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**INFRASTRUCTURAL DEVELOPMENT AND
PERFORMANCE OF SMALL AND MEDIUM SCALE
ENTERPRISES (SMEs) IN NIGERIA: A Review**

BY

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Introduction

Small and Medium Scale Enterprises (SMEs), since Nigerian independence in 1960s and up to this current disposition have been given necessary attention for playing very important role towards fostering accelerated economic growth, development, and stability (Ariyo, 1999). The SMEs make up the largest proportion of the businesses in the country and all over the world and equally play tremendous roles in employment generation, provision of goods and services, creating a better standard of living as well as immensely contributing to the gross domestic products (GDP) of many countries (OECD, 2000).

In the last few decades, the contributions of the SMEs sectors to the development of the largest economies in the world have beamed the search-light on the uniqueness of the SMEs and this has succeeded in overruling previously held views that SMEs were only "miniature versions" of larger companies (Al-Shaikh, 1988).

It is not new that Small and Medium Scale Enterprises (SMEs) occupy a place of pride in virtually every economy and considering their importance and significant roles in the growth of various economies. SMEs have been usually referred to as the engine of growth and catalyst for socio-economic transformation. This means that SMEs represent a veritable vehicle for attainment of national economic objective of employment generation, poverty reduction and low investment cost as well as the development of entrepreneurial capabilities including local technology.

Other intrinsic benefits of vibrant SMEs include access to the infrastructural facilities occasioned by the existence of such SMEs in their surroundings. The stimulation of economic activities such as suppliers of various items and distributive trades for items produced and or needed by the SMEs. It also assists in stemming down rural urban migration, enhancement of standard of living of the employees of SMEs operators and their dependants as well as those who are directly or indirectly associated with them.

Omojuine, (1997) describes infrastructure as the stock of available capital assets in a country which includes electricity, railways, airport, waterways, irrigation system, water supply, telecommunication networks and industrial parks. It is seen as a set of public work

traditionally provided by the public sector production and to allow for household consumption. Fox (1994) sees urban infrastructures as an economics and social facilities which are provided by the government or by private operators for the social and economic development of the citizens.

Viewed from the perspective of what it does in economic growth and development process, infrastructure is conceived broadly as referring to all basic inputs into and requirements for the proper functioning of the economy. World Bank (1994) maintained that the concept of infrastructure is an umbrella term for many activities referred to as social overhead capital. Thus, the term embraces two groups of services namely: social infrastructure and economic infrastructure.

Specifically, good infrastructure is essential because manufacturers require sufficient levels of power for production activities, also international trade is not possible without advanced telecommunications and distributors must be able to transport their products quickly and efficiently to market. Finally, tourism operators are directly affected by the reliability, quality, and cost of a broad range of infrastructure services. Estimating the impact of infrastructure on production costs. Aschauer, (1993) found that infrastructure significantly reduces production costs in manufacturing in Germany, Japan, Mexico, Sweden, the United Kingdom, and the United States. One United States estimate also suggests that three-quarters of U.S federal investments in highways in the 1950s and 1960s can be justified based on reductions in trucking costs alone. Failure to provide sufficient or appropriate infrastructural facilities undermines the competitiveness of a place and its social and environmental sustainability. The level of poverty experienced by most Nigerian citizens to a large extent is influenced by the provision or otherwise of infrastructural facilities.

According to Amis and Kumar (2000), the level of basic infrastructure particularly roads, transportation, water supply and power supply is seen as a defining characteristic of poverty in Nigeria. They further argued that infrastructure helps individual to cope with different dimensions of poverty. It follows therefore that wherever people are deprived of basic infrastructure the result is poor performances and impoverishment.

The consistent failure of the Nigerian Government to provide adequate infrastructural facilities to their people and industries had hindered economic development and the capacity of any economy to achieve any developmental goals depends on the quantity and quality of its infrastructural facilities (El-Rufai, 2012). Again, there appears to be some fundamental ills why various government policies cannot match budgetary allocation to solve the infrastructural problems in this country.

The Concept of Infrastructure

Infrastructure is an umbrella term for many activities and basic structures and facilities necessary for a country to function efficiently. They are often referred to in economic parlance as "social overheads". Infrastructure includes public utilities such as building, transport, energy resources, roads, telecommunication, pipe-borne water supply, railways, urban transport, ports, water ways, airports etc. (Ilori, 2002). It has been designed as the totality of basic physical facilities upon which all other economic activities in a system depend (Fox, 1994).

The Military strategists in their attempt to indicate wide-ranging elements of war logistics coined the term 'infrastructure' during the Second World War. Thereafter, development economies began to use the term interchangeably (Oyeranti, 2002). Hirschman, (1958) see infrastructure as services without which primary, secondary and tertiary production activities cannot function. It includes all public services from law and order through education and public health to transportation, communication, power, and water supply as well as agricultural overhead capital such as irrigation and drainage system. Smith, (1997) defines infrastructure as basic, physical and organization structure needed for the operation of a society or enterprise or the services and facilities necessary for an economy to function. It can also be generally defined as the set of interconnected structural elements that provide framework supporting an entire structure of development. It is an important term for judging a country or region's development viewed functionally. Infrastructure facilitates the production of goods and services and the distribution of finished products to markets as well as basic social services such as school and hospitals. For example, roads enable the transportation of raw materials to a factory.

Infrastructure is a generic term for basic structures and facilities that are essential to the generation of economic growth and development in modern economies. It covers many facilities generally referred to as economic and social overhead capital which include education, water supply, sewage systems, energy, postal and road (World Bank, 1994).

Concept of Hard Versus Soft Infrastructure

The word hard infrastructure refers to the large physical networks necessary for the functioning of a modern industrial nation, whereas soft infrastructure refers to all the institutions which are required to maintain the economic, health, and cultural and social standards of a country, such as the financial system, the education system, the health care system, the system of government, and law enforcement, as well as emergency services.

Type of Hard Infrastructure

The following list of hard infrastructure is limited to capital assets that serve the function of conveyance or channeling of people, vehicles, fluids, energy, or information, and which take the form either of a network or of a critical mode used by vehicles, or used for the transmission of electro-magnetic waves. Infrastructure system includes both fixed assets and the control system and soft wares required to operate, manage, and monitor the system, as well as any accessory buildings, plants or vehicles that are an essential part of the system. Also included are fleets of vehicles operating according to schedules such as public transit, buses and garbage collection, as well as basic energy or communications facilities that are not usually part of a physical network such as oil refineries, radio, and television broadcasting facilities.

Transportation Infrastructure

Transportation infrastructure at any given time includes the following:

- Road and highway networks, including structures such as (bridges, tunnels, culverts, retaining walls), signage and markings, electrical systems street lighting and traffic lights edge treatments curbs, sidewalks, landscaping) and specialized facilities such as road maintenance, depots and rest areas.
- Mass transit systems (commuter rail systems subway, tramway, trolley and bus transportation).

- Railways, including structures, terminal facilities like rail yards, train stations, level crossings, signaling and communications systems.
- Canals and navigable water ways requiring continuous maintenance (dredging, e.t.c.).
- Seaports and light houses.
- Airports including air navigational systems (Online Etymology Dictionary).

Energy Infrastructure

- Electrical power network, including generation plants, electrical grid, sub stations and local distribution.
- Natural gas pipelines, storage, and distribution terminals as well as the local distribution network. Some definition may include gas wells as well as the fleets of ships and trucks transporting liquefied gas.
- Petroleum pipelines, including associated storage distribution terminals. Some definitions may include oil wells, refineries, as well as the fleets of tanker ships and trucks.
- Specialized coal handling facilities for washing, storing, and transporting coal. Some definitions may include coal mines (Online Etymology Dictionary).

Water Management Infrastructure

- Drinking water supply, including the system of pipes, storage reservoirs, pumps, valves, filtration and treatment equipment and meters, including buildings and structures to house the equipment, used for the collection, treatment and distribution of drinking water.
- Sewage collection and disposal of water.
- Drainage systems (storm sewers, ditches etc.)
- Major irrigation systems, (reservoirs, irrigation canals).
- Major floods control system (dikes, levees, and major pumping station and flood gates).
- Large-scale snow removed, including fleets of silt spreaders, snowplows, snow blowers, dedicated dump truck, sidewalk plows, the dispatching and routing systems for these fleets.
- Coastal management including structures such as sea walls, breakwaters, floodgate as well as the use of soft engineering

techniques such as beach nourishment, sand dune stabilization and protection of mangrove forest and coastal wetlands (Online Etymology Dictionary).

Communication Infrastructure

- Postal services, including sorting facilities.
- Telephone networks (land lines) including telephone exchange system.
- Mobile phone networks.
- Television and radio transmission station, including the regulations and standards governing broadcasting.
- The internet, including the internet backbone, core routers and server farms, local internet service providers as well as the protocols and other basic software required for the system to function.
- Communication satellites.
- Undersea cables (Online Etymology Dictionary).

Types of Soft Infrastructure

Soft infrastructure includes both physical assets such as highly specialized buildings and equipment as well as non-physical assets such as the body of rules and regulations governing the various systems, the financing of these system as well as the systems and organizations by which highly skilled and specialized professionals are trained, advance in their careers by acquiring experience .Unlike hard infrastructure, the essence of soft infrastructure is the delivery of specialized services to people and unlike much of the services of the economy, the delivery of those services depends on highly developed systems and large specialized facilities or institution that shares many of the characteristics of hard infrastructure.

Governance Infrastructure

- The system of government and law enforcement, including the political, legislative, law enforcement, justice and penal systems, as well as specialized facilities like government offices, court houses, prison etc. and specialized systems for collecting, storing and disseminating data, laws and regulation.
- Emergency services, such as police, fire protection, and ambulances, including specialized vehicles, building, communications, and dispatching systems.

- Military infrastructure, including military bases, arms depots training facilities, command centers, communication facilities, major weapons systems, fortifications, specialized arms manufacturing, and strategic reserves (Online Etymology Dictionary).

Economic Infrastructure

- The financial system, including the banking system, financial institutions, the payment system exchange the money supply, financial regulations as well as accounting standards and regulations.
- Major business logistics facilities and systems including warehouses as well as warehousing and shipping management systems.
- Manufacturing infrastructure, including industrial parks and special economic zones, mines and processing plants for basic materials used as inputs in industry, specialized energy, transportation and water infrastructure used by industry, plus the public safety, zoning and environmental laws and regulations that govern and limit industrial activity and standards organizations.
- Agricultural, forestry and fisheries infrastructure including specialized food and livestock transportation and storage facilities, major feedlots, agricultural price support systems including agricultural insurance, agricultural health standards, food inspection, experimental farms and agricultural research centers and schools. The system of licensing and quota management, enforcement systems against poaching, forest wardens, and firefighting (Online Etymology Dictionary).

Social Infrastructure

- The health care system, including hospitals, the financing of health care, including health insurance, the systems for regulation and testing of medications and medical procedures, the system for training, inspection and professional discipline of doctors and other medical professionals, public health monitoring and regulations as well as coordination of measures taken during public health emergencies such as epidemics.
- The educational and research system including elementary and secondary schools, universities, specialized colleges, research

institutions, the systems for financing and accrediting educational institutions.

- Social welfare systems including both government support and private charity for the poor and for people in distress or victims of abuse (Online Etymology Dictionary).

State of Infrastructure in Nigeria

There is no gainsaying, and it is equally settled in many literatures that infrastructure plays a critical and positive role in economic development. Infrastructure interacts with the economy through multiple and complex processes. It represents an intermediate input to production and thus changes in infrastructure quality and quantity affect the profitability of production and invariably the levels of income, output, and employment. Moreover, infrastructure services raise the productivity of other factors of production (Kessides, 1993). The provision of infrastructure in most developing countries is the responsibility of the government. This is because of the characteristics of infrastructure investment. First, infrastructure supply is characterized by high set-up cost is lumpiness and indivisibility preclude the private sector from investment. Second, its indirect way of pay-off coupled with its long gestation period which makes it generally unattractive to private investors (Adenikinju, 2005).

The afore, in the face of other numerous competing, less risky and more familiar investment opportunities offering the promise of higher and quicker returns, few private investors are willing to embark on infrastructure investment. However, the nearly exclusive concentration of infrastructure provision in the hands of the public sector, especially in developing countries, has led to failure in supply of these services. Faced with declining economic fortunes and dwindling revenue, most governments in developing countries found it increasingly difficult to keep pace with adequate provision and maintenance of infrastructure. Moreover, the perception of government that economic infrastructure is a social service affected the pricing of its products and consequently the effectiveness of their provision (Adenikinju 2005).

The state of infrastructure in Nigeria has remained a matter of concern given the importance of infrastructure in economic wellbeing of the populace and the growth and development process of the economy. Unfortunately, various performances remained unsatisfactory. It is

now a well-known and well-documented fact that infrastructural facilities in this country are not only inadequate but grossly inefficient to meet the needs of industries, both old and new and the population at large.

Oke, (1999) observed that existing industries have to provide their own water by digging boreholes, generate their own power through the provision of stand-by generators for electricity supply. For new investments projects, cost has to include the cost of providing these utilities in the new factory site. Available data on consumer price index also suggested that the rate of price changes in infrastructure-related commodities might have had the influence of the law of supply that associates price increase with inadequacy of supply. It is also interesting to note that price levels for infrastructure appear to be lower in the rural areas as against their levels in urban areas. This suggests one thing, that rural dwellers have the tendency to shift their demand for infrastructural facilities to less qualitative and possibly fewer modern alternatives.

Moreover, many urban and most rural roads in the country are in a state of disrepair, and consequently not motorable. Arosanyin, (1998) revealed that Nigeria loses about 44 billion naira annually, due to bad roads. Rail services have ceased to be relevant to industrial activities where some of these infrastructure services are available; they are epileptic in terms of performance and therefore not reliable. CBN (2002) while investigating how infrastructural constraints affect the performance of the manufacturing sector in Nigeria submitted that the performance of some of the key infrastructural facilities has been very poor. It observed that the Nigerian railway system has been characterized by congestion and frequent delays as well as cancellation of travel schedules; this is so because of factors like poor funding, unserviceable facilities, acute shortage of spare parts and repair kits, non-payment of workers' salaries among others. The story is not different for the road transport sub sector. Its performance is equally found to be sub-optimal as the network faces the problems of constant deterioration owing to overuse given the under-development of other transport modes, budgetary constraints, and poor maintenance.

Electricity supply has remained unreliable as power outages, load shedding and rationing have become very frequent. Power supply has

been so erratic and unreliable that many businesses and high-income households have resorted to purchasing private generators at prohibitive costs (Uchendu 1993). The substantial investment in private generating plants is estimated to be of capacity of over 2500MW (CBN,2002) which is almost half of GENCO available capacity. These private generating plants comprise numerous small units, which are not cost efficient. As manufactures and SMES are required to invest huge capital funds to provide alternative infrastructural facilities for their operation, domestic industries carry high cost price structure which results in loss competitiveness for their products in both domestic and foreign markets. Hence, manufacturing capacity utilization rate has fallen from an average of over 70 percent for the period 1975-80 to about 36 percent during 1996-2000 owing to infrastructural failures and other endemic problem of the economy (Oyeranti, 2002).

According to El- Rufai, (2012) infrastructure is critical to human and economic development and is the catalyst for attracting investment. It is what defines a nation's competitive environment and is vital in addressing unemployment today and in the future. He further stated that the infrastructure deficit explains why Nigeria's cost of production has remained high while industrial productivity has declined. This explains why Nigeria spends as much as ₦1.3trillion on food imports while over 60 percent of Nigeria arable land lies fallow, also the reason why the country loses lives every day to accident and preventable diseases.

Infrastructural deficit is why Nigeria is where she is today, the infrastructural deficits severely affect electricity supply, the railway system, and roads network. All these shortages have accumulated over the years due to continuous under-investment in expansion and maintenance. El-Rufai, (2012) further submitted that the most pressing and affected is electricity supply and despite cash injection of billions of dollars in recent years and large untapped gas reserves, electricity capacity remains highly inadequate.

Also according to estimates by the change Nigeria project (CNP), an NGO established by Nigeria in Diaspora, the potential activity of the country growth retarded by lack of electricity amounts to \$130 billion a year and this is nearly one-third of the country's GDP and in the

absence of a functioning grid. Those who can afford it spend about \$13billion a year running their small generators. The poorest 40 percent of Nigerians have no access to electricity and as a result potential investor are hardly filled with confidence when the lights go out during meetings or temporarily at airports. The rail network has collapsed because of years of neglect and mismanagement of the Nigeria Railway Corporation (NRC). That was established in 1955. The country still maintains 3:5051cm and almost obsolete 1.067m narrows gauge that has not been expanded since 1964 and currently ranked 49th in this sector, globally.

The rail modernization programme embarked upon by the Federal Government in 2006 suspended by the Umaru Musa Yar'Adua administration in 2007, and restarted in 2009 has only received considerable attention during Jonathan administration in 2011 and Buhari administration 2015 to date but no meaningful significant change in moving persons and goods. Building a modern, standard gauge rail network across the nation would require at least another \$4 billion per annum over 10 years. Amongst all different modes of transport, air transport is still one of the fastest and is also capable of providing both place and time utility function at it best. However, the demand for air transport in Nigeria for both passengers and goods transportation continue to grow at snail pace despite Nigerian population and perceived economic growth in the past years.

This is principally due to problems of inadequate infrastructure and poor subsidy by government for the improvement of air transportation system. Perhaps, Nigeria is a country of a population of about 180 million people but has only 54 airports with only six as the active one and ranked 86th in the world. South Africa has 578 airports for some 45million people, while Libya a country of about seven million has 137 airports and ranked 52nd in the world.

El-Rufai, (2012) further stated that out of 54 airports in the country, only 38 have paved runways, only one terminal building is privately owned. Nigeria roads all 193,200 kilometer as of (2004) and in comparison, to South Africa 362,000km (2002), and only 15 percent of Nigeria roads are paved and of these 28% are not motorable. Building roads in Nigeria is also expensive, costing multiples per kilometers on average compared to Nigeria sub-Saharan neighbors.

Road projects in Nigeria habitually suffers cost over-runs, delayed completion, and poor quality.

Nigeria has the largest road network in West Africa, 17.6 percent being owned by the federal Government while the various state government owns 15.7 percent of the federal roads carry 70% of the total freight traffic across the country annually, a potential for high tax revenue and part of the reasons the country roads do not last as long as they should. But decades of poor maintenance and little new construction have seen the roads fall into disrepair and road transport across the country has now become a nightmare. As only 15 per cent of the entire road network is safe and motorable, Nigerian road users pay over ₦450 billion yearly to rehabilitate their vehicles for plying the terribly decadent road across the country. For Nigerian roads to be transformed so that they can serve as catalysts for macroeconomic turn around, about ₦321 billion (over \$2 billion) would be required for the routine and periodic maintenance of the national road network on a yearly basis. These all add up to infrastructural financing need.

Concept and Definition of Small and Medium Scale Enterprises (SMEs)

One of the major characteristics of the knowledge economy is entrepreneurship which is the engine growth of any economy. An entrepreneur is an economic leader who possesses the ability to recognize opportunities for successful introduction of new commodities, techniques and sources of supply and to assemble the necessary plant and equipment, management and labour-force and organize them into a running concern (Jhingan, 1985).

It might seem difficult to obtain a precise definition of small and medium enterprise. Several writers have propounded various definitions and explanations as to what small and medium enterprises are. Some have defined SMEs based on the characteristics of the business such as size, level of operations, type of industry, assets employed, and number of employees, turnover, market, management or control of the business or several others factors.

In countries such as U.S.A, Britain, and Canada, small-scale business is defined in terms of annual turnover and the number of employees. In Britain, small-scale business is defined as that industry with an annual turnover of 2 million pounds or less with fewer than 200 paid

employees. In Japan, small-scale industry is defined according to the type of industry paid-up capital and number of employees. Small and medium scale enterprises are defined as those in wholesale trade with 30 million yen paid-up capital, and 100 employees. Those in manufacturing with 100 million yen paid-up capital and 300 employees and those in the retail and service trade with 10 million yen-paid-up capital and 50 employees (Ekpenyong & Nyong 1992).

As it has been observed from the aforementioned, there is no consensus on the definition of small and medium scale enterprises (SMEs) as it can be seen that, both terms, small and medium are relative and they differ from industry to industry and country to country. The difference among industries could be seen to be the difference in capital requirements of each business, which those countries could arise as a result of difference in industrial organization by countries at difference stages of economic development (Nweze, 2009). What might therefore be defined as SMEs in a developed country can be regarded as a large-scale enterprise in a developing country using partners as fixed investment and employment of the labour force in such country. What was previously classified as SME could be regarded as a large-scale industry when the quantities of relevant parachutes change during production process.

Infrastructure and Performance of SMEs

Beyene, (2002) discovered that the availability of good infrastructure facilities provides a conducive environment for SMEs to flourish and facilitate the generation of economic growth.

There are no way SMEs performance can be optimized in the absence of adequate power supply, water supply, transportation, and effective telecommunication system on ground. Successful competition in the regional and global markets hinges on the availability of an appropriate and efficient infrastructure. Low cost and high quality infrastructure services tend to improve the performance of SMEs and the study opined that infrastructure influences the performance of SMEs. In a survey conducted, Fulmer, (2009) reviews that the role play by infrastructure in SMEs performances cannot be overlooked because infrastructure such as power, good road network, steady water supply, efficient communication system and market are referred to as flavor on performance of SMEs. The absence of the aforementioned

facilities in the life of enterprises acts as a catalyst to some of the enterprises less performance which may invariably can result in winding up of the business if urgent steps are not taken .

On the influence or effect of infrastructure on business performance, Ebert and Memillen (1999) reveal that firms are more productive in environments where stocks of public infrastructure are available. With an evidence, they found that infrastructure provides how the close spatial proximity of SMEs performance will be achieved, and economic activities can lead to increased productivity for all parties.

Infrastructure Development and Economic Growth Nexus

Provision of an efficient infrastructure is now widely recognized as indispensable to economic progress. The world development report 1994 demonstrates that infrastructure can support economic growth, reduce poverty, and make development environmentally sustainable (Oyeranti, 2002). In any modern society, infrastructure plays a pivotal and often decisive role in determining the overall productivity and development of a country's economy as well as the quality of life of its citizens.

Smith (1997) argued that well-functioning infrastructure facilities and services that meet a nation's commercial and social needs are critical to economic development. In today's global economy, the ability to create modern and competitive industries and services depends on the extent and quality of a country's infrastructure networks. Investors are fond of considering carefully the quantity and quality of a host country's infrastructure when deciding where to locate new activities. This is supported by the World Bank's survey of investors carried out on economies of Middle East and North Africa. The surveys identified a number of weakness and which must be remedied if the region is to be made an attractive destination for investment. Among these, poor infrastructure ranks as the third biggest constraint to investment the first two constraints are the cost and availability of finance and the level and administration of taxation (World Bank, 1995). Specifically, good infrastructure is essential because:

- Manufacturer's requires sufficient levels of power for production activities.
- International trade is not possible without advanced telecommunications.

- Distributions must be able to transport their products quickly and efficiently to markets.
- Tourism operators are directly affected by the reliability, quality and cost of a broad range of infrastructure services.

Estimating the impact of infrastructure on production costs, Aschauer, (1993) found that infrastructure significantly reduces production costs in manufacturing in Germany, Japan, Mexico, Sweden, the United Kingdom, and the United States. It is important to admit however that there is no consensus on the magnitude or the exact nature of the impact of infrastructure on growth. A particularly difficult problem remains how to determine whether infrastructure investment have promoted growth or whether the reverse is the case implying that it has led to greater demand for infrastructure.

Israel, (1992) infers that the causality is likely to have gone both ways; several linkages of infrastructure with the rest of the economy are identified in the work of Israel. Firstly, infrastructure has a lot of influence on output; it influences output from two perspective, supply and demand. From the supply side, total output can be affected positively by infrastructure being a direct input in production thereby making private capital or labour more productive, or enhancing an area's ability to produce by attracting workers or private capital from other region.

Infrastructure can also affect the demand for total output by creating income for workers and entrepreneur through the construction of facilities, crowding in private investment by encouraging it through complementarily, or crowding out private investment when it is replaced by infrastructure investments and by generating a greater demand for infrastructure services as the economy grows. The supply side effects are more long term than the demand effects. Secondly, infrastructure has linkages that have real, financial, and fiscal dimension on the economy effects in an economy. An example of real linkage will be the employment effect in an economy. Financial effects revolve around the implication of borrowing by public infrastructure enterprise on the availability of credit for private. The fiscal linkages include deficits of public enterprises, user charges and cost recovery. There are also long-term effects of infrastructure, for instance, effects

of infrastructure on land use, the location of economic activities, the pace of urbanization and the shape and density of cities.

Thirdly, infrastructure has effect on poverty, drawing from Whittington et al. (1990), Israel (1992) they all argued that infrastructure problems can affect the poor disproportionately such that those that are poor are forced to obtain more expensively or less safe alternatives. Logic suggests that higher income group will capture the best services available. The negative environmental effects inadequate infrastructure like air and water pollution is most evident in densely populated inner cities where the poor are concentrated. Inadequate services can also affect the labour productivity of the poor and access to employment. Inadequate services to services such as transport can reduce the time available to the poor to engage in income-earning or domestic activities. The bottom line of infrastructure-poverty nexus is that activities that have a high potential to generate employment for the poor are particularly hurt by infrastructure deficiencies.

For Agrarian economies like that of Nigeria, rural infrastructure is critical to both economic and social development. According to Poulighen, (1999), absence of rural infrastructure thwarts growth and typically the poor are hurt the most. World Bank made the economic case for rural infrastructure as follows: "When there are adequate communications networks, roads and transportation, storage facilities and electricity, farmers can obtain the information they need to grow the most profitable crops, store them, move them to market, and receive the best prices for them. Today, up to 15 percent of production is lost between the farm gate and the consumers because of poor roads and storage facilities thus reducing income to farmers and raising costs to urban consumers. As cities grow, the need for infrastructure becomes more important (World Bank, 1997). The links between rural infrastructure development and the growth of the rural economy is either direct or indirect. Lower production costs will lead to higher agricultural output and higher incomes for rural populations. Better infrastructure also has important long-term impacts on rural development (Oyeranti, 2002).

Infrastructure investments, such as those in transport, telecommunications, energy, water and industrial parks, can enhance SMEs/private sector activity and ability to access local, regional and

global markets (OECD, 2004). Furthermore, quality of available infrastructure has a significant influence on SMEs competitiveness (Fries et al, 2003). It is important that infrastructure services reach all segments of society such as the poorest areas and rural areas to enable SMEs of different sizes and from all areas to participate in economic activity.

Performance of SMEs

Many scholars' attentions have been drawn to investigate the performance of SMEs extensively as their operation contributes not only to macroeconomics outcomes but also to its performance. Performance improvement is the primary goal of SMEs firms as it shows the level of success of its business operations (Murphy, Trailer & Hill 1996). Organizational performance can be explained in different kinds of perspectives and there are several aspects that are mutually considered to define organizational performance comprehensively, rather than financial measure of profits that are heavily criticized and profitability reflect the overall performance of profit organizations (Daft, 1998). Profitability may be expressed in terms of earning per share, return on investment or net income. Employee morale, market share, and social legitimacy may all be considered as part of the overall performance in an extremely competitive business word. (Rauf, 2007). The concept of organization performance can be expressed with an open question with little studies using a consistent measures and definitions (Kirby, 2005). It was also stressed that the performance of SMEs is the ability and desire to contribute to wealth and job creation through enterprises or business startup, growth, and survival (Sandberg, Vinberg, & Pan, 2002). Also, Gem (2004) claims that the performance is an act of doing something successfully; performing well; using knowledge as distinguished from merely possessing it. However, performance seems to be conceptualized, operationalized, and measured the different methods of ways of making the cross-comparison difficult.

Performance measurement is a current issue in academia as well as in the business community (Moulin, 2003). Various studies have been carried out on the issues of performance measurement and at the same time, the definition or what constitute performance measurement are still debated. Neely (1998) posits that "Performance Measurement is an act of quantifying the efficiency of past action through the

acquisition, collation, sorting, analysis, interpretation and dissemination of appropriate data” Moulin, (2003) thought that while Neely’s definition describes the process, it does not give much guidance to organizations about what it is essentially all about. He suggests that another definition may be more apt; performance measurement is evaluating how well organizations manage, govern and the value they deliver to customers and other stakeholders.

Conclusion and Recommendations

A major gap in Nigeria’s industrial development process in the past years has been the absence of strong and vibrant SMEs sub-sector. With over 190 million people, vast productive farmland, rich variety of minerals deposits and other natural resources, Nigeria should have been a haven for SMEs. Unfortunately, SMEs have not played the significance role they are expected to play in Nigeria in term of performance, economic growth, and development.

The fundamental problem is absence of efficient and well-functioning infrastructural components and without well-articulated policies to guide the direction for infrastructural development, the whole economic process and performance of SMEs will be haphazard.

This study has established relationship between business infrastructure availability and SMEs efficient operation and performance. The research work has equally asserted the fact that the availability of business infrastructure creates enterprises climate for sustainable profitability and performances by SMEs. This atmosphere also enables business to operate optimally and make their operations cost effective. However, in the absence of these infrastructures, SMEs would be exposed to harsh operating environment and would also have to incur infrastructure expenditure which would have impacted adversely on profitability beside the capital cost of acquisition of other essential needs.

To foster SMEs development and sustain business performances, infrastructure provision is essential. electricity/power, transportation, water supply and telecommunications are of particular importance to SMEs. It must also be noted that the own provision of all these infrastructures are not economically viable for the SMEs business operations. The challenges and problems of the SMEs infrastructural

issues in Nigeria are hydra-headed and hence can only be effectively tackled by a multi-dimensional and concerted approach by all stakeholders that is, the government (federal, state and local) and other agencies and parastatals, banks, regulatory authorities as well as SMEs (owners and management), the employees and other donor agencies.

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