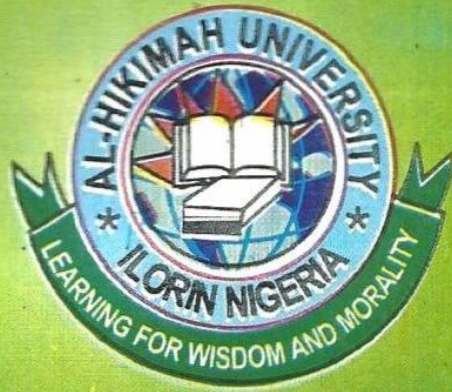


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EVALUATION OF SMALL AND MEDIUM ENTERPRISES DEVELOPMENT AGENCY OF NIGERIA'S OPERATIONS

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Abstract

Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) is one of the agencies established for starting, resuscitating and growing Micro, Small and Medium Enterprises in Nigeria as a means of rural industrialization, poverty eradication, job creation and sustainable livelihood. Therefore, this study was designed to evaluate the operations of SMEDAN in resuscitating, facilitating and promoting the access of Micro, Small and Medium Enterprises (MSMEs) to all the resources required for their growth.

The research employed library and desk research. Therefore, secondary data were used for this study, and were sourced from SMEDAN books of records as well as related journals.

The findings of the study revealed that a total of 195,326 people were trained at the various programmes on capacity building organised by SMEDAN across the country in 2005. It was also reported that Oyo State had the highest number of participants at the workshop/training on poultry farming. In the same vein, Lagos State had the highest number of participants at the workshop on mobile phone repairs.

The study concludes that owing to the increased rate of unemployment in Nigeria, SMEDAN has serious challenges ahead. It was recommended that efforts should be intensified by the Government towards the provision of adequate infrastructural facilities and creation of conducive business environment.

Key Words: Small, Medium, Enterprises, Development.

Introduction

Small and Medium Enterprises have been acclaimed as the engine of economic growth for most economies. This is because of their inherent characteristics which have been generally recognized to include: capacity to create jobs at relatively low capital cost, ability to contribute significantly to the economy in terms of goods and services, etc.

Indeed, all over the world SMEs are seen as economic catalyst and bed rock of industrialisation. According to the statistics, in industrialized countries, SMEs are major contributors to private sector employment. For example, in Cambodia, SMEs make up approximately 99% of all enterprises and almost half of all employment (RGC, 2005), while in Ireland, Greece, Japan and

Portugal, the sector accounts for over 70% of employment (OECD, 1997). Similarly in Nigeria, the bulk of businesses fall under the category of SME which accounts for over 80% of the total number of the businesses in the country (Owualah, 1999). Therefore, suffice it to say that SMEs determine direction of economy and subsequent growth of industrial sector of any country.

According to Nazemi and Shirazi (2010), a number of shifts in the economic and market environment, including increasing importance of flexible and innovative organizations, increasing contribution of small industries in nations' gross domestic products and job creation, have placed SMEs at the centre of government economic strategy around the world. However, the effectiveness of such a strategy depends on environmental and organizational factors as well as government supports and incentives (Nazemi and Shirazi, 2010). In view of this, several efforts have been made over time by successful governments since independence to enhance the development of SMEs in Nigeria. The outcome of such efforts include the establishment of the Nigeria Bank for Commerce and Industry, National Economic Reconstruction Fund, National Agricultural Credit Bank etc. However, a plethora of records indicate that the performance of SMEs in Nigeria has not justified the establishment of these agencies. SMEs seem to face formidable obstacles such as limited technical support, poor access to credit and finance, inadequate capacity building, poor infrastructural facilities etc, hence they neither play the role that is expected of them in the Nigerian economy nor compete effectively in international markets. SMEs contribution to the Gross Domestic Product (GDP) is relatively small as a result of two major factors namely, Overdependence on oil revenue and overdependence or preference for foreign goods (Onugu, 2005).

As part of the measures to address the issues identified as constraints to SMEs development and combat unemployment, and thereby reduce poverty in Nigeria, the democratic government under former President Obasanjo evolved new strategies which include the following: Repeal of anti-investment legislation, National Economic Empowerment Development Strategy, Protection of domestic economy through prohibition of certain imported items, etc. In addition, the following steps were taken: The Nigerian Bank for Commerce and Industry and National Economic Reconstruction Fund were merged with the Nigerian Industrial Development Bank to form Bank of Industry, the setting up of 10% Profit After Tax by commercial banks for SME equity investment scheme, and the establishment of Small and Medium Enterprises Development Agency of Nigeria, as a proactive agency with a mandate to coordinate and support the development of SME sector. The establishment of SMEDAN underscores the fact that the future of the country lies in the development of SMEs.

Therefore, this study is designed to evaluate the operations of SMEDAN in resuscitating, facilitating and promoting the access of Micro, Small and Medium Enterprises (MSMEs) to all the resources required for their growth in Nigeria.

Review of Literature

Many literature exist on Small and Medium Enterprises (SMEs) written by various scholars for various purposes. This fact underscores in essence, the

importance of this sub-sector in the development of any given economy. The experiences of developed economies in relation to the roles played by SMEs buttress the fact that the relevance of SMEs cannot be overemphasized especially among the Less Developed Countries or rather Developing Countries (Onugu, 2005). In order to highlight the significance of SMEs in relation to the growth and development of a given economy, SMEs have been variously referred to as the "engine of growth". This stems from the fact that almost all countries that have focused on the SMEs sector and ensured its vibrancy have ended up succeeding in the significant reduction and its attendant enhancement in the quality and standard of living, reduction in crime rate, increase in per capita income as well as rapid growth in GDP among other salutary effects (RGC, 2005).

A dynamic SME sub-sector is vital and imperative for the overall economic development of the country. Aside from providing opportunities for employment generation, SMEs help to provide effective means of curtailing rural-urban migration and resource utilization. By largely producing intermediate products for use in large-scale companies, SMEs contribute to the strengthening of industrial inter-linkages and integration (Shola, 2010).

In recognition of the crucial role SMEs play in economic growth and development, the Bank of Industry has been making serious efforts to source cheaper funds from Development Financial Institutions (DFIs) such as the African Development Bank (ADB), African Export-Import Bank, European Development Bank, etc so as to on-lend to SMEs at concessionary rates and thus maximize their value addition (Onugu, 2005). SMEs have, no doubt, been recognized as the main engine of economic growth and development, a major variable for promoting private sector development and partnership (Modupe, 2005). The SME sub-sector does not only contribute significantly to improved living standards but also brings about substantial local capital formation and achieves high levels of productivity and capability.

SMEs are increasingly viewed as a major means of achieving equitable and sustainable industrial diversion and dispersal. Employment or job opportunity wise, SMEs account for well over half of the total share of employment, sales and value added in most countries (Nazemi, and Shirazi, 2010).

According to Onugu (2005), one major drawback in Nigeria's quest for industrial development over the past years has been the absence of a strong, vibrant and virile SME sub-sector. A number of reasons have been adduced to why the expectations from the SMEs have not been met. First and foremost, the little progress made by the courageous and entrepreneurial efforts of the first generation of indigenous industrialists was almost virtually wiped out by the massive devastation, dislocations and indeed traumatic devaluation, which resulted from the Structural Adjustment Programme (SAP) (Onugu, 2005). The underlying policies and good intentions of SAP based on the neo-classical theory of efficient, perfect and competitive markets whose assumptions were unfortunately out of sync with the prevailing circumstances, constrain the operating environment of SMEs in a developing economy like Nigeria. According to Onugu (2005), the SAP era thus represented the anti-climax of the thriving, flourishing period for SMEs in Nigeria over the past decade and the economy of the country has been on the decline with no appreciable real growth. People had gradually moved out of the farms into urban areas for lack

of agricultural incentives. These and other problems constitute drawbacks to the development of SMEs which, to all intents and purposes, provide the critical building blocks for sustainable industrialisation and economic growth. In developing countries like Nigeria, there is a serious need to create an enabling environment for the nurturing and development of SMEs so that they could play the crucial roles expected of them in economic transformation. The key roles of SMEs include mobilization of domestic savings for investment, significant contribution to Gross Domestic Product (GDP) and Gross National Income (GNI), harnessing of local raw materials, employment creation, poverty reduction and alleviation, enhancement of standard of living, increase in per capita income, skills acquisition, advancement in technology and export growth and diversification (USAID, 2008).

Studies have indicated that the sustenance of interest in SMEs in the developed economies is due to technological as well as social reasons (Nazemi and Shirazi, 2010; USAID, 2008). The social reasons include the need for generation of more employment and poverty reduction through self-employment ventures and decentralised work centres. In developing countries, the role of SMEs is even more important since SMEs often offer the only realistic prospects for creating additional employment and thus reducing poverty and enhancing the quality of lives. A healthy SME sub-sector is a *sine qua non* for inclusive and socially sustainable development even though institutions that provide support services, where available, are often limited in capacity and coverage in developing economies (Onugu, 2005). According to Onugu (2005), exports by SMEs usually range between 30 and 50 percent of total industrial exports in developed and developing countries. In tune with the latest developments in the world economy and the attendant globalisation effects, the role of SMEs going forward is bound to be even greater and more pervasive, with a demonstrable impact on the emerging world trading order.

Problems of the SME Sub-Sector In NIGERIA

According to Nazemi and Shirazi (2010), life expectancy of approximately 70% of SMEs is less than 5 years, and their rate of bankruptcy has increased since 1980s (Hodgetts & Kuratko, 2000). Most SMEs die within their first five years of existence. Another smaller percentage goes into extinction between the sixth and the tenth year. Thus, only about five to ten percent of young companies survive, thrive and grow to maturity (Asikhia, 2010). Many factors have been identified as the possible causes or contributory factors to their premature death. Key among these are insufficient capital, lack of focus, inadequate market research (Asikhia, 2010), over-concentration on one or two markets for finished products, lack of succession plan and inexperience. Others are lack of proper book keeping, lack of proper records or lack of any records at all, inability to separate business from family or personal finances, lack of business strategy, inability to distinguish between revenue and profit, inability to engage or employ the right calibre of staff, cut-throat competition, lack of official patronage of locally produced goods and services, dumping of foreign goods and overconcentration of decision making on one person, usually the owner (Onugu, 2005).

Other challenges which SMEs face in Nigeria include irregular power supply and other infrastructural inadequacies (water, roads etc) (Owuala, 1999),

unfavourable fiscal policies, multiple taxes, levies and rates, fuel crises or shortages, policy inconsistencies, reversals and shocks, uneasy access to funding, poor policy implementation, raw materials sourcing problems, competition with cheaper imported products, problems of inter-sectoral linkages given that most large scale firms source some of their raw materials outside instead of sub contracting to SMEs, insecurity of lives and property, fragile ownership base, lack of requisite skill and experience and marketing problems (Blunden, 1987).

Overview of Government Effort in the Sub-Sector

Successive administration over the years have employed monetary, fiscal and industrial policies at macro level and financed arrangements at micro level to assist the development of SMEs in Nigeria. The outcome of these strategies in support of SMEs in Nigeria includes the establishment of Small Scale Industrial Credit Scheme in 1971, Nigerian Enterprise Promotion Decree in 1972, Nigerian Bank for Commerce and Industry in 1973, Nigeria Industrial Development Bank, National Agricultural Credit Bank etc. Some fortunate small-scale enterprises have benefited from these schemes, and are today highly successful (SMEDAN, 2005).

However, most of the above mentioned schemes are no longer in existence, while some that are still existing are being re-organized to enable them perform better in view of the challenges confronting SMEs in Nigeria. One of these is the Bank of Industry, which is an amalgamation of the former Nigerian Industrial Development Bank, Nigerian Bank for Commerce and Industry, and National Economic Reconstruction Fund. The Bank intends to finance Small, Medium and Large enterprises- new or existing enterprises. Also, Nigerian Agricultural Co-operative and Rural Development Bank, which is an amalgamation of the defunct National Agricultural Credit Bank, People's Bank and Family Economic Advancement Programme (PRISIMS, 2004).

The Federal Government, in its effort to move the sector forward, has evolved new strategies which are geared toward improvement of performance of SMEs in Nigeria. This led has to the establishment of Small and Medium Enterprises Development Agency of Nigeria. SMEDAN is a recent initiative of the Federal government of Nigeria aimed at promoting the growth of Small and medium enterprises in Nigeria. It is said to be the voice of the SMEs (Modupe, 2005). The vision of the Agency is to establish a structured and efficient SME sector that will encourage and enhance sustainable economic development of Nigeria. It is to facilitate the access of SMEs to resources required for their growth and development. Along this line, the Agency positioned itself as a one-stop-shop for addressing virtually all the challenges confronting the SME sector. SMEDAN was established to perform the following functions (Modupe, 2005):

- Stimulating, monitoring and coordinating the development of MSME sector.
- Promoting and facilitating development programmes, instruments and support services to accelerate the development and modernization of the MSMEs' operations.
- Linking SMEs to internal and external source of finance, appropriate technology, technical skills etc.

- Promoting and providing access to industrial infrastructures such as layout, incubators and industrial parks.
- Serving as vanguard for rural industrialization, poverty reduction, job creation and enhanced livelihood.

Methodology

Type of data used for this study is secondary data which were obtained from the books of records of SMEDAN. The study used library and desk research in order to read up some materials on SMEDAN and SMEs. Text books, publications, and journals were utilized in the course of this research. Data collected were presented in tables and line graphs were analysed using percentage.

Findings and Discussion

Table 1: Summary of the Participants at the Business Opportunities and Entrepreneurial Capacity Building Programme Organised By SMEDAN in 2005

S/N	COURSES	NUMBER OF PARTICIPANTS	% OF TOTAL
1	Body and hair cream production	12,300	6.30
2	Bread making	23,359	11.96
3	Cake making and design	18,200	9.32
4	Custard production and packaging	7,568	3.87
5	Fish farming	15,000	7.68
6	Fruit juice production	14,000	7.17
7	Honey processing	5,651	2.89
8	Ice cream making	4,900	2.51
9	Laundry and toilet soap making	15,520	7.95
10	Mobile phone repairs	25,000	13.22
11	Packaged water production	23,187	12.80
12	Poultry and livestock farming	22,500	11.52
13	Snail farming	3,950	2.02
14	Tie and dye	4,200	2.15
	TOTAL	195,326	100

Source: SMEDAN, 2005

Data presented in table 1 shows a summary of the total number of participants at the business opportunities and entrepreneurial capacity building programmes organised by SMEDAN in 2005. It shows that a total of 195,326 people from all over the federation participated at the various programmes. It reveals that the course on mobile phone repairs had a total of 25,000 participants, representing 13.22% which was the highest. Similarly, the training on bread making had a total of 23,359 participants representing 11.96%. The table also shows that the workshop on snail farming had the least number of participants with a total of 3,950 participants representing 2.02%. According to SMEDAN, the programme each of which lasted for two days targeted both public sector workers and private sector workers for entrepreneurial development.

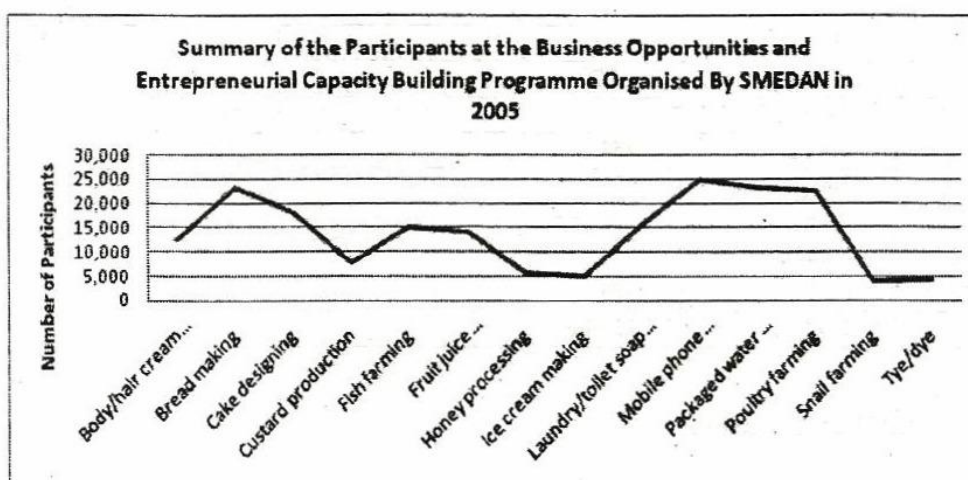


Table 2: Summary of the Participants at the Workshop on Poultry and Livestock Farming

S/N	STATE	NUMBER OF PARTICITANTS	PERCENTAGE
1	Abia	105	0.47
2	Adamawa	560	2.49
3	Akwa- Ibom	300	1.33
4	Anambra	250	1.11
5	Bauchi	800	3.56
6	Bayelsa	96	0.43
7	Benue	780	3.47
8	Borno	416	1.85
9	Cross River	380	1.69
10	Delta	170	0.76
11	Ebonyi	386	1.72
12	Edo	400	1.78
13	Ekiti	750	3.33
14	Enugu	150	0.67
15	Gombe	570	2.53
16	Imo	235	1.04
17	Jigawa	628	2.79
18	Kaduna	1,250	5.56
19	Kano	511	2.27
20	Katsina	630	2.80
21	Kebbi	550	2.44
22	Kogi	840	3.73
23	Kwara	902	4.01
24	Lagos	210	0.93
25	Nasarawa	915	4.07
26	Niger	709	3.15
27	Ogun	976	4.34
28	Ondo	1,022	4.54
29	Osun	870	3.87

30	Oyo	1,422	6.32
31	Plateau	1,279	5.68
32	Rivers	32	0.41
33	Sokoto	431	1.92
34	Taraba	673	2.99
35	Yobe	460	2.04
36	Zamfara	857	3.81
37	FCT	984	4.37
	TOTAL	22,500	100

Source: SMEDAN, 2005

Table 2 shows that a total of 22,500 people participated at the work shop / training on poultry and live stock farming from the 36 states of the federation, including Abuja, the federal capital territory. The table reveals that a total of 1,422 participants representing 6.22 % were from Oyo state, which was the highest in the country. Similarly, a total of 1,278 participants representing 5.68% were from Plateau State. It also shows that Rivers State had a total of 32 participants representing 0.41%, which was the least. The workshop was designed to impart knowledge on poultry production and management in order to create employments. Participants were taught the basic poultry housing, health and disease control, farm management, and farm records and accounting.

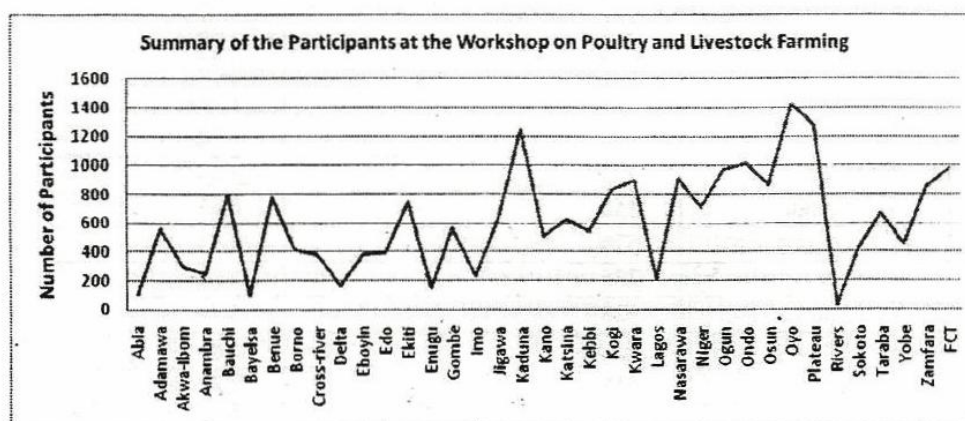


Table 3: Summary of the Participants at the Workshop on Mobile Phone Repairs

S/N	STATE	NUMBER OF PARTICIPANTS	PERCENTAGE
1	Abia	562	2.25
2	Adamawa	385	1.54
3	Akwa- Ibom	554	2.22
4	Anambra	450	1.80
5	Bauchi	830	3.32

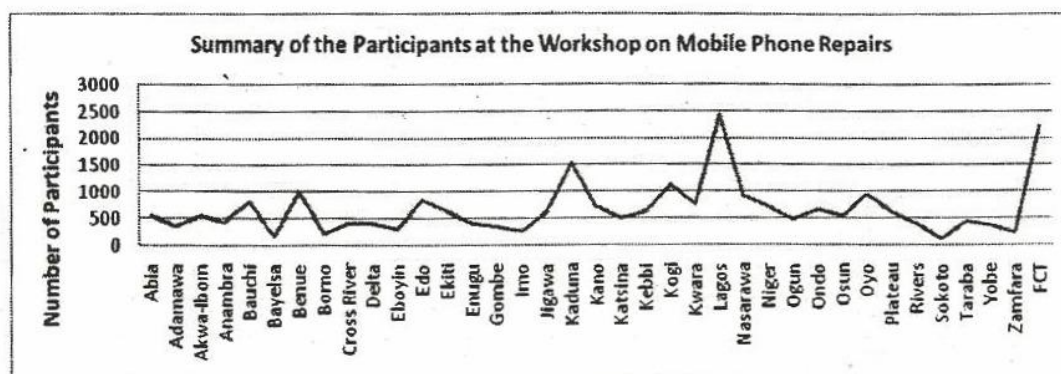
6	Bayelsa	165	0.66
7	Benue	1,012	4.05
8	Borno	216	0.82
9	Cross River	420	1.68
10	Delta	425	1.70
11	Ebonyi	314	1.26
12	Edo	850	3.40
13	Ekiti	629	2.52
14	Enugu	421	1.68
15	Gombe	368	1.47
16	Imo	270	1.08
17	Jigawa	625	2.50
18	Kaduna	1,534	6.14
19	Kano	718	2.87
20	Katsina	516	2.06
21	Kebbi	623	2.49
22	Kogi	1,130	4.52
23	Kwara	778	3.11
24	Lagos	2,431	9.72
25	Nasarawa	925	3.70
26	Niger	711	2.84
27	Ogun	503	2.01
28	Ondo	674	2.70
29	Osun	561	2.24
30	Oyo	948	3.79
31	Plateau	637	2.55
32	Rivers	392	1.57
33	Sokoto	129	0.52
34	Taraba	453	1.81
35	Yobe	387	1.55
36	Zamfara	235	0.94
37	FCT	2,219	8.88
	TOTAL	25,000	100

Source: SMEDAN, 2005

Table 3 shows that a total of 25,000 people participated at the workshop training on mobile phone repairs from the 36 state of the federation. It reveals that a total of 2,431 participants, representing 9.72% were from Lagos State alone, which was the highest. The table also shows that FCT has a total of 2,219 participants which represents 8.8%, and Sokoto State had a total of 129 participants, representing 0.52%, which was the least. According to SMEDAN, the objective of the workshop was to enable the participants learn the technology and art of GSM technology, thereby creating self employment opportunities. Similarly, the Agency had organized SME techno/ research and development exposition in Abeokuta, Ogun State, and SME product fair at Owerri, Fish forum in Abuja. The exposition provided an opportunity for networking between equipment fabricators users (MSMEs). The Owerri fair increased the awareness of local substitutes for imported products such as electrical inverter.

The fish forum organised in September, 2005 was aimed at sensitising the general public and developing the capacity of the farmers. According to SMEDAN, about 102 participants attended the forum which was seen as a huge success.

Also, as part of its achievements, SMEDAN has created a databank for the SMEs in Nigeria. The information contained in the databank include: existing SME distribution across the country, raw material, production machinery and equipment, etc. As a way forward, the Agency is partnering with the Bank of Industry and Nigerian Agricultural Cooperative and Rural Development Bank in order to facilitate access to finance by MSMEs.



Conclusion and Recommendations

Based on the findings of this study, we can conclude that SMEDAN is doing a lot to ensure the vibrancy of MSME sector in Nigeria. The efforts of the Agency in providing capacity building to Small Scale Entrepreneurs can be seen everywhere today in Nigeria - GSM repairers, fish farmers, poultry famers etc. However, our lessons and experience regarding the performance of SMEs in other countries leave us in no doubt that SMEDAN can lead us to achieve industrial development through our SMEs. A lot of responsibilities are given to SME sub-sector as government drives toward diversification of the economy. The Federal Government of Nigeria has continued to campaign for a private-sector-led economy. Besides, there are efforts at shifting focus from oil and gas sector to the sub-industrial sector, and moving away from import-dominated growth to a situation where SMEs become much more important both as a source of employment generation, and as a major contributor to the Gross Domestic Product. The study therefore, concludes that SMEDAN has serious challenges ahead owing to the increasing level of unemployment rate in Nigeria. This is because, SMEDAN is expected to serve as vanguard for rural industrialization, poverty reduction, job creation and enhanced livelihood.

The study therefore, recommends that SMEDAN should embark on public enlightenment campaign so that entrepreneurs can be aware of its existence. SMEDAN should also establish branch offices in all the states of the federation. Lastly, Government should intensify efforts toward provision of adequate infrastructural facilities and creation of conducive business environment.

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