

## **TECHNIQUES FOR RE-POSITIONING SMALL AND MEDIUM SCALE BUSINESS ENTERPRISES IN NIGERIA FOR ECONOMY REVITALIZATION**

**Dr. O. U. Ukpong<sup>1</sup> and Mrs. Theresa Eyo Edet<sup>2</sup>**

<sup>1</sup>Department of Vocational Education, University of Uyo, Uyo, Akwa Ibom State, Nigeria

<sup>2</sup>School of Maritime Studies, Maritime Academy of Nigeria, Oron, Akwa Ibom State, Nigeria.

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**ABSTRACT:** *This paper highlighted techniques for re-positioning small and medium scale business enterprises in Nigeria for economy revitalization. Small and medium business enterprises are the engine of growth and development of a nation. SMEs contribute to industrial development; promote growth, technological acquisition and reduction of unemployment. The paper also highlights techniques for re-positioning Small and Medium Scale business enterprises in Nigeria for economy revitalization. Financial problems, inadequate basic infrastructure, socio-cultural problems, planning problems, location/economic problems, poor accounting system: multiple taxation and unstable policy environment are the major problems militating against the success of SMEs. It was recommended among others that there should be a practical effort in encouraging SMEs to access long-term, low rate funds from the capital market. Incentives should be given in the form of tax holidays and awards to SMEs that excel in using the capital market as an avenue of external funding and the government should continue to make SMEs a central focus of industrial policy in order to achieve economic growth and development. The monetary and fiscal policies should be made to incorporate good framework that would enhance the activities of SMEs towards development and sustenance.*

**KEYWORDS:** Small and Medium, Enterprise, Strategies, Re-positioning, Challenges, Economy.

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### **INTRODUCTION**

Small and medium scale business enterprises have a good potential for growth and development. The superiority of small and medium enterprises industrialization strategy in promoting economic growth is generally accepted. As a result, a positive correlation between the emergence of an active small and medium industrial sector and the commencement of paid economic growth and development can always be established. According to Okorie and Ibegbulem (2014), Small and medium enterprises play a dominant role in dictating the pace of growth in rural Nigeria economy given an enabling environment. Such industries maintain a very strong and ubiquitous presence in rural economy.

Small and medium scale business enterprises (SMEs) have continued to be a popular phrase in the business world, and thus occupy a place of pride in virtually every country. This is because of the significant role Small and Medium scale Enterprises (SMEs) play as the mainstay of the economic activities in terms of employment generation, national growth, poverty reduction and economic development of global economies including Nigeria (Justin, 2014). Records have shown that SMEs have in many countries provided the mechanism for stimulating private ownership and entrepreneurial skills, enhancing greater employment opportunities per unit of capital invested and aiding the development of local technology (Ekpo, 2010). Supporting the

view above SMEs are the pivot of economic growth and first point of contact for the business world. (SMEs) help to mobilize savings for investment and promote the use of local raw materials. Nations have been supporting large scale projects and large companies, which is a good policy but not enough for maximum development of the nations. Small and Medium scale Enterprises spring up in towns and cities almost on a daily basis. No sooner are they established that they fold up mostly within the first few years of operation. Several problems limit the growth, survival and hence effective contribution of SMEs to the economic growth of Nigeria. Small and medium enterprises play key roles in moving rural development forward

### **Concepts of Small and Medium Scale Business Enterprise**

Several definitions and meanings of small and medium scale business enterprise exist. This is due to their global diversity and characteristics. Akande and Ojukuku (2008) affirmed that a single universally accepted definition of SMEs has not been easy as different countries have different criteria for defining small and medium business enterprise. Adding that many countries have defined it in terms of manpower, management structure and capital investment limit. He further noted that experts in this field have also contributed to the diversity in SMEs definitions. One crucial thing to note about small and medium business enterprise definition is that certain criteria have been used to define what SMEs stands for most especially according to countries, sizes and sectors. Emmanuel and Daniya (2012) explains that the main reason why small and medium business enterprise definition varies particularly from industry to industry; county to country; size to size and number of employee to number of employee is to reflect industry, country, size and employment differences accurately. Manai (2011) viewed SMEs in terms of employment, asset value and dollar sales. According to Ibrahim (2011), Small and Medium Enterprise (SME) represent a business and not a public limited company.

With regard to small businesses, several definitions of small businesses have been advanced over the years. Kolawole (2008) observed Small and Medium Enterprises (SMEs) as an enterprise with a labour size of 11-100 employees or a total cost of not less than N50 million, including working capital but excluding cost of land. The Nigerian industrial policy defined SMEs as industries with total investment of between N100, 000 and N2 million, exclusive of land but including working capital. One of the most popular definitions of SMEs is given by the American Small Business Administration (SBA) as that business or firm which is independently owned and operated; it is not dominant in its field and meets the criteria for the SME business administration sponsored loans programme (Ogundele, 2007).

### **Economic Benefits of Small and Medium Scale Business Enterprise in Nigeria**

**Even Development:** Because small and medium enterprise can easily be located in rural areas as they can survive on rudimentary industrial infrastructure, they serve as major facilitators for industrial spread and rural development, thus helping in mitigating rural-urban drift.

**Industrial Development:** Generally, small and medium enterprise has short-term gestation periods and high potentials for quick yield on investment.

**Improvement of Rural Infrastructure and the Living Standard of the People:** when small and medium enterprises are cited in rural areas, they help to improve rural infrastructure and the living standard of the people. They help to attract electricity, road, and telecommunications facilities to the host communities and also create linkage businesses that can improve their earning power of rural dwellers.

**Promoting Growth:** The very nature small and medium enterprise is such that it is propelled by rudimentary economic activities which depend mostly on locally sourced materials. This place it in a position to achieve high value added operations. This is a key role in the growth and development of rural Nigeria.

**Employment Creation:** Small and medium enterprises usually create more employment per unit of investment because of their labour intensive nature. They have helped in solving the unemployment problem of many countries.

**Technological Acquisition:** Small and medium enterprises provide opportunities for the development of local skills and technology acquisition through adaptation. The “Aba Made” syndrome is a clear manifestation of such technological acquisition that gives impetus to rapid rural development in the economy.

**Poverty Alleviation:** Small and medium enterprises help to reduce poverty and inequality in the rural Nigeria. The nature of small and medium enterprise allows the employment of both skilled and unskilled labour force. It enhances the earning capacity of citizens thereby reducing poverty and inequality gaps. This is an important role in any economic development process in rural Nigeria.

### **Techniques for Re-positioning Small and Medium Scale Business Enterprises in Nigeria for Economy Revitalization.**

A number of new initiatives and measures have been taken at promoting the growth of SMEs in Nigeria. These include:

**i. The Establishment of National Economic Reconstruction and Fund (NERFUND):** This fund was established to give loans to small enterprises that fulfilled certain conditions through the participating commercial, merchant and development banks. The NERFUND by all intents and purposes is to plug the finance gap in small scale enterprises development in Nigeria. There is no doubt that if the programme of NERFUND is carefully implemented, it is capable of launching Nigeria into the path of self- sustaining industrial growth.

**ii. Use of Monetary and Credit Policies:** The most significant change in credit policies in favour of SMES is the directive given to banks that they must allocate 16% of their loans and advances in favour of SMES and that any banks that default will be sanctioned. This directive seems to have produced very encouraging results. Not only have the returns on small scale enterprises improved significantly, there appears to have been a favourable shift in the distribution of commercial banks loans and advances with the ration of actual loans and advances of SMES subsector crossing the 20% level.

**iii. Small Scale Enterprises Loan Facility:** The small scale enterprises loan facility is designed to boost the performance of SMES. Among others the facility is aimed at providing an alternative and more flexible source of long- term funds for developing new SMES as well as rehabilitating the existing ones. To qualify, the beneficiaries must contribute a minimum of 25% of the projects capital cost in equity or internally generated resources.

**iv. Fiscal Incentives:** Various fiscal incentives consisting of tax holidays under the pioneer industries scheme, accelerated depreciation, duty draw back scheme, duty exemption and tariff protection for the domestic market are directed essentially at industrial promotion of SMES.

**v. The Role of the Bank of Industry (BOI):** The NBCI was established with the sole aim of assisting the SMES not only in granting them loan facilities but also in Entrepreneurship Development Programme (EDP). The EDP was founded on the recognition that mere fiscal policies and financial incentives alone are not enough to accelerate the development of SMES, the operators of the enterprises should be exposed to EDP. The objectives of EDP include the creation of awareness for self development and utilization of skilled people through the creation of employment generating industries.

**vi. Second-Tier Securities Market (SSM):** The second- Tier securities Market was established as an avenue for SMES to raise long term funds through equity financing instead of depending on borrowed funds. Certain conditions are stipulated for SMES to benefits from this gesture.

### **vii. International Collaborative Partnering for Project Development**

It is a generally accepted fact that for an economy to grow and develop, and for the industries in such an economy to be globally competitive, the economy should not be a closed system. It must be dynamic and open to external contribution, as no single system is self-sufficient in its entirety (Christopher and Adepoju, 2012). The subject matter of partnership for project development in SMEs business of Nigeria becomes relevant as a way of re-positioning these businesses. The positive history of Asian Tiger, today, could conveniently be traced to the foreign inputs in various forms stocked in those countries enterprises some year ago. As pointed out by Adeleke (2003) one of the major ways to reposition SMEs in Nigeria for global competitiveness is to embark on international partnering for project development. This requires going beyond the shores of the nation to seek out for partners in various forms. The partner's assistance could come inform of investment, technical assistance, supply of raw materials, machinery and other inputs. In fact, the partners could ensure the placement of the finished products on the international market for global competitiveness.

### **Challenges of Small and Medium Scale Business Enterprises (SMEs) in Nigeria**

**Financial Problems:** About 80% of Small and medium scale business enterprises are stifled because of poor financing and other associated problems. The problem of financing SMEs is not so much the sources of funds but its accessibility. Factors identified inhibiting funds accessibility are the stringent conditions set by financial institutions, lack of adequate collateral and credit information and cost of accessing funds.

**Inadequate Basic Infrastructure:** Government has not done enough to create the best conducive environment for the striving of SMEs, the problem of infrastructures ranges from shortage of water supply, inadequate transport systems, lack of electricity to improper solid waste management. Nigeria's underdeveloped physical and social infrastructures create a binding constraint to SMEs growth, since; they heavily rely on the inefficiently provided state infrastructures and cannot afford the cost of developing alternatives.

**Socio-Cultural Problems:** Most Nigerian Entrepreneurs do not have the investment culture of ploughing back profits. Bala (2002) stressed that the attitude of a typical Nigerian entrepreneur is to invest today and reap tomorrow. Also, the socio-political ambitions of some entrepreneurs may lead to the diversion of valuable funds and energy from business to social waste. The problem of bias against made in Nigeria goods is significant. Most Nigerians have developed a high propensity for the consumption of foreign goods as against their locally made substitutes.

**Planning Problems:** Small and Medium Enterprises often do not carry out proper strategic planning in their operations. Ojiako (2000) stated that one problem of SMEs is lack of strategic planning. Sound planning is a necessary input to a sound decision-making.

**Location/Economic Problems:** Market stores are dominated by absentee landlords who charge exorbitant rates. The ownership of market stores by politicians is crowding real small-scale operators out of the market. The high rents charged by store owners on good locations have forced real small-scale operators into the streets or at best into accessible places (Osamwonyi, 2005). Also, domestic economic problems of deregulation and removal of protection as well as the global financial crisis have been detrimental to SMEs.

**Poor Accounting System:** The accounting system of most SMEs lack standards hence, no proper assessment of their performances. This creates opportunity for mismanagement and eventually leads to the downfall of the establishment.

**Multiple taxation:** This has become a major problem especially given the role of tax consultants and agents hired by local governments. They are often crude in their operation, excessive in their assessment and destructive in their relationship with the production process. They tax everything in their bid to generate revenue without considering the net effect to household incomes and employment.

**Unstable policy environment:** Instability in government policies have caused some SMEs to collapse. One of such policies is that of the 1980s when government specified that cocoa should not be exported in raw or unprocessed form after a specified deadline. Many SMEs had to import machineries only for government to reverse this policy. This negatively affected so many SMEs in the cocoa industry.

## CONCLUSION

Small and medium scale enterprises (SMEs) are generally regarded as the engine of economic growth and equitable development in developing economies. Small and medium scale business enterprises (SMEs) enhance capacity building as they serve as entrepreneurial training avenues; they create more employment opportunities per unit of investment because of their labour intensive operations; they achieve a much more relative high value added operations because they are propelled by basic economic activities that depend mostly on locally sourced raw materials; they provide feeder industry services as they serve as major suppliers of intermediate goods and components to large-scale industries as well as major agents for the distribution of final products of such industries; they provide opportunities for the development of local skills and technology acquisition through adaptation.

## RECOMMENDATIONS

- i. There should be a practical effort in encouraging SMEs to access long-term, low rate funds from the capital market. Incentives should be given in the form of tax holidays and awards to SMEs that excel in using the capital market as an avenue of external funding.
- ii. The government should continue to make SMEs a central focus of industrial policy in order to achieve economic growth and development. The monetary and fiscal policies

should be made to incorporate good framework that would enhance the activities of SMEs towards development and sustenance.

- iii. There is a greater need on the part of the government to improve on the current state of infrastructural facilities to considerably reduce the high operating costs of businesses in the country, which are beyond the reach of the Small Medium Enterprises. This reduction in operating costs would enable these enterprises to survive and contribute their quota to economic development.
- iv. The government should set up a monitoring mechanism to facilitate and ensure strict compliance by financial institutions towards adequate financing of SMEs. The guidelines for financial assistance to the SMEs on the part of the financial institutions should be made known to all parties to further safeguard transparency.
- v. Governments should pay a serious attention to fight the scourge of corruption plaguing all facets of Nigerian lives and provide a level playing field for SMEs.
- vi. In addition to providing financial assistance to SMEs, all the government agencies and parastatals such as SMEEIS, SEDAN, e.t.c., should also organize regular workshops to enhance the managerial ability of the managers and employees of SMEs.

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