrepreneurs, generating income and providing a source of livelihoods for the majority of low income households in the country accounting for 12-14% of GDP (Republic of Kenya, 1982, 1989, 1992, 1994).

The catalytic roles of micro and cottage businesses have been displayed in many countries of the world such as Malaysia, Japan, South Korea, Zambia, and India among other countries. They contribute substantially to the Gross Domestic production (GDP), export earnings and employment opportunities of these countries. Micro and small scale enterprises (MSEs) have been widely acknowledged as the springboard for sustainable economic development. Apart from the fact that it contributes to the increase in per capital income and output, it also creates employment opportunities, encourage the development of indigenous entrepreneurship, enhance regional economic balance through industrial dispersal and generally promote effective resource utilization that are considered to be critical in the area of engineering economic development (Tolentino, 1996; Oboh, 2004; Odeh, 2005).

Micro and small scale enterprises (MSEs) in Nigeria have not performed creditably well and they have not played expected significant role in economic growth. They equally has not influenced apprentice training so as to accelerate employment and poverty alleviation in order to foster Nigerian economic development. This situation has been of great concern to the government, citizen, operators, practitioners and organized private sectors. With the realization of the potentials of the MSEs, governments at different level in Nigeria have put up a lot of support programmes to promote and sustain their development. It is believed that massive assistance; financial, technical, marketing and managerial from the government are necessary for the SMEs to grow. Governments have stepped up efforts to promote the development of SMEs through increased incentive schemes including enhanced budgetary allocation for technical assistance programmes.

Also, new lending schemes and credit institutions such as New lending schemes and credit institutions such as the National Economic Reconstruction Fund (NERFUND), World Bank-assisted small-scale enterprises loan scheme (SMES), Nigeria Export and Import Bank (NEXIM), the people's Bank of Nigeria (PBN) and the Community have been established by the federal government for the purpose of assisting the MSEs to meet their finance needs.

There have also been fiscal incentives, grants, bilateral and aids from multilateral agencies as well as specialized institutions towards making the small and micro business and apprenticeships schemes vibrant. It's of great concern that this vital sub- sector has fallen short of expectation. The situation is more disturbing and worrying when compared with what other developing and developed countries have able to achieve with their cottage businesses coupled with significant attention to apprenticeship training and employment generate. It has been shown that there is a high correlation between the degree of poverty, hunger, unemployment, and economic well being of the citizens of countries and the degree of vibrancy of the respective countries micro and small scale enterprises (MSEs). In spite of the fact that micro and small scale enterprises (MSEs) have been regarded as the bulwark for employment generation and technological development in Nigeria, this subsector is faced with enormous challenges.

1.1 Statement of the Problem

Small and medium enterprises are mostly in managed by owners and relations. The financing in most cases in normally provided by the owners. The owners fail to realize the importance of external source of capital in order affect expansion in the business; in most cases, the by the owner, members of the family and friends in most cases.

In another development, small and medium enterprise experiences difficulties in raising equity capital from the finance houses or individuals. Even when the finance house agrees to provide equity capital, the conditions are always dreadful. All these result to inadequate capital available to the sector and thus lead to poor financing. This is the bane of most cottage industries in Nigeria. About 80% of small and medium enterprises are stifled because of this problem of poor financing and other problems associated with it (Chukwuemeka, 2006). The problems that emanated from poor financing include:

- a) Lack of competent management which is the consequence of inability of owners to employ the services of experts.
- b) Use of obsolete equipment and methods of production because of owner's inability to access new technology.
- c) Excessive competition which resulted from sales which is a consequence of poor finance to cope with increased competition in the industry.

In spite of the different measures since 1960 to increase industrialization, small medium enterprises are still facing hard conditions. This is as a result of some constraining factors.

- a) The high cost of available raw materials affects the prices of good food. This only has adverse affect on the turnover of the enterprise but also on the profitability.
- b) The availability of infrastructural facilities is grossly inadequate in the areas of access roads, electricity, water supply, etc.
- c) Multiplicity of policies and regulatory measures such as removal of fuel subsidy, taxes, several charges on loans.

In the light of the above, the paper appraises the challenges and prospects of micro and small enterprises and poses the following questions:

- To what extent has the finance house strict conditions affected the development of micro and small scale enterprises.
- Does poor financing actually affect micro and small scale business operation?
- What are the problems and challenges of micro and small enterprises?
- What is the implication of multiplicity of policies and regulatory measures on micro and small enterprises?

1.2 Objectives of the Study

- i) To identify the determine factors influencing micro and small enterprises in Nigeria.
- ii) To assess the roles of micro and small enterprises in employment generation and entrepreneurial development.
- iii) To assess the extent poor financing has affected small and medium business operation in Nigeria.
- iv) To recommend appropriate measures through which micro and small businesses can be more effectively developed in Nigerian economy.

1.3 Hypothesis Tested

Three hypotheses are formulated and tested in this study:

H₀₁: The phenomenal growth in the number of micro and small enterprises is not due to quest for self employment.

H₀₂: Financial constraint is not a serious factor militating against effective management of small and medium enterprise.

H₀₃: Lack of management skill does not hamper the efficient performance of micro and small enterprise in Nigeria.

2. Literature Review

There is hardly any unique, universally accepted definition of SMEs because the classification of business into small and large scale is a subjective judgment (Ekpeyong & Nyong, 1992). Egbugu (2003) noted that definitions of SMEs vary both between countries and between continents. The major criteria use in the definitions according to carpenter (2003) could include various combinations of the following: Number of employees, financial strength, Sales value, Relative size, Initial capital outlay and Types of industry.

Inang & Ukpong (1992) however, stressed the indicators prominent in most definitions namely, size of capital investment (fixed assets), value of annual turnover (gross output) and number of paid employees. In countries such as the United States of America, Britain and Canada, small and medium business is defined in terms of annual turnover and number of paid employees. In Britain, for instance, a small and medium business is defined as that business with an annual turnover of €2 million or less with fewer than 200 paid employees. The Research institute for Management Sciences, University of Delft, The Netherlands, has classified businesses into four groups and defined small-scale industry as one employing 10 – 99 persons in which the Manager personally performs all the functions of management without actually taking part in the production.

Stanley and Morse (1965) stated that post World War Japan defines small and medium enterprises as one either having capital not exceeding Y50m or having not more than 300 employees in manufacturing industry, and either having capital not greater than Y10m or having not more than 50 employees in commerce and service sectors. They further reported an Indonesia Agency for Small and Medium Enterprises as defining small scale enterprises to mean all enterprises, household or cottage, employing less than 10 full time workers and not using motive power or machinery, and medium sized industry as one employing between 10 – 50 workers and using motive power. From the point of view of quantitative measure, the Indian official version defines small scale industry as comprising manufacturing enterprises with investment in plant and machinery not exceeding 750,000 Rupees. In the definition, employment was emphasized, thus reflecting India's preoccupation with problems of scarcity of capital and unemployment.

In Nigeria, the definition of SMEs also varies from time to time and according to institutions. The Nigerian Government has used various definitions and criteria in identifying what is referred to as micro and small sized enterprises. At certain point in time, it used investment in machinery and equipment and working capital. At another time, the capital cost and turnover were used. However, the Federal Ministry of Industry, under whose jurisdiction the micro and small sized enterprises are, has adopted a somewhat flexible definition especially as to the values of installed fixed cost.

Amidst several definitions provided by the Government and its attendant agency, the National Council on Industry (1991) defined micro enterprises as an industry whose total project cost excluding cost of land but including working capital is not more than N500,000:00 (i.e. US\$50,000). Small scale enterprises on the other hand is defined by the council as an industry whose total project cost excluding cost of land and including working capital does not exceed N5m (i.e. US\$500,000).

Furthermore, the National Council on Industry of Nigeria (1996) at its 9th Meeting adopted the report of its Sub-Committee on Classification of Industrial Enterprises in Nigeria and approved a new set of classifications and definitions of the cottage/micro and small scale enterprises. According to the Council, cottage/micro industry is an industry whose total cost, including working capital but excluding cost of land, is not more than N1 million and a labour size of not more than 10 workers; while small scale enterprises is an industry whose total cost, including working capital but excluding cost of land, is over N1 million but not more than N40 million and a labour size of between 11 and 35 workers.

Stanley and Morse (1965) classified industries into eight by size. They adopted the functional approach, and emphasized how small and medium sized industries differ from larger industries by bringing out clearly the differing characteristics which include little specialization, close personal contact of management with production workers and lack of access to capital. They argued that establishments employing not less than 100 workers should be defined as medium sized whereas those with less than 100 employees be defined as small sized.

The UNDP/UNIDO Report (2000) noted that while the limit of 10 workers for Micro/Cottage Industries was flexible enough to capture about 95% of rural industries and micro enterprises in this category, the ceiling of N1.0 million may however exclude about 40% of such entrepreneurs with modest factory buildings and basic infrastructures which they require (e.g. access road, generator, bore-hole wells, storage facilities etc). In addition, while the ceilings of N40 million for Small Scale Industries and N150 million for Medium Industries are still substantially captive for these categories, the limits of 35 and 100 workers respectively were not based on the actual structure of manufacturing enterprises in the country.

Consequently, The National Council on Industry (2001) following the agreement of a Committee comprising FMI, Central Bank of Nigeria (CBN), Nigerian Bank for Commerce and Industry(NBCI), Nigerian Industrial Development Bank(NIDB), NASME, Kebbi State and the Nigerian Association of Small and Medium Scale Leather/Allied Products Industrialists on the classification of SMEs reclassified and defined Micro Enterprises as an industry with a total capital employed of not more than N1.50 million, including working capital but excluding cost of land, and/or a workforce of not more than 10 workers, and Small Scale Enterprises as an industry with a total capital employed of over N1.50 million but not more than N50 million, including working capital but excluding cost of land, and/or a workforce of 11 – 100 workers.

According to Essein (2001), small-scale industry as an industry with total capital, employed for over N1.50 million but not more than N50 million, including and per a labour size 11-100 workers. The enterprise promotion Decree of 1989 as amended in 1994 defines small scale business as any enterprise set up to make the owner self employed and self reliant. Such businesses include businesses include business centers, organized mechanics and allied artisan such as electricians; panel beaters supermarkets, gift shoppes e.t.c. Emphasis is not laid on the amount of capital or on the number of employees engaged by the business but on creating employment for the owner. There are many definitions of small-scale enterprise and there is no conventional uniformity among them. However, the definition based on capital especially in the Nigeria economy should be revisited from time to time due to consistent devaluation of Naira (national currency) and high inflationary trend in the economy.

2.1 Types of Micro and Small Scale Enterprise

Fasua (2006) categorized business that fall under small and medium scale as follow in small scale enterprise, firewood supply, packaging of food items, meat retailing, plantain production, restaurant service, small scale poultry raising, rabbit raising, organizing labour squand, operating a nursery for children, home service, arranging food for parties and host of others.

Business grouped under medium scale according to fasua are: soap production, aqua culture/fish farming, chalk making, foam production, nylon production, concrete block production, hair/body cream productions, chemical production, commercial poultry, professional practice claw, accountancy, education, food and beverage production among others.

2.2 Importance of Micro and Small Scale Enterprises in Nigeria (MSEs)

Small firms are backbone of national development. For a country to reach its full potential in terms of economic and social development, it cannot afford to ignore the importance of its indigenous micro and small scale enterprises (MSEs) and the contributions that they make to the country's economy.

In this wise trade liberalization and the encouragement of foreign directive investment has to go hand in hand with a through and concentrated effort to help the growth and development of small business to enhance development.

For instance, study done by the federal office of statistics in 2004 shows that 97% of all businesses in Nigeria employed less than 100 employees. It therefore means that 97% of all business in Lagos State used the umbrella “small business”. The micro and small enterprises sector provides, on average, 50% of Nigeria’s employment and 50% of its industrial output. No government can afford to ignore such a high contributor to its economy. The proportion of Nigeria micro and small enterprises and their impact on the economy is pretty much similar to these in other countries of the world especially in advanced economies. These altogether employed more than 50% of private work force, and generate more than half of the nations.

2.3 Rationale for Emphasizing Micro and Small Scale Enterprise in Nigeria’s Industrial Development

Fabayo (1989) observed that one major claim for focus on SMEs is that they are large employers of labour and this makes them vital in coping with the problems of unemployment and poverty. According to him, strong evidences based on country and regional experiences exist to show that small firms are major source of employment opportunities for a wide cross-section of the workforce: the young, old part-time workers and the cyclically unemployed.

Meyanathan (1994); Ukpabio (2004) and the World Bank (2001), agreed that it is micro and small scale enterprises (MSEs) that play intermediate role in the development of large scale enterprises. They reduce regional disparities through the creation of employment opportunities in the rural areas and mobilize local resources more readily than large-scale industries.

Uzor (2004) opined that micro and small scale enterprises (MSEs) contribute to national development by positively influencing the distribution of income both in functional terms, wages and profits in nominal terms. Focus on SMEs help to decentralize industries thereby not only accelerating rural development but also stemming urban immigration and the consequent problems of congestion in the cities.

Another rationale for focus on micro and small scale enterprises (MSEs) is its contribution to value added in the manufacturing sector and to the Gross Domestic Product (GDP) of the economy. Numerous country studies have shown that the value-added contribution of SMEs can be quite substantial for example small firms in the U.S. economy in 1978 accounted for 37% of the GDP, SMEs have also the potentials for contributing to export promotion as is the case in some developed countries where industrial exports are drawn from the small firms producing textiles, electrical goods, clothing, leather and ceramic products etc.

Micro and small scale enterprises (MSEs) have been found to have locational flexibility. From the study conducted by Uzor (2004), he noted that MSEs could be more readily used to achieve industrial dispersal and regional balance in economic development. Of particular importance is small firms’ usefulness in the diversification of the industrial structure and for the transformation of the rural economy.

Another outstanding contribution of modern small business is its influence on the contribution to the competitive price structure. The large number of small firms forms a broadly based variety of piece enterprise firms, providing a near perfect competitive situation. In this way, small businesses act as a natural antidote to the price formation of large and powerful monopolistic or oligopolistic conglomerations. Economists have in addition to the above reasons for the attractiveness of small firms, identified specific advantages associated with small-scale enterprises.

2.4 Problems of Micro and Small Scale Enterprise (MSEs)

Baumback (1983) contend that most of problems of small and medium scale enterprises including manufacturing ones are external to it. According to Baumback “among the more important of these external or environmental factors are those related to capital shortage, taxation and regulations, product liability patent and franchising abuses. These are discussed:

Lack of Basic Infrastructure: The micro and small scale enterprises (MSEs) sector Nigeria operates in an environment with very poor infrastructure which constitutes a barrier to entry and hinders international competitiveness. In many States in the country, nonexistent of infrastructure, inability to access market, communication, power, water etc. prevent development of micro and small scale enterprises (MSEs).

Access to Financing: Lack of short, medium and long term capital, inadequate access to financial resources and credit facilities affect the growth of micro and small scale enterprises (MSEs).

Capital shortage: The author observes that micro and small scale enterprises (MSEs) have serious financial problem in at least three respect of:

- a) Securing funds in small amount at rates comparables with those paid by large industries.
- b) Building and manufacturing adequate financial reserves
- c) Securing long term equity capital.

Inflation: Despite the fact that cost of capital is higher for the small scale manufacturer, the effect is even compounded by raising inflation rate.

2.5 Challenges in Facing Micro and Small Scale Enterprises in Nigeria

There are various challenges facing micro and small scale enterprises in Nigeria; while some are financial others are non financial. The financial constraints include those factors that prevent micro and small scale enterprises (MSEs) from accessing funds easily, inadequate sources and supply of funds has been a major setback to the realization of many brilliant business ideas and outward expansion of existing business. The inability of the small business owners to raise funds expand their business has been linked to poor business history, high risks, associated with starting new business, which banks tend to avoid, insufficient collaterals, inadequate record keeping and knowledge of the risks facing their business.

Record keeping is particularly important to the integrity of the business. The prevailing corrupt tendency in Nigeria society, which has permeated the fabric of the society including Nigeria entrepreneurs, have prevents most small and medium enterprises operators from keeping adequate records. Many entrepreneurs avoid paying tax into the relevant authorities.

Poor governance structure is another factor preventing small and medium enterprise to access funds easily from banks and other specialized financial institution. An industrial analysis recently observed that one of the reasons why micro and small scale enterprises (MSEs) funds has not been invested, is the operator prefer to get the funds as loan, rather than as equity contribution.

To gain access to finance, micro and small scale enterprises (MSEs) owner should learn to put up realistic business plan supported with financial projections, which highlight the profitability of the enterprises before they seek for funds. Such companies should be duly and legally registered with appropriate authorities maintain financial records and put in place strong internal control mechanism. Above all, the operators should be knowledgeable about the kind of business they want to venture into.

2.7 Ways of Developing Micro and Small Enterprises to Enhance National Development in Nigeria

Micro and small enterprise play dispensable role in national development and to reflect its acceptance and recognition of this, the federal government must has small business policy at the top of its agenda; it has to put concrete steps in place to ensure they are able to grow and prosper. In for instance one of the ways of doing this, will be set up a national small business (NSBO) along the line of the small business agency in the United State and Medium Business Services. The national small business office (NSBO) will be an independent body and will have overall responsibility nationwide for all policies and programme relating to small and medium business including micro business, will have its own budget, and will be closely monitored by and answerable to the National Assembly. The national small business office (NSBO) can be replicated at the state level. The state small and medium office will have responsibility for running national policies and programme set up by national small business office (NSBO) at the state level and will also be directly answerable to state Assemblies. The task which will be appropriate to national small business office (NSBO) will be the promotion of exporting activities amongst small businesses to make them more outward looking and more able to participate in the global market place.

Another important way of developing micro and small scale enterprise is by establishment of a small Business Development Bank (SBDB) to concentrate solely on the funding to indigenous businesses. The small Business Development Bank (SBDB) will help to combat the problem of undercapitalization by providing the necessary cost effective and easily accessible funding for business.

Moreover, it should not be the sole responsibility of government to provide financial assistance to business. The national small business office (NEBO) will then have to seriously take into how it can be largely practiced in both the U.S and U.K equity funding, or venture capitals as it is widely known, has been the secret behind the growth of silicon valley, and the mass number of fast growing high technology companies that abound in developed countries. With high number of billionaires originated from developing countries like Nigeria, the national small business office (NSBO) has to find a way of encouraging them to invest their wealth in small and medium enterprise, thereby helping them and the country to grow.

Lastly, micro and small scale enterprises should from time to time organize training programme for their employees on how to use some modern equipment like computer and other machines to enable them cope with the changing technology. Employees should equally times be granted study leaves by their employers; this will go along way producing skilled workers in small and medium enterprise.

3. Research Methodology

3.1 Research Design and Sample Size

The study used a survey to evaluate the impact of risk management strategies on micro finance institutions' financial sustainability. The design was adopted because of its appropriateness in describing the current situation of phenomenon (Kothari, 1990).

The population of study includes all micro and small scale business operators operating in Nigeria. Nwankwo (1999) noted that the population of any research study is the universe of such group; of people or object which a researcher is interested. In order to obtain our sample size from the population, we had recourse to selected micro and small scale business operators from selected local government in Lagos State, South Western Nigeria and through a random sampling exercise had 10 local government areas selected for the study. We had in these local government areas obtain a sample elements of 100 respondents which also means 10 respondents (i.e. micro and small scale business operators) from each selected local government area through a probabilistic sampling techniques. Our primary data were acquired through the use of questionnaire, personal observation and interview.

3.2 Research Instrument and Technique

The primary instrument used for gathering data for the study is the questionnaire. The questionnaire were designed in open and close ended patterns and administered directly on the operators of the micro and small scale enterprises directly. Furthermore, in order to ensure a reduced possibility of questionnaire missing in transit or misplaced the questionnaires were retrieved in same manner, which they were administered. The data so obtained were presented in tables and analyzed using non-parametric simple percentages and Z - test statistical technique was applied in order to confirm the stated hypotheses.

3.3 Validity and Reliability of Research Instrument

The validity of an instrument refers to the extent to which it measures what was intended to measure. The validity of the scales utilized in this study was assessed for content and construct (convergent) validity. The correlation among the components of the performance scale and correlation among components of the market orientation constructs provide evidence of convergent validity to the extent that they are high, that is they are converged on a common underlying construct. After the survey had been completed the reliability of the scales was further examined by computing their coefficient alpha (Crombach Alpha). All scales were found to exceed a minimum threshold of 0.7 suggested by Nunnally (1978).

3.4 Research Findings and Analysis

In the course of this study 100 questionnaire were distributed to micro and small business operators in their business centers in order to elicit the problems and prospects of small and medium in Nigeria vis-à-vis the efforts of the government on the development of the enterprises. Overall, the contribution was obtained from micro and small business operators' respondents operating within Lagos State, South Western Nigeria. A total of 90 of the questionnaire were returned out of which 85 was found to be valid and useful for our study. This represents 85% which is good enough, as it is reliable and generalizable. The questionnaire was analyzed after which the stated hypotheses were further analyzed for confirmations.

3.5 Research Hypotheses Testing

Our hypothesized statements were tested using the Z - test statistical tool as earlier stated. The tests conducted at 95% confidence interval and 0.05 significant levels. Following the decision rule of accepting or rejecting null hypothesis i.e. if calculated Z is less than the critical value (1.96), we accept, if not we reject, we thus hypothesized as follows;

H₀₁: The phenomenal growth in the number of micro and small enterprises is not due to quest for self employment.

As shown in Table 4.1 (appendix 1), the calculated Z= 14.38 is greater than the critical Z = 1.96. We thereby reject the null hypothesis, in order words; the phenomenal growth in the number of micro and small enterprises is due to quest for self employment well accepted in Nigeria.

H₀₂: Financial constraint is not a serious factor militating against effective management of small and medium enterprise.

In testing this hypothesis, Table 4.2 (appendix 1) was drawn. It was discovered that the calculated Z= 4.18 is greater than the critical Z = 1.96. This therefore made us to reject the stated hypothesis, that is, financial constraint is a serious factor militating against effective management of small and medium enterprise in the Nigeria business environment. This finding was supported by literature and further buttressed in our discussions of findings.

H₀₃: Lack of management skill does not hamper the efficient performance of micro and small enterprise in Nigeria.

Table 4.3 (appendix 1) has proved our stated hypothesis to be wrong by revealing that, the calculated Z= 4.4 is greater than the critical Z = 1.96. at a degree of freedom of 4. In view of this result, we hereby reject the stated hypothesis it thus, means that lack of management skill hampered the efficient performance of micro and small enterprise in Nigeria.

4. Discussion and Conclusions

The result of our research work as regards micro and small enterprises in Nigeria revealed that there has been a phenomenal growth in the number of small and medium ventures for past few years. Accordind to table 4.1, 89.4 percent attributed the phenomenal growth of small and medium enterprise to its profitability while all of them also attributed it to the clamor for self-employment and 80 percent attributed it to its regular patronage. 84.7 percent ascribe it to some other reasons which among other things include; non requirement of expertise knowledge to operate. Non requirement of technical skill through this is necessary the possibility of operation in the absence of infrastructural facilities etc. SMEs, today, represent about 90 percent of firms in the Nigerian industrial sector on numerical basis. This is attributing to profitability of the venture, quest for self- employment, easy to management and high patronage. But the performance and effectiveness of small and medium scale enterprises in Nigeria has been perpetually low despite government institutional and policies support to enhancing the capacity of the enterprises.

The result of the empirical analysis goes to prove that small and medium scale enterprises growth in Nigeria has been prevented by structural and environmental challenges. Fatai (2011) posits that, small and medium scale enterprises in Nigeria have performed at very abysmal level when compared with other countries. This low performance has further exacerbated poverty, hunger unemployment and low standard of living of people in a country whose economics is ailing. Fatai (2011) suggests that the federal government should enhance the capacity of its SMEs in order to achieve her millennium development goals by 2015. Aruwa (2011) as corroborated by our study argued that government has identified the need for the development of Small and Medium Scale Enterprises (SME). One of such sectoral strategies is the introduction and pursuit of policies such as concessionary financing to encourage and strengthen the growth of SMEs in Nigeria. Also, the disbursement of SMIEIS fund have significantly improved the portfolio of funds to SMEs causing absolute increase in total credit by commercial banks from 9.7% (2000) to 32.9% in 2002. In the course of the investigation, we discovered that the problem of establishing small and medium ventures include the lack of capital, operating equipment, poor business environment, the scarcity of accommodation on the other hand, the inherent problem in managing small and medium business ideas, lack of efficient preservation system and poor environmental sanitation lowered the sudden growth of the enterprises in Nigeria.

Table 4.2 revealed that 70.5 percent of the respondents indicate that lack of capital and high cost of procuring operational equipment and facilities are problems militating against the establishment of small and medium enterprise in many states in Nigeria. 11.8 percent indicated costliness of materials while 5.9 percent indicated scarcity and costliness of accommodation. 17.6 percent indicated other problems. These include lack of financial support from the government and financial institutions, seasonal fluctuation in the availability of local goods among others. Lack of capital has been identified as the most serious problems of establishing small and medium enterprise is lack of capital as other problems can be solved with capital. These are in tandem with observations of Onugu (2005) cited in Fatai (2011) that some of the challenges of the SMEs are induced by the operating environment such as (government policy, globalization effects, financial institutions etc) others are functions of the nature and character of SMEs themselves. Fatai (2011) added financial constraints, lack of infrastructural facilities, government unfavorable fiscal and monetary policy inconsistencies, and internal characteristics and problem of SMEs. Then government should make tremendous effort in ensuring that these challenges are tackled. The establishment of support institutions and relief measures, initiation of regulatory and preferential laws and the economic reform putting SMEs at the centre objectives are some of the palliative measures already considered by the government for the development of micro and small scale enterprises in Nigeria.

Conclusively, the phenomenal growth of micro and small scale enterprise is mainly due to the people's quest to be self employed and not because it is easy to establish or manage. The increasing demand for consumer products creates a large market for SMES and this added to improving business environment and government commitment to promoting small and medium business enterprises provided bright future prospects for small and medium enterprise.

Recommendations

Based on the findings of the study, we recommend as follows; that government should re-introduce the small business credit scheme so that beneficiaries can use them to run the micro, small and medium enterprises. Government, chamber of commerce and other non-governmental organization should regularly organize seminars for potential and actual small and medium enterprise operators where they should be educated on how to plan, organize, direct and control their businesses. Micro, small and medium enterprises operators' should device effective marketing strategies. This includes such promotional strategies as advertising, good management customers relations at all times. There should be re-introduction of soft loans for small and medium business by the government and financial institutions. Finally, the quality and quantity of micro, and small scale enterprises products should be high at all times. This will attract more customers. Besides, operators should exploit ways of producing at low costs and selling at relatively low price. This will make demand to be high always.

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APPENDIX 1

Analysis of hypothesis One

Table 4.1: Factors responsible or phenomenal growth of small and medium enterprise

	Factors	Frequency	Percentage
a	It is profitable	76	89.4
b	Married	24	28.2
c	It is cheap to establish and easy to manage	10	11.8
d	It is always patronized	85	100
	Others (specify)	72	84.7
	Total	85	100

Source: Field Survey 2012

From table 4.1, we have

$P = 76 \quad 89.4\% = 0.894$

$P_o = 0.5$

$N = 85$

$$Z = \frac{0.89 - 0.5}{\sqrt{\frac{0.5(1-0.5)}{85}}}$$

$$z = \frac{0.39}{\sqrt{\frac{0.25}{85}}}$$

$$z = 14.38$$

Hypothesis Two

Table 4.2: Problems of setting up Small and Medium Enterprise

	Problems	Frequency	Percentage
a	Lack of capital	45	52.9
B	High cost of procuring operational equipment and facilities	15	17.6
c	Costliness of items	10	11.8
d	Scarcity and costliness accommodation	5	5.9
e	Official requirement	-	-
f	Others (specify)	10	17.6
	Total	85	100

Source: field survey 2012

From table 4.2, we have

$$P = 45 \quad 52.9\% = 0.53$$

$$P_o = 0.5$$

$$N = 85$$

$$Z = \frac{0.52 - 0.5}{\sqrt{\frac{0.5(1-0.5)}{85}}}$$

$$z = 4.18$$

Hypothesis Three

Table 4.3 Problems of Managing Small and Medium Enterprise

	Problems	Frequency	Percentage
a	Inadequate financing financial constraint	85	100
b	Lack of managerial skill	63	74.1
c	Lack of business ideas	65	76.5
d	Poor environmental sanitation	72	84.7
e	Lack of efficient preservation system	52	61.2
f	Others (specify)	73	85.9
	Total	85	100

Source: field survey 2012

From table 4.3, we have

$$P = 63 \quad 74.1\% = 0.74$$

$$P_o = 0.5$$

$$N = 85$$

$$Z = \frac{0.74 - 0.5}{\sqrt{\frac{0.5(1-0.5)}{85}}}$$

$$z = \frac{0.24}{\sqrt{\frac{0.25}{85}}}$$

$$= 4.4$$