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AN EVALUATION OF THE IMPACT OF SMALL AND MEDIUM ENTERPRISES (SMES) DEVELOPMENT ON ECONOMIC GROWTH IN NIGERIA

Lyndon M. Etale (PhD, FCA) and Opinion Bibiere Light
Department of Accounting, Faculty of Management Sciences, Niger Delta University, Wilberforce Island, Bayelsa State, Nigeria

ABSTRACT: *This study evaluated the impact of small and medium enterprises development on economic growth in Nigeria. The study used aggregate asset base and aggregate capitalization of SMEs as the independent variables, while gross domestic product (proxy for economic growth) was adopted as the dependent variable. Secondary time series data were collected from the Central Bank of Nigeria Statistical Bulletin 2018, National Bureau of Statistics 2018, and National Survey of Micro Small and Medium Enterprises (MSMEs) 2013 & 2017 conducted by the Small & Medium Enterprise Development Agency of Nigeria (SMEDAN) for the period 2000 to 2018. Descriptive statistics and multiple regression analysis based on the OLS technique (with the aid of SPSS version 19) were employed as methods for data analysis. The findings show that the aggregate asset base and aggregate capitalization of SMEs have little or no significant effect on the GDP. It was also discovered that there exists a long-run relationship among the variables even though the overall regression model was not statistically significant at 5%. It was recommended amongst others that more efforts should be put in place by Government to gather enough information on SMEs through the responsible. The Federal and /State Ministries of Industry in collaboration with SMEDAN should work out strategies for reporting the operations of SMEs in Nigeria, highlighting the asset base and aggregate capitalization of the sector and put in places policies to resuscitate the sector.*

KEYWORDS: asset base, capitalization, economic growth, Small and Medium Enterprises

INTRODUCTION

Small and medium enterprises (SMEs) are common in every developing or developed economies as they are one of the major drivers of economic development both at the rural and urban areas. Thus, governments are on a daily basis trying to develop the SME sector in an attempt to spur economic development which could be through providing the enabling environment for SMEs to thrive, or providing the incentives necessary for the growth of the sector.

Accordingly, Ilegbinosa and Jumbo (2015) posited that the creation, growth, advancement as well as development of Small and Medium Scale Enterprises (SMEs) have provided evidence essential to the growth and development of many countries; particularly the developed and some developing nations like United States of America, China and India. In such countries, SMEs consist of over 98 per cent of the entire businesses and play a part in more than 65 per cent of employment opportunities (Deen, 2003). Globally, SMEs contribute over 50 per cent to the Gross Domestic Product (GDP) in developed countries. SMEs have remarkable effect on the economies of some European, American and Asian nations that successfully adopted and adapted it. In the U.S.A, SMEs formed over 50 per cent of the non-farm private GDP as

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well as generated 75 per cent new jobs in the economy. By the end of 2008, it was estimated that the US economy has an estimated population of 300 million, which was sustained by about 6 million businesses. Among these businesses, 27% employ less than 20 persons, 22% employ less than 50 persons while about 18% employ less than 100 persons (World Bank, 2001). In addition, SMEs also constitute 95 per cent of registered businesses in the world; particularly in the European Union, SMEs constituted 99.8 per cent of all businesses as well as employing around 76 million people which represents around 67.4 per cent of total employment in 2010 (Canetti, 2003). Consequently, it became obvious that SMEs have been mainly recognized as the spine of the economy as well as play an important role to create employment opportunities, improve value of human resources, develop a philosophy of entrepreneurship, supports large scale industries as well as set-up new business opportunities (Boniface, 2006).

According to Ikpor, Nnabu and Itumo (2017), the prevailing economic condition of 1970s and early 1980s in Nigeria was responsible for the adoption of industrialization strategies based on large scale production. This derives from the fact that numerous large scale industries were set up during the rehabilitation programme of the post-war era of 1970s. These industries were capital intensive and required the importation of heavy machines and technical manpower to man these capitals. These unchecked importations asserted negative impact on foreign exchange earnings in Nigeria. However, due to the inherent problems associated to the poor performances of the large scale enterprises in Nigeria, it becomes imperative for government to device a means to promote and propagate small and medium scale enterprises (SMEs) as a panacea to achieve self-reliant and sustainable economic growth within the country. This was embedded in the third National development plan which clearly specified the development and promotion of small scale industries as a strategy for job creation. Small and medium enterprises have been identified to be pivotal for sustainable growth of the economies of many countries (Ariyo, 2005). He further notes that it is expected to create jobs at relatively low capital, enhances the production of goods and services, reduces the level of inequality, and bolster the growth of human capital required for future industrialization.

Most of the developed economies have recognized the role of SMEs in industrial restructuring and went further to formulate and adopt national financial policies for the growth of SME (Ikpor et al, 2017). However, the relevance of SMEs in solving the macroeconomic problems is hampered by the absence of adequate capital, inability to access fund from financial agencies (Schneider, 2002). More so, the high cost of borrowing and inaccessibility of funds have remained serious factors inhibiting availability of fund, thus resulting to the early death of small and medium scale enterprises (Mambula, 2002). The unavailability of credit has been identified as a challenge bedeviling the performance of business enterprises particularly the SMEs in Nigeria. Previous studies on Nigeria have identified source of formal and informal finance available to SMEs (Gelinas, 1998 and Aruwa, 2004). They posited that development banks as well as commercial banks are the major sources of formal funds for SMEs. The findings also identified loans from cooperative societies, relatives and friends as informal credit at the disposal of SMEs in Nigeria.

Nigeria’s government has been keen in developing SMEs as such, many micro finance agencies have been set up to promote the growth of SMEs in Nigeria. According to Ikpor et al (2017), In 1962, Nigerian Industrial Development Bank (NIDB) was established while Rural Banking Initiative (RBI) was set up 1977. Also set up were Agricultural Credit Guarantee Scheme Fund

(ACGSF) and Nigerian Agricultural Cooperative Bank to enhance lending to agriculture and SMEs. In order to cushion off the negative impact of structural adjustment programmes in mid-1980s, government set up National Economic Reconstruction Fund (NERFUND) to give SMEs a concessionary long-term loan of five to ten (5 – 10) years (Ogujiuba, Ohuche, & Adenuga, 2004). Within the period of 1990 to 1998, 214 small and medium scale enterprises received a total intervention of US$144.9 million. By 1978 and 2011, the ACGSF provided total loan to the tune of ₦43.12 billion to 701,000 SMEs. In addition, to complement the indigenous financing of SMEs, government secured World Bank loan to the tune of US$270 which was given to SMEs through participating commercial banks in the country. To further boost the source of finance to SMEs, government in 1991 set up community banking scheme to enhance rural development and to provide start-up capital to smallholders. Also, the people's bank and Family Economic Advancement Programme (FEAP) were established in 1997. In 2002, government merged the NERFUND and NIDB to Bank of Industry to provide loan at interest rate of 10 percent to the industrial sector and SMEs.

Thus it could be said that Nigerian government has been putting efforts towards the development of SMEs for a long time. Apart from the foregoing, Ogujiuba et al (2004) also stated that the Central Bank of Nigeria established a number of SME-financing schemes to encourage the growth of SMEs in Nigeria. For instance, in 2002, Refinancing and Rediscounting Facility scheme was set up at concessionary rate to provide temporary relief to banks that provide loans for long-term production. In the same year CBN and Bankers' Committee also established Small and Medium Industries Equity Investment Scheme (SMIEIS) which mandated commercial banks to earmark 10 percent of their profit-before-tax annually for financing of small and medium scale enterprises.

Many other intervention schemes were established to provide long term or specialized funds for the promotion of SMEs in Nigeria. According to Ikpor et al (2017), these include Microfinance Initiative (MFI) set up in 2005. In 2010, CBN in her quest to provide adequate fund for SMEs set up ₦200 billion intervention funds to finance SMEs that engaged in manufacturing. Also, ₦300 billion airline and off grid power fund were earmarked to support SMEs clusters. Of recent, the establishment of NIRSAL Micro-finance bank for SMEs is a major booster to SMEs activities in the country. However, these projects were characterized by non-repayment of loans and failure to achieve the stated objectives. This is because the policies were fostered by government in form of credit allocation, subsidies and interest ceilings. These may have led to deterioration of credit available to SMEs in Nigeria. In order to cushion the effect of Covid-19 Pandemic that bedeviled the world in 2020 which by extension has caused global hardship on SMEs, the federal government through the CBN introduced a ₦50 billion Targeted Credit Facility (TCF) as a stimulus package to support households and micro, small and medium enterprises (MSMEs) that are affected by the coronavirus pandemic.

It is worrisome that the challenges of SMEs continue to prevail in spite of the government's efforts and interventions designed to promote their contribution to economic growth (Onugu 2005 & Ogechukwu 2006). The sector is still characterized with a lot of challenges which include reluctance of banks to grant loans to SMEs due to unavailability of reliable information on borrowers, poor book keeping, poor accounting standard and low transparency of operations, lack of discipline in the use of credit facilities, the perception of the SME sector as risky, and difficulties in enforcing loan contracts, high rates of loan diversion, inability to carry out feasibility studies and absence of collateral security (Ogujiuba, et. al., 2004). These challenges are associated to the environmental factors and the characteristics of the small and medium scale industries (Onugu, 2005).

It is really discouraging to see that SMEs in Nigeria are still being faced with several challenges that impedes their survival on daily basis. This according to Ikpor et al (2017) is reflected by the prevailing decline in standard of living, low per capita income and high rate of unemployment. Even as discussed above, it shows that SMEs development the world over has positive impact on development though several challenges are eminent. It is on this background that this paper evaluates the impact of SMEs development on Economic growth in Nigeria.

REVIEW OF RELATED LITERATURE

Conceptualizing Small and Medium Scale Enterprises

The notion of small and medium enterprises (SME) was introduced into the development landscape as early as the late 1940s, and the primary aim was to improve trade and industrialization in the present developed nations (OECD, 2004). The definitions of SME are usually derived in each country, based on the role of SME in the economy, policies and programs designed by particular agencies or institutions empowered to develop SME. For instance, a small business in the developed economies of countries like Japan, Germany and United States of America (USA), may be a medium or large-scaled business in a developing economy like Nigeria. Moreover, the definition of SME also varies overtime from agencies or developing institutions to another, depending on their policy focus (Etuk, Etuk & Michael, 2014).

According to Ikpor, Nnadu and Itumo (2017), Small and medium enterprises (SMEs) are different kind of firms that could be found in different business activities across the country. They include artisans producing local agricultural implements, the coffee shop owners, tailor shop owners, iron fabricators, road side mechanics, small transport firm, the internet café, small engineering or software firm and a medium-sized automotive parts manufacturer. Some of the SMEs produce for domestic market or for foreign markets. They can be found in rural, urban, regional, national or international level and the owners may be poor or rich.

There is no universally accepted classification of small and medium scale enterprises (SMEs). The definition differs across countries. This is due to the difference in socio-economic factors across the countries (as explained by Etuk et al, 2014 above). For instance, Nigerian Small and Medium Industries Equity Investment Scheme (SMIEIS) of 1998, regarded SMES as enterprises that has a total capital outlay between ₦1.5million to ₦200 million. This includes the working capital but excluding cost of land. To Nigeria's national Council on Industry; SME is seen as an enterprise that employed at least 10 and a maximum of 300 employees (Udechukwu, 2003).

Ikpor et al (2014) also notes that the European Union defines SMEs as an enterprise that has not more than two hundred and fifty employees and total turnover of not more than €50 million. It also maintained that the share of the enterprise in another enterprise(s) should not be more than 25 percent. According to World Bank (2006), medium enterprise is an enterprise which employs a maximum of 300 employees with a maximum of 15 million dollars annual turnover. World Bank went further to say that small enterprise consists of less than fifty employees with annual turnover of not more than $3 million. Therefore, it referred to small-enterprises as firms who employed a maximum of 10 persons with annual turnover of $100,000 dollars.

Etuk et al (2014) states that in line with the federal government budget of 1990, SMEs are defined as business enterprises having maximum turnover of ₦500,000 per annum. It also defined it as firms with capital outlay of not more than two million naira or total of five million naira including cost of the landed property. Therefore, the term SMEs is relative and mainly determined by the nature of business activities and geographical locations of the firms (Umar, 1997). The SME sector comprises very different types of businesses across a wide range of economic sectors. There are essentially two categories: those that are growth-oriented, and those small and micro enterprises that operate at the subsistence level to provide employment and income mainly for their owners and a relatively small number of external employees. Subsistence enterprises represent the vast majority of SMEs in developing countries. On the other hand, the growth-oriented type is innovative type of businesses which usually operate in growing markets, as well as businesses that are efficiency-oriented and/or network-intensive, which tend to grow through acquisitions (Ikpor et al, 2017).

Therefore, from the scholarly definitions of small and medium scale enterprises, it can be deduced that SMEs are enterprises which are relatively small in nature compared to public limited liability companies. Even though in terms of capital and asset base, these can be defined by a country in which a business organisation operates, one thing is sure about SMEs; they are majorly small to medium business enterprises who does not trade at the stock exchange (it does not in any way means that all companies that do not trade in the stock exchange are SMEs) and their role in the economic development of a country (most especially developing economies like Nigeria) cannot be overemphasised as they are commonplace.

In acknowledging the vital role of industrialization in economic growth and development; an efficient strategy requires robust, solid, concentrated and focused emphasis on growth and development of Small and Medium Scale Enterprises (SMEs) (Ikpor et al, 2017). Therefore, SMEs is the means to an end of economic growth (Ako, 2001). Thus, the intention of developing, sustaining and supporting SMEs is to increase their involvement in economic growth in terms of increasing output of goods and services, and improving the lives of the populace. Nonetheless, the obvious philosophy and idea that effectively succeeded in most developed countries has not produced the much impact in the Nigerian economy. This may be as a result of inefficient, insignificant, unimportant and irrelevant roles assigned to this sub sector by Nigeria's macroeconomic policymakers (Ikpor et al, 2017). According to Gunu (2004), the growth, development and sustainability of SMEs, which is essential for the nation's socio-economic growth and development is a key problem facing the Nigerian economy today. Therefore, let's examine the impact of SMEs development on economic growth in Nigeria.

Small and Medium Enterprises (SMEs) Development and Economic Growth in Nigeria

Small and Medium Enterprises (SMEs) are common features of the Nigerian market. Being a developing economy, SMEs are so numerous that even getting the accurate data on them becomes herculean yet, they are the major drivers of the economy as it is easily entered into but its sustainability is always a challenge. The development of SMEs in Nigeria have ripple effect/impact on economic development in so many ways are discussed further below.

According to Etuk et al (2014), SMEs account for a large proportion of the total employment growth in many countries. In such countries, SMEs produce a significant share of their increases in Gross Domestic Product (GDP), while the contributions of larger enterprises tend to remain stable (Asian Development Bank - ADB, 2002). For instance, in the Organisation for Economic Co-operation and Development (OECD) economies, SMEs and micro enterprises account for over 95% of firms, 60-70% of employment, 55% of GDP and generate the lion's share of new employment. In the case of developing economies, the situation is not very different. For instance, in Morocco, 93% of firms are SMEs and account for 38% of production, 33% investment, 30% export and 46% employment. Similarly, in Bangladesh, enterprises of less than 100 employees account for 99% of all firms and 58% employment. Also, in Ecuador, 99% of all private companies have less than 50 employees and account for 55% of employment. According to Tom, Glory and Alfred (2016), SMEs play vital role in the economic development of Nigeria and are known to be the main engine of economic growth and a key factor in promoting private sector development and partnership. SMEs are generally responsible for the availability of goods and services, credits, motivating entrepreneurial spirit and repairs of second handed products. Also, Etuk et al (2014) argued that well-managed and healthy SMEs constitute significant sources of employment opportunities and wealth creation in Nigeria. While the citizens benefit in terms of employment and income, Government also benefits by generating revenue in form of taxes. This can be a strong factor to social stability. It is noteworthy that not all SMEs and microenterprises are in the formal sector; some of them occupy the unofficial labour market, which varies in size from an estimated 4-6% in developed countries to over 50% in developing nations. According to the International Finance Corporation (IFC, 2006), there is a positive relationship between a country's overall level of income and the number of SMEs per 1,000 people. The World Bank's Doing Business reports indicate that a healthy SME sector corresponds with a reduced level of informal or "black market" activities. Thus, managing SME sector to reduce the number of informal business is essential in the Nigerian development project.

SMEs development have far reaching economic developmental impact on the Nigerian economy and leads to increase industrialization of the economy. Accordingly, Etuk et al (2014) argued that SMEs are regarded as the bedrock of industrialization. Because a number of them possess extensive knowledge of resources, as well as demand and supply trends, they constitute the chief supplier of input to larger firms. They also serve as the main customers to the larger firms; provide all sorts of products ranging from food, clothing, recreation, entertainment, healthcare, education, and so forth. They help in economic development through industrial disposal and production of primary and intermediate products. They can also supply the material needs of the larger enterprises. In addition, they provide specialized, and many times, personal services. In summary, SMEs constitute important sources of local supply and service provision to larger corporations. Developing countries represent a huge, largely untapped market for large corporations. By working closely with SMEs, large corporations can develop new customer base that may not be accessible to the traditional distribution networks of these corporations. They further reiterate that SMEs also represent important sources of innovation. They tend to occupy specialized market "niches" and follow competitive strategies that set them apart from other companies. This might include re-engineering products or services to meet market demands, exploring innovative distribution or sales techniques, or developing new and untapped markets.

The development of many small and private enterprises with the associated market competition spur up entrepreneur spirit in many SMEs. This will in turn have significant impact on economic development. This is because entrepreneurship is a vital factor in economic development and social change, since it makes for continuous innovation, and commercialization of innovation and technology. Entrepreneurs are proactive to change. They like competition and are always ahead in the market place. They are change agents and catalyst for transforming resources into new products and services with greater utility and value. All these immensely impact on economic development and growth (Etuk et al, 2014).

Poverty is a major threat to attaining sustainable human and environmental development, as well as the much needed global economic and socio-political stability (SNV & WBSCD, 2007). However, one of the keys to poverty alleviation is an economic growth that is inclusive and reaches majority of the people. According to Sen (1999), the basic thrust of development is to enlarge people’s choices and to create an enabling environment for people to enjoy better standard of living. This can be achieved by improving the performance and sustainability of entrepreneurs and small and medium enterprises, as a backbone to economic activities. Poverty can then be reduced since subsistence enterprises are said to represent the vast majority of SMEs in developing countries. They are known to typically account for more than 90% of all firms outside the agricultural sector - with majority of them being essentially micro-enterprises, employing family members and close relatives. As such, the development of SMEs can be a key instrument in poverty reduction efforts of Nigerian government. Poverty can be reduced directly through their contribution to economic growth, employment and income generation (Etuk et al, 2000).

Furthermore, Etuk et al (2014) argued that SMEs often have a vested interest in community development. Being local, they rely upon communities for their workforce. For the communities, they provide goods and services tailored to local needs and at costs affordable to local people. They are an important source of employment, particularly for low-skilled workers, as well as women and young people, who usually make up the greatest proportion of the unemployed in emerging economies. Their flat management structures mean that their personnel must fulfil multiple roles, which makes them less vulnerable to unemployment during periods of economic downturn. Their small size and flexibility allow them to adjust to local market fluctuations and to weather local market shocks more comfortably. If well established in rural communities, migration to urban centre is often reduced, thus reducing excessive pressure on urban infrastructure.

With the current global scourge of the Coronavirus Pandemic (Covid-19), the SMEs sector is in dire situation which several countries such as the United States of America, Germany, the United Kingdom, etc. roll out plans to inject more resources into the SMEs in order to cushion the effect of a purported recession in the post-Covid-19 era. The Nigerian government also help in seeing to it that SMEs thrive despite the lockdown and gradual opening of the economy. One of the major boost was the announcement of a three-month repayment moratorium for all Trader Moni, Market Moni and Farmer Moni loans. Similar moratorium was given to all Federal Government-funded loans issued by the Bank of Industry, Bank of Agriculture and the

Nigerian Export Import Bank. Furthermore, the federal government through the Central of Nigeria created a ₦50 billion targeted credit facility through NIRSAL Microfinance Bank for households and MSMEs all in the aim of resuscitating the economy through the SMEs which the government believe if left unattended too will lead to high unemployment with its multiplier effect on economic growth and development. Inasmuch as SMEs development is very important to the success of any economy, in Nigeria several challenges impede the development of the sector. These are discussed below.

Challenges to SMEs Development in Nigeria

With much efforts put by the government to see that the SME sector is developed with the aim of reducing unemployment, reduction in social vices and improvement in the living standards of the populace, several challenges bedevils the sector. Ilegbinosa and Jumbo (2015) examines some of the problems SMEs face in Nigeria and are discussed below:

Inadequate Funding: It is a known fact internationally that SMEs are funded by their owners' personal or family savings. Nonetheless, the high level of poverty and consequently low level of savings in Nigeria and other Less Developed Countries have made this source of funding for the establishment, growth and development of new and existing SMEs inactively low. This perhaps explains why most SMEs in Nigeria more often than not start off with inadequate funding and afterward start warming up for shut down if external funds from either the government or financial institution do not come.

Inadequate Infrastructural Facilities: The problem of unstable and unreliable supply of electricity, dilapidated roads, inadequate supply of water for both home and industrial use, inefficient and costly communication system, among others, have for long hindered the growth and development of SMEs in Nigeria. Nearly all SME operating in Nigeria have one or more power generating plants as an alternative source of power supply. The cost of obtaining, maintaining, sustaining and managing such generating plants are more often than not very expensive and this has made cost of production as well as prices of product very expensive, with the latter turning out to be more and more uncompetitive in comparison with the imported equivalent.

Low Capacity Utilization: This is perpetually gotten from the low demand for SMEs products owing to their poor quality as well as exorbitant prices. Therefore, sales as well as profits have remained relatively low leading to poor returns on investment. A study of about 39 SME's performance in Nigeria illustrated that a majority of them operated at between 30%-35% of their established capacity between 1995-1996 with sales and profit volume showing little increase (NCI, 2001).

Poor Planning and Management: Management involves planning, coordination, organization and control of both human and natural resources in an organization to attain its set aims and objectives (Basil, 2005). Therefore, it involves getting things done appropriately and efficiently through people. Nonetheless, a survey of SMEs operating in LDCs showed that owners practically get everything done by themselves without seeking consultation from professionals or experts. This has resulted to incompetence, inefficiency, wastage and under-utilization of resources available to the organization.

Poor Education and Experience: Closely associated to the problem of planning and management is the low level of education and inadequate business experience among SME operators in Nigeria (Alasan & Yakubu, 2011). These have given an explanation for the lack of pioneering, inventive, innovative, dynamic, vibrant and entrepreneurial skills and abilities necessary to effectively confront and tackle issues as they emerge. Human resources therefore, constitute the foundation for wealth of nations (Cosson, 2003).

Raw Material Management and Choice of Appropriate Technology: These are fundamental for growing and developing any business, be it large or small. The difficulty relating to small enterprises is the unavailability of quality and superior raw materials as well as its organization at the suitable price and time (Nigerian Economic Summit Group, 2002). In Nigeria, the majority of these raw materials are not produced in the country but imported. In addition, a general assessment made about domestic or locally made goods is the non-existence of uniformity and standardization in them. The SMEs in agro-allied industries encounter the peculiar difficulty of procurement, maintenance, conservation and storage of materials. Furthermore, the selection of suitable technical knowledge and expertise that would produce superior, quality and standard goods capable of challenging with their international equivalent, as well as meeting both domestic and foreign needs have to be appropriately addressed (Onyinlade, 2005).

Inadequate Conducive and Enabling Environment: The Federal Government fiscal and monetary policies in Nigeria as it relates to business issues have been unpredictable, contradictory, inconsistent and from time to time conflicting (Adebayo, 2003). This has generated a lot of problems for domestic investors as against their foreign participants who have the alternative of making Nigeria a dumping ground for their output. Associated to this is the problem of unlawful taxes (business development tax, business registration tax, business premise tax, sanitation fees, signboard fees, stickers, etc.) most often than not by state and local government agencies (tax force on this or that). As a result of this, SMEs in Nigeria carry out their operations under high cost and unfavourable business environment.
These are many challenges of SMEs development in Nigeria. Let’s look at the efforts towards curtailing the above challenges and development of SMEs in Nigeria.

Efforts towards Developing SMEs in Nigeria
SMEs’ development in Nigeria is not a one-man affair; all hands must be on deck; the government, individuals and organisations (each playing distinct role towards SMEs development). Accordingly, Etuk et al (2014) notes that for SMEs to thrive, favourable institutional frameworks are required. Unfortunately, their needs are often overlooked by policy-makers and legislators, who tend to target larger corporations. Also, they are usually left out when it comes to tax incentives or business subsidies. They suffer more than big companies from the large burden and cost of bureaucracy (World Bank, 2006). Only few SMEs possess the necessary financial or human resources to deal with these. Therefore, according to Etuk et al (2014), government can assist SMEs by:

Implementing inclusive reforms: Governments need to create the necessary enabling frameworks and relax the burden of regulatory measures. Additionally, they can simplify business registration procedures and paperwork to make them cheaper, simpler and speedier.

Providing financial and tax incentives: To encourage SMEs to join the formal sector, governments need to provide tax incentives for SMEs and subsidies similar to those available to large corporations or micro-entrepreneurs, as well as make provisions for start-up funds for SMEs.

Encouraging friendly regulatory environments: Governments should promote public-private partnerships to attract venture capital funds and higher levels of investment, and put in place measures to create investor-friendly environments.

Involving business in identifying necessary reforms: Increasingly, the business voice is being listened to in decisions aimed at effecting change. In several countries, such as Mali and Mozambique, private businesses now participate in identifying the most needed reforms. The culture of bureaucrats telling bureaucrats what's good for business is gradually disappearing.

Export potential: SMEs contribute a large share of manufactured exports in most industrialized East Asian economies like China and India, ranging from 31-56%, than less developed African economies of less than 1% in Tanzania and Malawi, for instance. There is therefore the need to focus on policies that will promote the SMEs export potential to boost economic growth and development.
Etuk et al (2014) also reiterate that apart from government, large corporations can also support the development of a strong and reliable SME sector by:

Building supply chain capacity: The many large corporations that source their supplies from developing countries require reliable suppliers. Large corporations can help SMEs become more viable business partners by providing training in basic skills such as management, bookkeeping, business planning, marketing, distribution, and quality control.

Rationalizing procurement procedures: Many global companies use intermediaries to identify local suppliers. This can add an extra layer of cost to the operation, a financial outlay that rarely goes to the originator of the goods.

Strengthening local distribution networks: SMEs have local knowledge, understand domestic consumer demands, and have access to remote regions. By contracting local SMEs to sell and distribute their products in these markets, large corporations can help strengthen the sales capacity and income of local SMEs.

Improving standards: Global companies are frequently asked about the operations of their suppliers, and thus can offer transparency along their supply chains. Large corporations can help their SME suppliers to comply with international standards such as ISO 14001. Such compliance can enable SMEs to compete in international markets while at the same time improving the overall quality of suppliers to large corporations.

Improving environmental performance: Collectively SMEs have considerable environmental impact. However, given the various challenges with which they are confronted, and the perception that their individual impact is not significant, it is unlikely that environmental concerns will figure high on their business agenda. By engaging with SMEs, assisting them with capacity building, and aiding them with compliance, particularly with environmental standards, large corporations can help SMEs integrate sustainable development thinking into their production processes and operations.

Providing access to financial services: SMEs require greater access to financial services and investment capital. Large corporations have little difficulty securing sizeable bank loans and private investments. At the same time, microfinance, consisting of very small loans, tends to benefit individual entrepreneurs. SMEs fall in between and often struggle to obtain credit and loans, so that personal savings forms the major source of funding for most of them throughout much of the developing world. Many financial institutions in these developing societies are reluctant to fund SMEs because of perceived risks, high transaction costs and similar challenges. Thus loans to SMEs, when they are able to obtain them, tend to carry higher interest rates and shorter pay-back times. However, things may be changing. Many large banks are now partnering with development agencies and NGOs to serve the SME market.

So far, several literatures have been reviewed on the impact of SMEs development on the economic growth of Nigeria. From the literatures reviewed, it was observed that most of the studies either uses primary data (selection of few SMEs to study) or use DMBs loan to SMEs over a period of time to carry out analysis. This study therefore examined the impact of SMEs development on the growth of the Nigerian economy using the aggregate capitalization and asset base of SMEs.

METHODOLOGY

Source of Data

The data used for this study was collected from secondary sources. The study made use of annual time series data which was collected for a period of nineteen (19) years (2000-2018). The data was collected from the Central Bank of Nigeria Statistical Bulletin 2018, National Bureau of Statistics 2018, and National Survey of Micro Small and Medium Enterprises (MSMEs) 2013 & 2017 conducted by the Small & Medium Enterprise Development Agency of Nigeria (SMEDAN).

Method of Data Analysis

This paper made use of ordinary least square (OLS) regression technique. This was aided by Statistical Package for the Social Sciences (SPSS) (version 19).

Model Specification

The functional relationship between the dependent and the independent variables in this study are stated as follows:

$GDP = f\,(AAB, ACA)$

The above model was translated into a mathematical equation as given below:

$$GDP = a_0 + a_1 AAB + a_2 ACA + U \qquad (1)$$

Specifying equation 2 in log form, the equation now becomes,

$$Log\ GDP = Log\ a_0 + a_1 Log\ AAB + a_2 Log\ ACA + U \qquad (2)$$

Where: GDP = Gross Domestic Product;
AAB = Aggregate Asset base of Small and Medium Enterprises
ACA = Aggregate Capitalization of Small and Medium Enterprises
U = Stochastic or error term.
a_0 = Constant or intercept

a_1 and a_2 are the coefficients of the independent variables to be determined

DATA PRESENTATION AND ANALYSIS

Secondary annual data of the study variables are presented in Table 1.

Table 1: Aggregate Capitalization and Asset Base of SMEs and GDP

Year	Aggregate Capitalization of SMEs (N' Million)	Aggregate Asset Base of SMEs (N' Million)	GDP (N' Million)
2000	224,389.94	382,208.57	6,897,480.00
2001	264,117.60	449,877.61	8,134,140.00
2002	414,945.79	706,786.77	11,332,250.00
2003	454,280.52	773,786.51	13,301,560.00
2004	276,977.79	471,782.68	17,321,300.00
2005	255,272.44	434,811.45	22,269,980.00
2006	129,537.44	220,644.12	28,662,470.00
2007	207,050.74	352,674.31	32,995,380.00
2008	68,070.19	115,945.52	39,157,880.00
2009	82,449.14	140,437.53	4,428,556.00
2010	63,224.42	107,691.61	54,612,260.00
2011	78,646.78	133,960.88	62,980,400.00
2012	69,839.72	118,959.60	71,713,940.00
2013	77,343.73	131,741.37	80,092,560.00
2014	80,951.86	137,887.17	89,043,620.00
2015	65,235.36	111,116.90	94,144,960.00
2016	54,144.44	2,818,272.00	101,489,490.00
2017	1,596,489.14	2,719,322.00	113,711,630.00
2018	813,950.65	1,386,420.96	127,762,550.00

Source: CBN Statistical Bulletin, 2018, NBS, 2018, and SMEDAN (National Survey of MSMEs, 2013 & 2017)

Descriptive statistics

Table 2: Descriptive statistics

	Mean	Std. Deviation	N
GDP (N' Million)	51581705.5789	40123404.77944	19
Aggregate Asset base of SMEs (N' Million)	616543.5558	823076.36024	19
Aggregate Capitalization of SMEs (N' Million)	277732.5047	372090.64550	19

Source: SPSS 19 Output

There were 19 cases analyzed using SPSS and the mean scores and standard deviation are as stated in the Table 2; comparing GDP, Aggregate asset base and Aggregate capitalization of SMEs in Nigeria.

Correlation analysis

Table 3: Correlation analysis

		GDP (N' Million)	Aggregate Asset base of SMEs (N' Million)	Aggregate Capitalization of SMEs (N' Million)
Pearson Correlation	GDP of Nigeria (N' Million)	1.000	.488	.336
	Aggregate Asset base of SMEs in Nigeria (N' Million)	.488	1.000	.659
	Aggregate Capitalisation of SMEs in Nigeria (N' Million)	.336	.659	1.000
Sig. (1-tailed)	GDP of Nigeria (N' Million)	.	.017	.080
	Aggregate Asset base of SMEs in Nigeria (N' Million)	.017	.	.001
	Aggregate Capitalisation of SMEs in Nigeria (N' Million)	.080	.001	.
N	GDP of Nigeria (N' Million)	19	19	19
	Aggregate Asset base of SMEs in Nigeria (N' Million)	19	19	19
	Aggregate Capitalisation of SMEs in Nigeria (N' Million)	19	19	19

The table above shows the Pearson correlation between the three variables: GDP (Dependent variable), and the independent variables - Aggregate Asset base and Aggregate capitalization of SMEs in Nigeria. Comparing GDP with AASME and ACSME, it shows 48.8% and 33.6% significance respectively. Thus showing that the variables are significantly indifferent while AASME and ACSME relationship are significantly different at 65.9%. Furthermore, it shows that the variables (GDP and AASME) are statistically significant as the r2 is < .05, (i.e. .017) while GDP and ACSME are not statistically significant as the r2 is > .05, (i.e. .080). Also, comparing AASME and ACSME, it shows that they are statistically significant as the r2 is < .05, (i.e. .001). This implies that the AASME is statistically significant to GDP than the ACSME.

Summary of Regression Results

Table 4: Summary of Regression Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.488[a]	.238	.143	37146525.30915

a. Predictors: Constant, Aggregate capitalization and Aggregate asset base of SMEs (N' Million); b. Response Variable: GDP

Table 4 shows the result of multiple regression analysis of the impact of SMEs development on economic growth in Nigeria (proxy by the GDP). The multiple regression analysis estimated the coefficients of the multiple equation involving two independent variables that were used to predict the value of the dependent variable. The dependent variable being GDP, while the independent variables are aggregate asset base of SMEs (AAB) and aggregate capitalization of SMEs (ACA). The results as indicated in Table 4 showed that the regression coefficient (R) and the coefficient of determination (R Square) is .238 (i.e. 24%). This means that a negative or partial-linear relationship exist between the dependent (GDP) and independent variables (AAB and ACA).

ANOVA

Table 5: ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6.900E15	2	3.450E15	2.500	.114[a]
	Residual	2.208E16	16	1.380E15		
	Total	2.898E16	18			

a. Predictors: Constant, Aggregate capitalization and Aggregate asset base of SMEs (N' Million)
b. Dependent Variable: GDP (N' Million)

The analysis of variance (ANOVA) performed on the regression model yielded an F-value of 2.500 which was insignificant at ($p > 0.05$). This implies that the GDP of Nigeria cannot be a function of both aggregate capitalization of SMEs and asset base of SMEs in Nigeria. Thus, the two independent variables cannot best define the dependent variable.

T-test Coefficients

Table 6: T-test Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	36667999.424	11148202.860		3.289	.005
	Aggregate Asset base of SMEs (N' Million)	22.947	14.151	.471	1.622	.124
	Aggregate Capitalization of SMEs (N' Million)	2.757	31.301	.026	.088	.931

a. Dependent Variable: GDP (N' Million)

The coefficients of the model of the T-test revealed that, at 0.05 level of significance, relationship between Aggregate Asset base of SMEs and Aggregate Capitalisation of SMEs, and Nigeria's Gross Domestic Product (GDP) ($t=1.622$, .124 & .088, .931, $p>.05$) is not statistically significant. Thus, other factors could be more significant instead of the comparison between the variables.

DISCUSSION OF FINDINGS

The study aims at examining the impact of SMEs Development on Economic Growth in Nigeria. Taking a Regression Analysis of the Aggregate Assets base of SMEs and Aggregate Capitalisation of SMEs in Nigeria as the Independent variables and Nigeria's Gross Domestic Product (GDP) as the Dependent variable, the findings of the study show that the Aggregate

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Asset base of SMEs and Aggregate Capitalisation of SMEs in Nigeria have little or no significant effect on the GDP of the country. This is indicative as almost all the analysis show that the r^2 or p>.05. These insignificances are rated at 48.8% and 23.8% respectively even though the Aggregate asset base of SMEs is at some point significant to GDP. The time series data indicated that the independent variables are not much statistically significant in the determination of the GDP of Nigeria.

The insignificance can be attributed to the poor record keeping of SMEs and the subsistence nature of SMEs that large business organisations tends to occupy the market and have more advanced record keeping measures in place. Because of their small nature, this goes a long way in making SMEs' Assets base and capitalisation less predictive of the GDP. Finance goes a long way in improving the asset value and capitalization of SMEs in Nigeria just as noted by Dozie (1999) that finance is a major catalyst to SMEs growth and development which contributes in improving economic growth of the Nigerian economy thus, the more finance to the SME sector, the more impact it will have on the GDP of the nation.

The findings also show that SMEs during the time under study are not adequately funded thus concurring with Schneider (2002) who posited that the relevance of SMEs in solving the macroeconomic problems is hampered by the absence of adequate capital, inability to access fund from financial agencies. Also, Mambula (2002) noted that the high cost of borrowing and inaccessibility of funds have remained serious factors inhibiting availability of fund thereby resulting to the early death of small and medium scale enterprises. Based on the findings of the study, the study concludes and recommended below.

CONCLUSION AND RECOMMENDATIONS

This paper evaluates the impact of SMEs Development on Economic growth of Nigeria. It was discovered that after co-integrating the explanatory variables of aggregate asset base and aggregate capitalisation of SMEs on Gross Domestic Product (GDP), that there exists a long-run relationship among the variables in the model even though the overall regression model was not statistically significant at 5%. This shows that the variables included in our model partially or does not contributed to economic growth in Nigeria using the time series of the period under review. Even though the variables were not indicative of its impact on national development, other variables relating to SMEs may be used. It is therefore based on this that the following recommendations were made:

1. More efforts should be put in place by the government through the agencies responsible for gathering adequate data on SMEs in Nigeria. Because as it is, the data used was guesstimated and prorated accordingly in line with the 2013 and 2017 National survey of Micro Small and Medium Enterprises conducted on 4,000 SMEs in Nigeria which shows that 71.9% and 2.1% of SMEs and Micro enterprises were registered by the Corporate Affairs Commission (CAC) respectively. That is to say, if all SMEs were registered, it will give the government more information on the aggregate asset base and capitalisation of the SMEs;
2. Government offering of 50% subsidy from 31st may 2018 to 31st March, 2019 is a good effort towards improving SMEs in Nigeria and getting adequate data on them as such it should be appraised. If possible, it should be done over a period of five years as it will avail more SMEs the opportunity to be registered with as low as ₦5,000;

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3. The Federal/State Ministries of Industry in collaboration with SMEDAN should work out strategies for an annual report of SMEs operating in Nigeria highlighting the capitalization and assets of the sector;
4. The federal government should put more effort to see that banks (e.g. NIRSAL) created for the resuscitation of the SME sector are always active as expected in order to produce the needed result;
5. Business organisations, most especially SMEs, should make efforts towards registering their business as this will avail them the needed support from the government. Also, keeping of adequate records and having good business plans are prerequisite for attracting aids and grants from the government; and
6. The government (both federal and states) should adopt policies towards maintaining a favourably low commercial and micro-finance banks' lending rate to SMEs as this will help improve the level of investments in SMEs which is expected on the long run, SMEs' aggregate asset base and Aggregate capitalisation will have significant effect on the GDP of the country.

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