



GLOBAL JOURNAL OF HUMAN-SOCIAL SCIENCE: F
POLITICAL SCIENCE

Volume 17 Issue 5 Version 1.0 Year 2017

Type: Double Blind Peer Reviewed International Research Journal

Publisher: Global Journals Inc. (USA)

Online ISSN: 2249-460X & Print ISSN: 0975-587X

Nigerian SME Development and the Unfulfilled Economic Promises of the New Political Era (1999-2015)

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Abstract- SMEs are globally acclaimed as viable drivers of economic prosperity of nations. However, despite successive Nigerian government regimes' supposed efforts to yield similar benefits, much result has not been recorded to justify huge resources expended so far. This paper takes an exploratory approach using empirical evidences to investigate the peculiarity of Nigerian SMEs' backseat status in driving the nation's economy. Related literature was reviewed to iterate the researcher's stance and broaden the views expressed. Findings revealed a plethora of policy summersault characterized by noble policies that have suffered poor implementation. Also, most SME owners set out to make a livelihood than to play significant economic role thus remaining peasant with little or no growth ambitions. Capitalization is another huge stumbling block which is compounded by reluctance of financial institutions to extend credit facilities to SMEs. The paper suggests wholesome government policy recap that offers short, medium and long term development strategies for SME performance and development. Financial institutions should be encouraged to design credit facilities that suit SMEs to offer revolving capitalization for them. Capacity building on basic business management and strategy should also be inculcated in SME owners to enhance performance of their ventures; if they knew better, they'd do better.

Keywords: economic development, SME Performance, SME development.

GJHSS-F Classification: FOR Code: 160699



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Abstract- SMEs are globally acclaimed as viable drivers of economic prosperity of nations. However, despite successive Nigerian government regimes' supposed efforts to yield similar benefits, much result has not been recorded to justify huge resources expended so far. This paper takes an exploratory approach using empirical evidences to investigate the peculiarity of Nigerian SMEs' backseat status in driving the nation's economy. Related literature was reviewed to iterate the researcher's stance and broaden the views expressed. Findings revealed a plethora of policy summersault characterized by noble policies that have suffered poor implementation. Also, most SME owners set out to make a livelihood than to play significant economic role thus remaining peasant with little or no growth ambitions. Capitalization is another huge stumbling block which is compounded by reluctance of financial institutions to extend credit facilities to SMEs. The paper suggests wholesome government policy recap that offers short, medium and long term development strategies for SME performance and development. Financial institutions should be encouraged to design credit facilities that suit SMEs to offer revolving capitalization for them. Capacity building on basic business management and strategy should also be inculcated in SME owners to enhance performance of their ventures; if they knew better, they'd do better.

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1. BACKGROUND TO THE STUDY

Chief Olusegun Obasanjo was the first of the new democratic presidents to come into office in 1999 and he met an economy characterized with low SME development. To spark SME reforms, his government introduced some SME policies; 1. The establishment of a specialized agency for SME development called SMEDAN (the Small and Medium Enterprises Development Agency of Nigeria). 2. The reform of the nation's agriculture bank to make it SME friendly. 3. Central bank directives that banks should make funding SME friendly via the Small and Medium Enterprises Empowerment Scheme (SMEEIS); the first cogent Public Private Partnership on SME development

that drew in commercial banks into the policy frameworks of government.

In the year 2007, Umaru Musa Yar'adua succeeded Obasanjo and introduced plans to bolster the activities of SMEs. The height of his plans was the injection of about 50 billion Naira into the SMEEIS. The plan was short lived as President Yar'adua died in office two years after his inauguration as president.

Dr. Goodluck Ebele Johnathan, vice-president to Umaru Musa Yar'adua, succeeded his boss as President in the year 2010. In his bid to develop SMEs, several development al programmes were introduced including the business grants programmes – Youth Enterprise With Innovation in Nigeria (YOUWIN- a pitching contest programme) and Youth Empowerment in Agriculture Programme (YEAP) and the 220 billion SME Fund that was managed by SMEDAN in 2013.

In the month of April 2015 Jonathan was voted out of office – General Muhammadu Buhari, a four time contestant in the presidential elections of Nigeria eventually defeated President Jonathan to become the fourth president of Nigeria since the country's return to the path of democracy in 1999. A key component of his projected policies (the Change mantra) is the development of SMEs in Nigeria. The new government of Buhari has begun the process of engaging SMEs. In the month of September 2015 the government announced plans to set up a Concessionary Funding Scheme for SMEs. This scheme will provide low cost loans to SMEs in a financially inclusive manner. The government also intends to align its focus on SMEs with those of the Nigerian financial institutions which have the capacity to provide credit to SMEs such as large commercial banks and micro-finance banks that have inbuilt financial inclusion services. These financial institutions are now giving favourable attention to SMEs. However as at the time of writing this paper, the nation has yet seen any coherent result or framework for SME development in Nigeria in spite of all the various initiatives by these four democratic governments. This reflects the position of this study that the SME sector in Nigeria is still underdeveloped and this has stunted real economic growth in the country– even though Nigeria is the biggest economy in Africa with a nominal GDP of over 10 trillionnaira (\$500 Billion) - because the SME sector does not have the capacity to provide jobs. It is

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instructive to note that rather than consolidate the gains achieved by preceding regimes, new regimes always sought self serving policies that conditionally truncated prior efforts. Despite each successive administrations noble policy directions, coherence and continuity coupled with institutionalized corruption and gross administrative mismanagement made it almost impossible for significant impact of these policies

II. REVIEW OF RELATED LITERATURE

To create a perspective frame of reference that suite objectives of this presentation, the Strategic Enhancement Theory and the Stages Model of Business Growth are adopted.

The Small Businesses Enhancement Theory: Postulates the necessity for government intervention in the SME sector (it is inseparably synonymous with the term Strategic-Planning) for the sake of the strategic-enhancement of both the internal and external aspects of the business environments in which small businesses operate. It is a concept that has been severally proposed in the works of such authors as Obadan (2006), Mosk (2010), Iqbal (2015), Gray, (1997), Katuse (2015), Eze & Okpala (2013), Etuk et.al (2014), Cooke & Willis (1999), Obadan (1999), The Government of Sri Lanka (2015), World Bank (2001), World Bank (2006), World Bank (2013), World Bank (2015).

Strategic-Enhancement is necessary for SME sector growth which will come after requisite macro-level strategy has been applied. As the Government of Montenegro points out in its Strategy-Publication: 'Strategy for the Development of SMEs -2011-2015', government must intervene in the SME sector by boosting the business environment with adequate inputs and incentives which optimize the process of business – such as providing incubators for small business and providing policies that aid access to finance. This boost is what lays the foundations for innovation and growth as is supported and corroborated by the works of Mosk, 2010; Iqbal, 2015; Gray, 1997).

The Stages of Business Growth Theory: Which is a model of business performance measurement that uses a biological-analogy which considers MSMEs to be the embryos of formidable and sustainable businesses of the future. This theory has its origins in the works of classical and notable economists like Marshall (1890), Penrose (1952), and (1959) and Rostow (1960). These authors applied an analogy of biological-growth to economic analysis. They influenced a plethora of business theorists who include the following: Collins et al. (1964), Buchele (1967), Downs (1967), Lippitt & Schmidt (1967) and Steinmetz (1969). These business theorists in turn influenced a huge plethora of SME theorists and researchers who applied the Stages of Growth model to the analysis of business performance. Their locus is that organically good businesses must

begin from an embryonic small business stage. The theorists they influenced this line of thought include: Scott (1971), Greiner (1972), Kroeger (1974), Torbert (1974), Lyden (1975), McGuire (1976), Thompson (1976), Hosmer et al. (1977), Parks (1977a, 1977b), Gervais (1978), Katz & Kahn (1978), Adizes (1979), Kimberly (1979), Vozikis & Glueck (1980), Naoum (1981), Galbraith (1982), Perry (1982), Churchill & Lewis (1983), Quinn & Cameron (1983), Miller & Friesen (1984a, 1984b), Vargas (1984), Smith et al. (1985), Flamholtz (1986), Scott & Bruce (1987), Kazanjian (1988), Adizes (1989), Kazanjian & Drazin (1989), Hanks (1990a, 1990b), Kazanjian & Drazin (1990), Hanks et al. (1991), Dodge & Robbins (1992), Hanks & Chandler (1992), Terpstra & Olson (1993) and Dodge et al. (1994).

III. EMPIRICAL REVIEW

The Nassarawa based study of SMEs in Nigeria by Kazeem et.al (2015) is a high point in the empiric-referential frame of the proposed study. This study (by Kazeem et.al) and those of Salau et.al (2015), which is also a Nassarawa based study of SMEs, bolsters this work in no small way. These two studies provided an empirical basis for the research stance been proposed for this study, particularly the view that weak government intervention hampers the growth of SMEs in Nigeria and consequently reduces their capacity to create jobs. Furthermore, these two empirical studies provide concrete quantitative data about government's engagement with SMEs in Nassarawa state. Their works toe the same line of empirical evidence as can be found in other works used in this study such as those of Etuk et.al (2014) and Eze & Okpala (2014); these works buttress those by Kazeem et.al (2015) and Salau et.al (2015).

Iqbal (2015) gives a quantitative and comprehensive account of SME growth in South-East Asia (the region of the Asian Tigers of the 1980s and 1990s), the Indian sub-continent and the rest of the world. He also explains the coherent frameworks by which governments in South-East Asia and the Indian sub-continent developed SMEs. He suggests that since there was an absence of advantageous natural resources such as oil in most of these countries, these governments were compelled to make SME development a resounding success. Iqbal (2015) also gives us a historical account of SMEs and their contribution to the global economy since the time of medieval-antiquity. He then goes on to provide an empirically based typology of SME definitions that emanates from official, professional, academic and institutional perspectives on SMEs from all over the world.

The Economic Intelligence Unit in a special Report on Japan- sponsored by the Microsoft

Corporation (2010) attributes a 99 percent SME domination in Japan to favourable government policies that dates back to the pre-war period of the country's economic history. The Japanese SME model is included in this study as an example of how governments ought to engage SMEs. This account by The Economist (2015) is validated by the works of Mosk (2010) and Obadan & Agba (2003).

Effudoh(2015) in his Seminal work: 'The Economic Development of Nigeria- From 1914 to 2014(2015)' provides us with concrete, updated and extensive facts about economics in Nigeria, which is germane to our studies. His work also has a historical depth that is an extension to another earlier seminal work by Ekundare (1973: An Economic History of Nigeria- 1860 to 1960). Ekundare's work takes us further back into the pre-colonial era when the conquest for Nigeria begun and the arrival of the white man and western capitalism on the shores of Nigeria. Their works have a corroborative validity to those of Afolabi (1993), Kemp (1989), Ajao (1999), Wraith (1967) and Achebe (1984).

The following authors (stated below) also provided further and extensive empirical grounding to the work, with relevant data as to small business operation in Nigeria and the Globe, the impact of Globalization on SMEs in developing countries – Nigeria not excluded and the impact of government intervention on SME growth worldwide. These authors are as follows: Achebe, 1984; Aremu,2011; Aina, 2006; Adubi, 2002; Bradley et.al, 2003; Cooke, 2004; Eniola & Ektebang, 2014; 2015; Harvie et.al 2010; Liedholm & Mead,1987; Nzelibe , 1981; Ogwuma, 1995; Prieto & Revilla, 2006; Schubert, 1987).

In addition to these works, more valid and sound empirical data obtained from Wikipedia, TradingEconomics, and The National Bureau for Statistics (Nigeria), the CIA World Fact Book and the British Institute for Safety and Health corroborate the salient issues addressed by this research. Also highly authoritative research data from such multinational institutions as the UNDP, IBRD, IFC, OECD and the EU gives a solid empirical grounding to this study that makes the factuality of claims and assertions thorough, comprehensive and definite.

IV. RESEARCH METHODOLOGY

This research applies the use of deduction from secondary sources of information that are thoroughly composed works about the SME sector in Nigeria. This method is justified by the fact that these works have been accepted and published in reputable foreign and local Journals and Reviews. In addition to that other forms of literature were consulted to give the work more depth. These include works from Global Information sites and News sites. This research also uses a fluid

synthesis of these works to arrive at conclusions and positions, the rationale for that being the intention of achieving brevity without interlarding the work with unnecessary detail.

V. SUMMARY OF MAJOR FINDINGS

The materials used in this study – which have been stated in the review section, used empirical and quantitative approaches to give these unanimous findings stated here below.

These findings are as follows:

1. Over 70 percent of the SMEs in Nigeria are in the informal sector.
2. Because most Nigerian SMEs are in the informal sector, there is an information-gap between government and most Nigerian SMEs. The Nigerian informal sector being a highly neglected sector.
3. This information-gap which is being caused by the dearth of public data on informal sector SMEs exposes most Nigerian SMEs to certain weaknesses.
4. These weaknesses are as follows – a. the inability to gain access to credit for business b. the inability to gain access to business incubation programmes c. the inability to gain access to many business competencies that exceed the SMEs' ability to acquire –such as tax advisory, legal registration, business management advice etc.
5. The overwhelming cause for this situation above has to do with weak institutional frameworks in the country that have the responsibility to develop the SME sector. Multiple SME initiatives and agencies exist and they have not bridged the information gap by going out of their institutional comfort zones to meet these SMEs directly.

VI. CONCLUSION

Government is a continuum and should begin to formulate long term policies and strategies that genuinely prioritize SMEs development. There is an imperative need to overhaul the institutional frameworks for the development of SMEs in Nigeria such that strategic efforts are concerted towards breeding economically vibrant SMEs that propel the nation towards economic prosperity, assures equitable distribution of wealth, eradicates poverty and empowers the citizenry.

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