

THE ROLE AND CHALLENGE OF SMALL AND MEDIUM SCALE ENTERPRISES (SMES) IN BOOSTING THE NIGERIAN ECONOMY IN THE 21ST CENTURY

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Abstract

This paper tries to examine how the development of small and medium scale enterprises (SMES) is germane to job creation and boosting of the Nigerian economy in the 21st century. Developing countries such as Nigeria have a lot to gain by helping the SME culture to thrive. This is because the country can only develop better and survive economically under a thriving SME culture. The paper also tries to explain that despite the widely acknowledged role of small and medium scale enterprises in fostering economic growth and development, the SMES in Nigeria have continued to face a variety of challenges and constraints. Some of the challenges which the SME are facing were mentioned and strategies to curb them were discussed.

Keywords: The role of SME, job creation, boosting the Nigerian economy, challenges of SMEs, inadequate infrastructure, and lack of funding.

Small and Medium Enterprises (SMEs) industries account for over 80 percent of the enterprises in the world and are responsible for 50 to 60 percent of employment. Today in Nigeria, national drive toward a successful SMEs culture is a welcome development as a result of the menace of economic recession the oil economy of Nigeria has entered into. The price of crude oil in the world market has dropped, more so, the quantity of crude oil Nigeria produces has also dropped as a result of militants' bombing of oil facilities in the oil rich Niger Delta region. Today, the 36 states of the federation that depend on the Niger Delta oil for sustenance find it difficult to pay workers salary. Hence, the government has introduced the diversification agenda, so that states should start looking beyond crude oil money for their sustenance. This calls for the development of real sectors, such as, agriculture, industries, mining, tourism etc.

This paper tries to explain the role of SMEs industries in boosting the Nigerian economy. It also discusses the challenges facing SMEs industries in Nigeria, as well as the strategies to curb challenges facing SMEs industries in the country. The paper also

examines some of the government's programmes and policies to enhance the growth and developments of SMEs business in Nigeria which include:

- National Directorate of Employment Scheme
- Establishment of the Bank of Industry, Banks of Agriculture, and others.
- Promotion of the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN)
- The Small and Medium Industries Investment Scheme (SMIEIN). All these programmes and policies are aimed to curb unemployment and poverty in Nigeria, so that the SMEs businesses can create employment generation, poverty reduction, entrepreneurship development and economic self-reliance among Nigerian youths.

The Role of SMEs Industries in Boosting the Nigerian Economy in the 21st Century

Small and medium enterprises form the backbone, the foundation, and the strength on which all economic activities are built and can be the firmness, stamina, support, and the mainstay of an economy particularly in terms of job creation. SMEs industries are one of the principal driving forces for socio-economic growth and development. Unfortunately, inadequate access to finance continues to be one of the most significant impediments to the creation, survival and growth of small and medium size business in Nigeria. (Nnadi, 2012). Objective statistics shows that SMEs are over 90 percent of businesses in Nigeria and they contribute up to 45 percent of Gross Domestic Product (GDP).

According to Ojemba, (2000); Klott, (1973) & Drucker, (1974), small-scale industry is any industry which is independently owned and operated and not dominant in its area of operation. A small business requires at most, one man who is not engaged in any other functional work. The man at the top knows who the few people are in the organization in which responsibility for key results rest on, without having to consult his records or associates. Small scale business can hardly employ twelve to 15 persons on whom the number one man can really know and can really be familiar with. Small scale business has one or more of the following characteristics. (Ojemba, 2000).

- i. Managers are also owners
- ii. Area of operation mainly local
- iii. Owners supplied capital small in size within the industry
- iv. A great sense of independence
- v. A strong sense of enterprise i.e. strong determination to succeed despite all odds.
- vi. Control and influence as much by personal and family consideration.
- vii. High valuation of his time.
- viii. Expectation of quick and concrete result.
- ix. Small business owners tend to enter the business more by chance than by design
- x. They tend to have limited formal education, especially in non-technical business.

Some of the small and medium scale enterprises in Nigeria include:

- i. Retailing: food, grocery, restaurants.
- ii. Service: auto repair, building repair, plumbing, electrician, travel agencies.
- iii. Wholesale distributors
- iv. ICT information and communication operators
- v. Manufacturing: metals, poultry, food processing, meal, and vegetable, paper and pulp, construction and building.

It is important to note that the role of SMEs in developing Nigeria cannot be overestimated. Over 80 percent of enterprises in Nigeria need financial support to enable them boost job creation, poverty reduction and diversification of the Nigerian economy beyond crude oil. Wisdom demands that the Nigerian youths should embrace SMEs, entrepreneurship development and education to enhance economic self-reliance, Nigeria's entrepreneurs need to be hard-working and the government should curb corruption to drive the youths towards SMEs both at the rural and urban centers. If the government boosts infrastructural development, it will encourage SMEs and other tools for sustainable development. The government needs to support and partner with the private sector to boost SMEs with good planning systems, mutual accountability and financial support. An impoverished and disempowered SMEs industry will cause stagnation, deprivation and suffering of the youths. It will spur no hope. But with governments increased support to SMEs, it will give the youths hope and spur them to end poverty in the 21st Century.

If the Nigerian government can expand vocational training and education for the youths it could boost the skills of SMEs through modern farming, computer literacy, basic infrastructure maintenance (electrical wiring, use and maintenance of diesel generators, water harvesting, bore hole construction and maintenance, carpentry, computer and mobile phone repairs and a myriad of other technical skills. Thus Increased information and technical knowledge on investment in education can enhance SMEs industries in Nigeria in the 21st century.

Small and Medium Enterprises (SMEs) play pivotal role in Nigeria and the world economy. Therefore, the growth of SMEs must be upheld in all ramifications. SMEs are generally regarded as economic growth engine and account for majority of formal employment in the country. The SMEs play an increasingly important role in addressing developmental challenges, especially in relatively untapped sectors of agriculture, industries, mining, tourism etc. Hence, SMEs serves as a veritable tool in addressing poverty alleviation. Today in Nigeria, there is seemingly high rate of unemployment, business closures, poverty and starvation occasioned by the biting economic depression the country is currently witnessing. So SMEs plays a pivotal role in the development of the Nigerian economy. Therefore their survival and ability to confine to impact positively on the economy is something every stakeholder must give closer attention. (Taiwo, 2017).

The Nigerian government and entrepreneurs need to tackle the constraints of SME holistically. This involves going back to the basis; as Nigerians need to agree that SME has a lot to offer in revamping the economy and creating the much needed wealth, the government need to assembled a team of experts from the banking and business sectors to critically examine what actually are the challenges there SMEs are facing. SMEs can open opportunities for young Nigerians to tap because every state in Nigeria has numerous business opportunities that are bound, the question is; how can we actualize our vision? Because in Nigeria there are old opportunities and new ones for new entrants to explore. All over the world it is SMEs businesses that champion the economic growth of the different country's economy. (Taiwo, 2017).

In Nigeria, SMEs comprise sole proprietors, partnership, etc. that are known to provide the needed synergy for the growth Nigeria has recorded since independence. SMEs are known to be very nationalistic when compared to multi-national corporations whose major concern is to make profit at the expense of the ordinary masses and this they drive at the detriment of the national interest of their host economy.

Challenges Facing SMEs Businesses in Nigeria

Despite the widely acknowledged role of the small and medium scale enterprises in fostering economic growth and development, the SMEs in Nigeria have continued to face a variety of constraints. Some of the challenges they face are inadequate infrastructure facilities, shortage of skilled manpower, high rate of enterprises closing shops, low level of entrepreneurial skills, and lack of conducive operating environment, restricted market access and cumbersome regulatory requirements. (Ugwu, 2017).

Other constraints to SMEs, is the problem of access to finance, SMEs in Nigeria suffer from lack of funds from both the money and capital markets. This is due to lack of collectoral security and the perception of high risk resulting in high rate of SMEs closing shops, especially during this period that Nigeria has entered into economic recession. Other challenges of SMEs businesses in Nigeria are poorly prepared projects proposals, inadequate capital, absence of verifiable history of past credits and lack of adequate records of the company's transactions. (Ugwu, 2017).

SMEs need a robust financing to meet needs at each stage of their life cycle, from start through operation, development, restructuring, from and beyond. But presently, the interest rate charged by commercial banks is about 28-30 percent. This high interest rate is inaccessible to average Nigerian entrepreneur living in both rural and urban areas. This has increased the level of Nigerian graduates seeking for white collar jobs. Thereby increasing the level of unemployment and poverty in our country.

According to Ugwu (2017) market watchers believe that if Nigerians have access to credit at below one percent as it is in Japan and some developed countries currently, they would have closed the infrastructure gap in power, transportation, financial inclusion, among others. However, since we have a situation in Nigeria quite

different from that in the developed countries, especially now that the economy is in a period of systemic recession, some of the constraints of SMEs in Nigeria also include lack of good roads and railways from the rural areas to the urban centers. Air transport is expensive for the usage of the poor entrepreneurs from the village. In most industrial site clusters with SME business water is scarce and in short supply. Moreso, there constant power failure from Enugu Electricity Distribution Company of Nigeria and many rural areas lack effective access to information and communication technology and other tools of trade, in times of energy crisis there is shortage of fuel supply, businesses of the SMEs are almost grounded due to lack of petrol and gas to power generators.

It is also important to note that the quality of education in Nigeria has gradually declined. This factor has also affected the operation of SMEs in Nigeria. The schools and industrial training centers are not well funded, equipment and management are lacking. Moreover, lack of functional education in Nigeria hinders economic self-reliance and entrepreneurship development. The challenges of half-baked workforce hinder idea, thinking culture and innovation of SMEs.

It is also sad to note that ICT and other modern skills are not available in the rural areas of Nigeria this factor also affects the growth and development of SMEs businesses. Above all, corruption and fraud also affect the growth and development of SMEs in Nigeria. This problem makes many youths to prefer to engage in paid employment at the end of the months than to engage in SMEs business in Nigeria.

Strategies to Curb Challenges facing SMEs Businesses in Nigeria

▪ To curb the challenges facing SMEs industries in Nigeria, the Director General of the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) (Umaru, 2017) explains that the agency is collaborating with the Industrial Training Fund (ITF) and the Bank of Industry (BOI) to provide entrepreneurship and vocational skills for youths. Umaru made the disclosure in Abuja at the graduation of trainees of the first batch of the 2016 National Industrial Skills Development Programme (NISDP). He said the programme aimed at building a bridge over the gap between employers and job seekers. “The various skills you have acquired are in consonance with the priority knowledge needed to rejuvenate the economy and help us intensify the “made in Nigeria” campaign. These include agric-business fabrication, information communication technology, wood work, building technology, electrical and electronics, leather work, textile, garment, fashion and designing and hospitality business. These skills are required to kick start and manage a successful business as provided for the participants. According to (Umaru, 2017), the SMEDAN will link the people they have trained up with credible partners and mentors that will impact positively on their proposed businesses.

- Since SMEs are vital for the economic growth and job creation in Nigeria, they need adequate financing to meet needs at each stage of their life, from creation through operation, development, restructuring and recovery (Ugwu, 2017).
- It is important for stock exchange in Nigeria and Africa at large to encourage SMEs which form the bulk of local investors to help boost businesses. Thus, the Nigerian capital market is in need of entrepreneurs to boost activities and reposition the market for global competitiveness. (Ugwu, 2017)
- The government needs to encourage entrepreneurs and SMEs to create more business to tackle social problems including unemployment and poverty.
- Government should provide credit facilities to small scale agro-allied industries to provide employment opportunities to many Nigerians, to improve the living standard of Nigerians and to curb rural-urban migration among young Nigerians.
- Government should improve on the ease of doing business in Nigeria by providing a separate tax regime for SMEs in the country.
- Government should protect home SMEs industries from foreign companies that may want to keep them out of business with unhealthy competition.

Conclusion

The role of SMEs to stimulate the economy of Nigeria is a blue print for the country to get out of recession, because right now, serious countries of the world, even the developed countries depend on Small and Medium Enterprises (SMEs) to drive their economies. In this era that we are in, white collar jobs are disappearing. The role of SMEs is a situation young Nigerians are trained to create jobs and get people employed. Every Nigerian should be encouraged to engage in SMEs, it helps you to get a vocation that can fetch you additional income. So, it doesn't matter if you are a teacher, engineer, accountant or a politician, you must look for a vocation to help your earning to get better. Every Nigerian should learn to produce something to earn a living. If more SMEs spring up, monies that are on flight to other countries that are on foreign reserve will begin to circulate within the country. That is why china is what it is today. They encourage SMEs to thrive successfully. The government should de-emphasizing youths' dependence on limited white collar jobs and should urge unemployed youths in the country to take advantage of the various skills acquisition programmes initiated by the National Directorate of Employment to boost the expansion of SMEs in the country. Government alone cannot create the needed jobs. Youths should be encouraged to embrace agriculture, manufacturing, mining as well as trades like vulcanizing.

Recommendations

Based on the discourse the following recommendations for boosting the small and medium scale enterprises (SMES) in the Nigerian economy were made which include:

1. Nigerian youths should be ready to explore the ministry of labour's eight specialized skills centers spread across the six geo-political zones, where the youths will get advanced skills in SMEs industries for free and be certified with trade test certificate which is equivalent to city and guild of past, so that they can boost their talent of SMEs industries. (Ngige, 2017)
2. As a way of reviving and encouraging the establishment of SMEs, the National Directorate of Employment (NDE) should encourage young entrepreneurs to commence local production of items currently on the Nigerian Custom Service import prohibition list such as, pencil and tooth picks locally. By so doing, such budding-enterprises shall be guaranteed a ready market which will ensure their survival.
3. The government should also assist Nigerian technicians, including vulcanizers that lack modern skills and equipment to ply their trades through training and workshops, easy and direct access to modern equipment and accessories as well as soft loans to artisans and technicians to boost their skills..
4. Young and prospective entrepreneurs should be creative, instead of waiting on government to provide a 100 percent enabling environment for them to start off their own business.
5. Government can boost innovation in the SMEs industries by subsidizing the price of electricity for them so that would not run out of business. Government can also boost SMEs industries in Nigeria by giving them tax incentives and to reduce the negative impact of foreign exchange crisis.
6. Government should also ensure that they patronize local manufacturers in the area of goods they need just as they are patronizing Innoson Motors and Dangote Cement. This will further encourage young Nigerians to enter SMEs.
7. SMEs need education on how the economy runs. Government and financial institutions should be ready to give free SMEs business training/capacity building programmes open to both customers and non-customers nationwide. They should also invest in setting up business incubator that would cater for hand holding businesses and mentoring entrepreneurs on business best practices as well as provide market access.

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