INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE, IT & MANAGEMENT

IJRCM

A Monthly Double-Blind Peer Reviewed (Refereed/Juried) Open Access International e-Journal - Included in the International Serial Directories

Indexed & Listed at:

Ulrich's Periodicals Directory ©, ProQuest, U.S.A., EBSCO Publishing, U.S.A., Cabell's Directories of Publishing Opportunities, U.S.A.,
Open J-Gage, India [link of the same is duly available at Inflibnet of University Grants Commission (U.G.C.)],
Index Copernicus Publishers Panel, Poland with IC Value of 5.09 & number of libraries all around the world.

Circulated all over the world & Google has verified that scholars of more than 2022 Cities in 153 countries/territories are visiting our journal on regular basis.

Ground Floor, Building No. 1041-C-1, Devi Bhawan Bazar, JAGADHRI – 135 003, Yamunanagar, Haryana, INDIA

http://ijrcm.org.in/

CONTENTS

CALL FOR MANUSCRIPTS

We invite unpublished novel, original, empirical and high quality research work pertaining to recent developments & practices in the area of Computer, Business, Finance, Marketing, Human Resource Management, General Management, Banking, Insurance, Corporate Governance and emerging paradigms in allied subjects like Accounting Education; Accounting Information Systems; Accounting Theory & Practice; Auditing; Behavioral Accounting; Behavioral Economics; Corporate Finance; Cost Accounting; Econometrics; Economic Development; Economic History; Financial Institutions & Markets; Financial Services; Fiscal Policy; Government & Non Profit Accounting; Industrial Organization; International Economics & Trade; International Finance; Macro Economics; Micro Economics; Monetary Policy; Portfolio & Security Analysis; Public Policy Economics; Real Estate; Regional Economics; Tax Accounting; Advertising & Promotion Management; Business Education; Management Information Systems (MIS); Business Law, Public Responsibility & Ethics; Communication; Direct Marketing; E-Commerce; Global Business; Health Care Administration; Labor Relations & Human Resource Management; Marketing Research; Marketing Theory & Applications; Non-Profit Organizations; Office Administration/Management; Operations Research/Statistics; Organizational Behavior & Theory; Organizational Development; Production/Operations; Public Administration; Purchasing/Materials Management; Retailing; Sales/Selling; Services; Small Business Entrepreneurship; Strategic Management Policy; Technology/Innovation; Tourism, Hospitality & Leisure; Transportation/Physical Distribution; Algorithms; Artificial Intelligence; Compilers & Translation; Computer Aided Design (CAD); Computer Aided Manufacturing; Computer Graphics; Computer Organization & Architecture; Database Structures & Systems; Digital Logic; Discrete Structures; Internet; Management Information Systems; Modeling & Simulation; Multimedia; Neural Systems/Neural Networks; Numerical Analysis/Scientific Computing; Object Oriented Programming; Operating Systems; Programming Languages; Robotics; Symbolic & Formal Logic and Web Design. The above mentioned tracks are only indicative, and not exhaustive.

Anybody can submit the soft copy of his/her manuscript **anytime** in M.S. Word format after preparing the same as per our submission guidelines duly available on our website under the heading guidelines for submission, at the email address: infoijrcm@gmail.com.

GUIDELINES FOR SUBMISSION OF MANUSCRIPT

1. **COVERING LETTER FOR SUBMISSION:**

DATED: _____________

THE EDITOR
IJRCM

Subject: **SUBMISSION OF MANUSCRIPT IN THE AREA OF ____.**

(e.g. Finance/Marketing/HRM/General Management/Economics/Psychology/Law/Computer/IT/Engineering/Mathematics/other, please specify)

DEAR SIR/MADAM

Please find my submission of manuscript entitled '____' for possible publication in your journals.

I hereby affirm that the contents of this manuscript are original. Furthermore, it has neither been published elsewhere in any language fully or partly, nor is it under review for publication elsewhere.

I affirm that all the author (s) have seen and agreed to the submitted version of the manuscript and their inclusion of name (s) as co-author (s).

Also, if my/our manuscript is accepted, I/We agree to comply with the formalities as given on the website of the journal & you are free to publish our contribution in any of your journals.

NAME OF CORRESPONDING AUTHOR:
Designation:
Affiliation with full address, contact numbers & Pin Code:
Residential address with Pin Code:
Mobile Number (s):
Landline Number (s):
E-mail Address:
Alternate E-mail Address:

NOTES:
a) The whole manuscript is required to be in ***ONE MS WORD FILE*** only (pdf. version is liable to be rejected without any consideration), which will start from the covering letter, inside the manuscript.
b) The sender is required to mention the following in the **SUBJECT COLUMN** of the mail:
New Manuscript for Review in the area of (Finance/Marketing/HRM/General Management/Economics/Psychology/Law/Computer/IT/Engineering/Mathematics/other, please specify)
c) There is no need to give any text in the body of mail, except the cases where the author wishes to give any specific message w.r.t. to the manuscript.
d) The total size of the file containing the manuscript is required to be below **500 KB**.
e) Abstract alone will not be considered for review, and the author is required to submit the complete manuscript in the first instance.
f) The journal gives acknowledgement w.r.t. the receipt of every email and in case of non-receipt of acknowledgment from the journal, w.r.t. the submission of manuscript, within two days of submission, the corresponding author is required to demand for the same by sending separate mail to the journal.

2. **MANUSCRIPT TITLE**: The title of the paper should be in a 12 point Calibri Font. It should be bold typed, centered and fully capitalised.

3. **AUTHOR NAME (S) & AFFILIATIONS**: The author (s) **full name**, **designation**, **affiliation** (s), **address**, **mobile/landline numbers**, and **email/alternate email address** should be in italic & 11-point Calibri Font. It must be centered underneath the title.

4. **ABSTRACT**: Abstract should be in fully italicized text, not exceeding 250 words. The abstract must be informative and explain the background, aims, methods, results & conclusion in a single para. Abbreviations must be mentioned in full.

5. **KEYWORDS**: Abstract must be followed by a list of keywords, subject to the maximum of five. These should be arranged in alphabetic order separated by commas and full stops at the end.

6. **MANUSCRIPT**: Manuscript must be in ***BRITISH ENGLISH*** prepared on a standard A4 size ***PORTRAIT SETTING PAPER***. It must be prepared on a single space and single column with 1" margin set for top, bottom, left and right. It should be typed in 8 point Calibri Font with page numbers at the bottom and centre of every page. It should be free from grammatical, spelling and punctuation errors and must be thoroughly edited.

7. **HEADINGS**: All the headings should be in a 10 point Calibri Font. These must be bold-faced, aligned left and fully capitalised. Leave a blank line before each heading.

8. **SUB-HEADINGS**: All the sub-headings should be in a 8 point Calibri Font. These must be bold-faced, aligned left and fully capitalised.

9. **MAIN TEXT**: The main text should follow the following sequence:

   INTRODUCTION

   REVIEW OF LITERATURE

   NEED/IMPORTANCE OF THE STUDY

   STATEMENT OF THE PROBLEM

   OBJECTIVES

   HYPOTHESES

   RESEARCH METHODOLOGY

   RESULTS & DISCUSSION

   FINDINGS

   RECOMMENDATIONS/SUGGESTIONS

   CONCLUSIONS

   SCOPE FOR FURTHER RESEARCH

   ACKNOWLEDGMENTS

   REFERENCES

   APPENDIX/ANNEXURE

   It should be in a 8 point Calibri Font, single spaced and justified. The manuscript should preferably not exceed ***5000 WORDS***.

10. **FIGURES & TABLES**: These should be simple, crystal clear, centered, separately numbered & self explained, and **titles must be above the table/figure**. **Sources of data should be mentioned below the table/figure**. It should be ensured that the tables/figures are referred to from the main text.

11. **EQUATIONS**: These should be consecutively numbered in parentheses, horizontally centered with equation number placed at the right.

12. **REFERENCES**: The list of all references should be alphabetically arranged. The author (s) should mention only the actually utilised references in the preparation of manuscript and they are supposed to follow **Harvard Style of Referencing**. The author (s) are supposed to follow the references as per the following:

- All works cited in the text (including sources for tables and figures) should be listed alphabetically.
- Use (**ed.**) for one editor, and (**ed.s)** for multiple editors.
- When listing two or more works by one author, use --- (20xx), such as after Kohl (1997), use --- (2001), etc, in chronologically ascending order.
- Indicate (opening and closing) page numbers for articles in journals and for chapters in books.
- The title of books and journals should be in italics. Double quotation marks are used for titles of journal articles, book chapters, dissertations, reports, working papers, unpublished material, etc.
- For titles in a language other than English, provide an English translation in parentheses.
- The location of endnotes within the text should be indicated by superscript numbers.

PLEASE USE THE FOLLOWING FOR STYLE AND PUNCTUATION IN REFERENCES:

BOOKS

- Bowersox, Donald J., Closs, David J., (1996), "Logistical Management." Tata McGraw, Hill, New Delhi.
- Hunker, H.L. and A.J. Wright (1963), "Factors of Industrial Location in Ohio" Ohio State University, Nigeria.

CONTRIBUTIONS TO BOOKS

- Sharma T., Kwatra, G. (2008) Effectiveness of Social Advertising: A Study of Selected Campaigns, Corporate Social Responsibility, Edited by David Crowther & Nicholas Capaldi, Ashgate Research Companion to Corporate Social Responsibility, Chapter 15, pp 287-303.

JOURNAL AND OTHER ARTICLES

- Schemenner, R.W., Huber, J.C. and Cook, R.L. (1987), "Geographic Differences and the Location of New Manufacturing Facilities," Journal of Urban Economics, Vol. 21, No. 1, pp. 83-104.

CONFERENCE PAPERS

- Garg, Sambhav (2011): "Business Ethics" Paper presented at the Annual International Conference for the All India Management Association, New Delhi, India, 19–22 June.

UNPUBLISHED DISSERTATIONS AND THESES

- Kumar S. (2011): "Customer Value: A Comparative Study of Rural and Urban Customers," Thesis, Kurukshetra University, Kurukshetra.

ONLINE RESOURCES

- Always indicate the date that the source was accessed, as online resources are frequently updated or removed.

WEBSITES

- Garg, Bhavet (2011): Towards a New Natural Gas Policy, Political Weekly, Viewed on January 01, 2012 http://epw.in/user/viewabstract.jsp

DEVELOPMENT OF SMALL AND MEDIUM ENTERPRISES IN NIGERIA: A PARADIGM SHIFT

ADEYEMI, A. ADEKUNLE
LECTURER
OLABISI ONABANJO UNIVERSITY
AGO-IWOYE

ABSTRACT

This paper establishes a linkage between national economic growth and Small and Medium Enterprises (SMEs) development and thus examines government's successive interventions in the development of SMEs significantly in the area of access to finance. The paper posits that the single-solution approach by way of providing more finance to SMEs may not effectively bring about the desired objectives of a wholesome development of the sector and thereby suggests an integrated multifaceted approach. Accordingly, the paper provides a review of extant legislations and literature on Small Scale entrepreneurial development and gives a deeper understanding of the roles that Development Institutions are to play to encourage, motivate and instil entrepreneurial initiatives and thereby enhance SME as a driver of national economic growth and development in Nigeria.

KEYWORDS

DFIs, entrepreneurial, incentives, SMEs, vision 20:2020.

1. INTRODUCTION

The significance of the Small and Medium Enterprises (SMEs) in the economic growth of many countries cannot be overemphasized. There is consensus of opinion that though the sector consists of individually small businesses, their total contributions to industrial development and national output is very significant (Roslida, 2011; Ogunsiji & Ladanu, 2010, Surienty, Hong, & Hung, 2010; Hong & Hung, 2010; OECD, 2004; NIPC, 2004). Researchers also support that SMEs help in the achievement of improvement in rural infrastructure, improved living standard of the rural dwellers, creation of employment and utilization of indigenous technology, production of intermediate technology and increase in revenue base of individuals and governments (Wahab and Ijaya, 2006; Odubanjo, 2000; Nnanna, 2001, Onwumere, 2000).

The developed nations understand the importance of this sector and are harnessing the potentials for national growth and development. In China, SMEs with fewer than 300 employees accounts for 99.5% of the factories in Tokyo and employs 74% of the workforce there. Korea and Taiwan are prospering as both countries manufacture and export with the aid of well established SMEs. The German SMEs employ 73% of the labour force. Some other comparative analysis of SMEs contribution is as in the table below:

COMPARATIVE ANALYSIS OF SMES CONTRIBUTIONS IN SELECTED COUNTRIES

Countries	Employment (% of Total)	Export Earnings (% of Total)	Contribution to GDP (% of Total)
United Kingdom	53	27	52
USA	52	30	50
India	79	38	40
Hong Kong	78	37	51
Japan	70	40	51
Nigeria	**75**	**2**	**10**

Source: CBN SMEs Surveys (2005) and Vision 20:2020

By 2020 Nigeria intends to be one of the 20 largest economies in the world, able to consolidate its leadership role in Africa and establish itself as a significant player in the global economy. The SMEs sector has been identified as one of the critical elements to achieving the Nigerian vision 20:2020.

The SME sector constitutes 99% of the total business enterprises in Nigeria, employs 75% of the nation's industrial labour force but only accounts for 10% to 15% of the total industrial output while utilizing only about 30% of its installed capacity. Significant as the SME contribution to employment generation is, there is still a serious unemployment crisis in the country today. In the recent past people without basic education accounted for over 76% of the unemployed in Nigeria. The situation today has been compounded by the regularly increasing number of unemployed graduates. According to the National Bureau of Statistics, (NBS) the total number of unemployed Nigerians rose from more than 12 million in 2010 to over 14 million in 2011, with the figure increasing by 1.8 million between December 2010 and June 2011. The Bureau added that unemployment was highest among people aged between 15 and 24, and 25 and 44 years. The NBS data also shows that over 22million of the active population are either unwilling or unable to work or are working for less than 40 hours per week on the average.

2. STATEMENT OF THE PROBLEM

The Vision 20:2020 document notes that as at 2006, the SMEs contributed only 2 per cent of export earnings and 10 per cent to GDP. The low contribution to export earnings has been attributed to lack of skills, management capacity, poor product quality, low production capacity, poor access to international markets and lack of working capital that have made the sector to be uncompetitive.

Similarly, whereas SMEs account for 75% employment rate in Nigeria, the incidence of poverty is dangerously hovering over a large proportion (70%) of the population living below the poverty line of US$2.00 (NGN300) per day. Empirical research shows that the causes of poverty in Nigeria were not limited to unemployment, and that most of the poor were employed in a large variety of small scale, low-productivity activities. Thus, it has been suggested that one way to alleviate poverty in Nigeria could be to increase the productive capability of those engaged in small-scale production (Aftab and Rahim, 1989).

The Federal Bureau of Statistics (FBS) recently released the results of its first National Survey on SMEs conducted across the 36 states of the Federation and the Federal capital territory July 2012. The result announced by the Minister of Trade and Investment, Mr. Olusegun Aganga, showed that 17.28 million SMEs are in the country out of which 17.26 million (about 99.9%) are micro enterprises employing less than 10 persons and valued at less than N5 million each.

The minister stressed that the National Micro Small and Medium Enterprises (MSME) policy recognizes that the sub-sector is the biggest employer of labour throughout the world and the visions of National MSME policy therefore include:

- Delivery of maximum benefits of employment generation;
- Wealth creation;
- Poverty reduction;
- Growth to the Nigerian economy.

In recognition of the significance of this sector, successive governments in Nigeria have launched several initiatives to encourage and develop entrepreneurship. Some of these interventions include specification of credit guidelines by the Central Bank of Nigeria (CBN) to banks lending to SMEs, the establishment of rural banking programmes and indirect lending to SMEs at concessionary rates through participating banks (Inang and Ukpong, 1992; Inegbenebor, 2006). Other schemes include the establishment of the second-tier Securities market, the merger of the Nigerian Bank for Commerce and Industry, the Nigerian Industrial Development Bank and the National Economic Reconstruction Fund into the Bank of Industry to provide cheap financial and business support services to SMEs.

Similarly, the CBN and the Bankers' Committee, in an attempt to tackle the financial problems of SMEs established the Small and Medium Enterprises Equity Investment Scheme (SMEEIS). The Scheme requires all banks in Nigeria to set aside 10% of their profit before tax annually for equity investment in small and medium enterprises operating in the productive sector of the economy. The scheme aimed at facilitating the flow of funds from banks for the establishment of new and viable small and medium industry projects, stimulating economic growth, developing local technology, promoting indigenous entrepreneurship and generating employment.

All these interventions have not been as successful as anticipated essentially because they are all focused towards making more funding available to the SMEs. Then one is tempted to ask the question: Is credit alone the main critical constraint of SMEs development? The generally poor attitude of Nigerians to loan repayment resulted in the banks having high accumulated non-performing loan portfolio from SMEs and effectively resulted in unwillingness of banks to extend further required credits to the sector. The challenge of developing an SME sector that is the driver of national economic growth and development may involve an integrated multifaceted approach rather than the extant singular focus and concentration on creating more framework of funding to the sector.

This paper is concerned with the modalities for strengthening the SME sector and making the sector fulfil its expected mandates towards national growth and development. Specifically, the paper is concerned with the potential roles of Development Finance Institutions (DFIs) in relation to SMEs and how these roles, if effectively discharged, may jump start a paradigm shift in government intervention framework to SME development.

3. CHARACTERISATION OF SMEs IN NIGERIA

The SME sector comprises micro, small and medium enterprises which are distinguished as a group separate from large organisations. There is no widely accepted definition of SMEs in Africa (Beyene, 2002). In Nigeria, the definition has changed from time to time and differs from one agency to another (Appendix 1 shows differences in definitions). However, with the introduction of the National Policy on MSMEs the issue of definition has been addressed. This definition, also adopted by the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) classifies SMEs according to size category, number of employees and asset holdings as follows:

Definition of MSMEs

Size Category	Employment	Asset(=N=million) Excluding Land and Building
Micro Enterprises	Less than 10	Less than 5
Small Enterprises	10 to 49	5 to less than 50
Medium Enterprises	50 to 199	50 to less than 500

Source: National Policy on MSMEs

According to the National Policy on MSMEs, micro enterprises in Nigeria are dominated by wholesale and retail trade, manufacturing, vehicle repair/servicing, transport, hotels and restaurants and building and construction. Majority of micro enterprises are informal, family owned businesses with low output value and low levels of skills and technology. In the First National Survey on SMEs, the FBS announced that 99.9% of SMEs in the country are micro enterprises.

Most small enterprises are registered businesses and they are usually more organised and efficiently run. They have a larger number of well educated, technically skilled proprietors and they have easier access to bank credits with targeted assistance and support.

The medium enterprises dominate the formal SME sector. Majority of these are in the manufacturing, transportation and ICT sectors. They have better access to credit and are the main recipients of most government initiatives targeted towards SMEs. Government initiatives like SMEDFUND and SMEEIS aimed to cover only enterprises with a maximum asset base of N200 Million and those that regularly complied with applicable tax laws. These criteria clearly ruled out most informal businesses providing majority of employment and constituting 99.9% of SMEs (FBS, 2012).

Characterization of SMEs in Nigeria has taken various forms and shapes (Aluko, Oguntoye, and Afonja 1975; Ekpenyong and Nyong (1992); Ogunsiji and Ladamu, 2012). Some of these include:

- Concentration of power in one person, i.e. the proprietor
- Vision of the manager/proprietor confined to local community, with little or no knowledge of wider or distant market;
- Little or no accounting records are kept;
- Ownership structure largely revolves around a key man or family;
- Labour – Intensive production processes;
- High cost of funds as a result of high interest rates paid on loan sourced from informal financial sector;
- High mortality rate especially within the first two years of existence.
- Poor inter and intra-sectoral linkages; hence they hardly enjoy the benefits economies of scale.
- Poor product quality, poor packaging and equally poor marketing strategy.
- Absence of Research and Development to drive innovative ideas and match global benchmark.
- High production costs due to inadequate infrastructure.
- Lack of access to international market.
- Lack of succession plan.
- Poor access to vital information.

4. CHALLENGES OF SMEs IN NIGERIA

Several of the SMEs die within the first few years of their existence. Problems associated with their high mortality have been widely identified and discussed (Aftab and Rahim, 1989; Ekpenyong and Nyong, 1992; Onugu, 2005).

The challenges have been grouped into two broad categories of exogenous and endogenous issues (Vision 2020). The exogenous issues are those imposed by external circumstances and institutional deficiencies while the endogenous issues are human related and are mostly caused by lack of depth, knowledge and expertise of participants in the sector. These issues could be further identified as follows:

- ❖ Poor Policy Framework
- ❖ Lack of coordination among various programmes
- ❖ Absence of linkage programmes
- ❖ Inadequate legal framework
- ❖ Difficulty doing business
- ❖ Poor data issues
- ❖ Insufficient Capital;
- ❖ Lack of Succession plan;
- ❖ Inadequate Market Research;
- ❖ Over Concentration on one or two markets for finished products;
- ❖ Lack of focus;
- ❖ Inexperience
- ❖ Lack of proper records or lack of any records at all;
- ❖ Inability to separate business and family or personal finances;
- ❖ Lack of business strategy;
- ❖ Inability to distinguish between revenue and profit;

- ❖ Inability to procure the right plant and machinery;
- ❖ Inability to engage or employ the right caliber staff;
- ❖ Lack of planning;
- ❖ Cut-throat competition;
- ❖ Lack of official patronage of locally produced goods and services;
- ❖ Inimical government rules and regulations (e.g. dumping of foreign goods, unfavourable fiscal policy, multiple taxes, levies and rates)
- ❖ Over concentration of decision making on one key person;
- ❖ Infrastructural inadequacy;
- ❖ Restricted market access;
- ❖ Raw materials sourcing problems;
- ❖ Problems of inter-sectoral linkages given that most large scale firms source some of their raw materials outside instead of subcontracting to SMEs;
- ❖ Insecurity of people and property;
- ❖ Unfavourable monetary policies;
- ❖ Lack of preservation, processing and storage technology and facilities.

5. FINANCE CONSTRAINTS AND GOVERNMENT INTERVENTION POLICIES

Access to finance has been identified as a major constraint of SMEs in Nigeria.
There are three main sources of financing open to them as follows:

- ➢ Formal Financial institutions such as the conventional banks, insurance companies and development banks.
- ➢ Informal Financial institutions consisting of money lenders, credit and savings associations (cooperative societies); esusu, friends and relations.
- ➢ Personal savings.

A study by the Nigerian Institute for Social and Economic Research (NISER) in 1984 reveals that about 73% of the respondent obtained their funds from personal savings, while only about 2% obtained theirs from the formal financial institutions. Another study by Ojo (1984) on the sources of investment finance for small industries shows a similar trend that over 96% came from personal savings with about 3% from the informal sector and less than 1% from the formal financial institutions. The trend has not improved over the years.

Attempts made to address the financing problem of SMEs in Nigeria include specification of credit guidelines by the CBN to banks, lending to SMEs, the establishment of rural banking programmes and indirect lending to SMEs at concessionary rates through participating banks, the merger of the Nigerian Bank for Commerce and Industry, the Nigeria Industrial Development Bank and the National Economic Reconstruction Fund into the Bank of Industry (BOI) to provide cheap financial and business support services to SMEs.

In addition, the CBN and the Bankers' Committee in an attempt to tackle the financial problems of SMEs established the (SMEEIS) which started in June 2001 and requires all Banks in the country to set aside 10% of their profit before tax annually for equity investment in SMEs operating in the productive sector of the economy. The objectives of the scheme are to stimulate economic growth, facilitate the flow of funds from banks for the establishment of new viable small medium industry projects, develop local technology and promote indigenous entrepreneurship (UBA, 2001)

The table in appendix 2 shows the distribution of bank loans to SMEs in Nigeria from 1992 to 2008. Between 1992 and 1996, there was a mandatory minimum of 20% of total bank credit to allocate to SMEs owned by Nigerians. From 1997 when the mandatory allocation was abolished, there has been a downward trend in the total credit allocation to SMEs which has dangerously reached a frightening proportion as at 2008 when only 0.2% of total commercial banks credit was channelled to SMEs.

This trend has, no doubt, established a yearning gap in financing options available to this important sub-sector. This and many other challenges of SMEs are what the Development Finance Institutions (DFIs) were established to resolve.

6. DFIs ON RESCUE MISSION

Development Finance Institution (DFI) is defined by scharf and shetty, (1972) as 'an institution promoted or assisted by government mainly to provide development finance to one or more sectors or sub-sectors of the economy. The institution distinguishes itself by a judicious balance between commercial norms of operation as adopted by any private financial institution and developmental obligations. It emphasizes the 'project approach' – meaning the viability of the project to be financed- against the 'collateral approach'; apart from provision of long-term loans, equity capital, guarantees and underwriting functions, a development bank normally is also expected to upgrade the managerial and other operational pre-requisites of the assisted projects'.

Its insurance against default is the integrity, competence and resourcefulness of the management, the commercial and technical viability of the project and above all, the speed of implementation and efficiency of operations of the assisted projects. Its relationship with its clients is of a continuing nature and of being a 'partner' in the project than that of a mere 'financier'.

It has been confirmed that DFIs play crucial roles in providing credit in the form of higher risk loans, equity positions and risk guarantee instruments in support of private sector investments in developing countries for infrastructural and real sectors development.

A major DFI in Nigeria is, for instance, the Bank of Industry (BoI).

BoI has the mandate to 'transform Nigeria's industrial sector and integrate it into the global economy through providing cheap financing and business support services to existing and new industries in order to achieve the attainment of modern capabilities to produce goods that are attractive to both domestic and external markets. The Bank is specifically expected to assist in resuscitating ailing industries and promoting new ones in all the geopolitical zones in the country. To achieve this, it has been mandated to identify and assist projects that have large transformational impacts by way of

- creating forward and backward linkages with the rest of the economy;
- utilizing domestic inputs by adding value to raw materials;
- generating employment opportunities;
- produce quality products for the market.

The Small and Medium Enterprises Development Agency (SMEDAN) is another initiative of government to bring succour to entrepreneurs. Established by the SMEDAN Act of 2003 to be the official bedrock of SMEs in the country, the agency has a vision to establish a structured and efficient micro, small and medium enterprises sector that will enhance sustainable development of Nigeria. The mission of SMEDAN is to facilitate the access of micro, small and medium scale investors to all resources required for their development and the mandate of the agency are stated as including stimulation, monitoring and coordination of the development of the MSMEs subsector; initiation and articulation of policy ideas for small and medium enterprises' growth and development; promotion and facilitation of development programmes, instruments and support services to accelerate the development and modernisation of MSME operations; linking MSMEs to internal and external sources of finance, appropriate technology, technical skills as well as to large enterprises and promoting and providing access to industrial infrastructures such as layouts, incubators and industrial parks.

The main purpose therefore for BoI and SMEDAN as well as other DFIs is to do what conventional formal banking system has failed to do by providing finance and other logistics to the SMEs for investments that create jobs, produce quality products and promote economic growth and development.

7. CREDIT ALONE NOT ENOUGH

In spite of several initiatives to provide financing incentives to SMEs, the Nigerian SME sector contributes just 2 percent to export earnings and only 10 percent to GDP. The low contribution is attributed to lack of skills/management capacity, poor product quality, low production capacity, poor access to international markets, and lack of working capital hence the sector has tended to serve the bottom end of the domestic market. Therefore, any initiative to promote SMEs must be deliberately holistic in conception and delivery.

The role of DFIs to SMEs can be summed up in the concept and mandate of developmental banking or financing as enunciated in the mandates of both the BoI and SMEDAN. This is different from that of the conventional banks to the extent that DFIs are to fill the gap that conventional formal banking services have failed to invest sufficiently as a result of the special risks of certain economic agents. The task of development finance is to identify the gaps in institutions and markets in a country's financial sector and act as a 'gap-filler'. The principal motivation for developmental finance is to make up for the failure of financial markets and institutions to provide certain kinds of finance to certain kinds of economic agents (e.g. SMEs). The failure may arise because the expected return to the provider of finance is lower than the market-related return or the risk involved cannot be covered by high risk premium as economic activity to be financed becomes unviable at such risk-based price. Therefore, developmental financing is targeted at economic agents that are rationed out of the market. The aim of the DFIs is to be catalysts in galvanizing economic growth and development. This can be done with maximum impact by assisting and encouraging small and medium scale enterprises, not only providing finance but similarly in the following special areas of need:

7.1 ACCESS TO CREDIT, EQUITY AND GUARANTEES
The first National survey on SMEs shows that an estimate of 99 percent of SMEs is valued at less than 5 million. The main source of capital is personal savings with over 54 percent followed by loan with 22 percent and family source with 16 percent. DFIs need to explore, exploit and fill this financing gap by providing long term equity finance in the form of project finance. Similarly, credit guarantee schemes help in building linkages between small non-bankable borrowers and formal financial institutions. Innovative guarantee schemes could be extended by DFIs to SMEs that will give SMEs more and better access to credit in conventional commercial banking system.

7.2 SME EXPORT
The survey on SMEs (2012) affirms that only 3 percent of the SMEs in Nigeria were accessing export market, a situation which the Minister for trade and Investment described as "adversely inimical to the development of the nation's economy". This revelation is a testimony to the unexploited opportunity by local SMEs that require a coherent approach by all stakeholders, including the government. On the part of the DFIs, the development and extension of export promotion facilities that will incorporate export opportunity awareness and encouragement of the SMEs to compete internationally will certainly be helpful.

7.3 PHYSICAL INFRASTRUCTURE AND BUSINESS FACILITIES
A major challenge to the success of SMEs in Nigeria is irregular power supply and antiquated facilities. This has manifested in several areas as low capacity utilisation, low output and low quality and internationally uncompetitive products of many of the SMEs. DFIs can facilitate the upgrade of facilities through special packages deliberately targeted at infrastructural upgrade of the SMEs.

7.4 TRAINING IN ENTREPRENEURSHIP SKILLS AND MANAGEMENT
Empirical researches are conclusive that lack of business experience, skill and exposure is a major factor in the success rate of SMEs. Part of the extension programme of DFIs to SMEs could be in areas such as organised seminars, workshops and facility tours that will enhance the general education and exposure of the SME proprietors and their employees. If done at moderate cost and inherent values carefully articulated, the package may be an instant success.

7.5 LINKAGES
In general, linkages between large and small enterprises should be encouraged by SME policy in Nigeria and facilitated by the DFI strong network with government.

The role of DFIs to SMEs can also be viewed with reference to a framework developed by Dunning (1992), who identified five main types of linkage and spillover effects. The framework was initially developed in respect of Foreign Direct Investment (FDI), which has a concurrent application and similarity of development financing objectives with DFIs. These linkages are:

- **Backward Linkages with Suppliers**: This refers to the extent to which components, materials and services are sourced within the business environment of the SMEs. Interconnectivity with suppliers can be facilitated by financing institutions which have a better advantage of deep knowledge of the environment of the SMES. This knowledge can be made available to these small entrepreneurs at little or no cost through seminars, 'meet-the buyer' events etc.
- **Forward Linkages with Customers**: These can include marketing outlets from within and outside the country which is normally at the data base of DFIs and which can be made accessible to SMEs. Similarly, seminars, trade fairs, and such other programs to connect SMEs with their customers can be organized by DFIs.
- **Linkages with Competitors**: DFIs may act as the bridge to facilitate the connectivity of similar companies in the same industry for shared experience and facilities for mutual benefits. Because of the vantage position and activities of the DFIs to the economy, they have access these enterprises with their strengths and weaknesses. The weaknesses of some of these SMEs are the strengths of others and some of these may be mutually exchanged in a manner that will not compromise healthy competition and leave each of the participating SMEs better off.
- **Linkages with Technology Partners**: One of the challenges of SMEs has been found to be antiquated technology (Ekpenyong and Nyong, 1992; UNCTAD, 2008). The reason for this is partly finance and partly lack of knowledge on the part of the SMEs to sources of technology that will enhance their optimal performance. DFIs with their wide contacts both locally and externally can act as facilitators with technology partners from within and outside the country.
- **Other Spillover Effects**: These include demonstration effects, as DFIs demonstrate new and better ways of doing things to SMEs. This could be by way of human capital spillover whereby trained personnel leave the DFIs to work for SMEs in areas of human deficiency by the SMEs.

7.6 ENTERPRISE CLUSTERS AND INDUSTRIAL PARKS
DFIs could come together in a consortium to finance Clusters and Parks for SMEs where they could pool their resources to reduce costs. This initiative may be an instant success especially because of the linkages it may also facilitate which will engender synergy for the participating SMEs.

8. CONCLUSION AND RECOMMENDATIONS
This paper has given an overview of the contributions of SMEs in the growth of economies all over the world with particular reference to Nigeria. Specifically, it identified the SMEs significant contributions in areas of employment creation, improvement in rural infrastructure, improved living standard of the rural dwellers, utilization of indigenous technology and production of intermediate technology. The achievement of the lofty ideals of Vision 2020 in Nigeria may be a mirage except there is a concerted effort to make the SMEs the true engine of growth and innovation they are expected to be.

The paper also identified the various challenges facing the growth and development of SMEs in Nigeria, principally identifying lack of education, skill and experience; lack of succession plan; deficient infrastructure and capital inadequacy.

Taking a cursory look at the challenges of SMEs and the inadequacy and unwillingness of conventional commercial banking system to address and resolve these challenges, a natural gap is thus created for a special-purpose financing and empowerment framework to provide for the needs of SMEs as an engine of growth. The Development Financing Institutions are not only providers of finance to SMEs; they act as the educators, promoters and pathfinders for the SMEs. DFIs are supposed to be the lubricating oil inside the engine of growth which the SMEs are expected to be.

An interesting issue is that one or more of the DFIs are located in each state of the Federation but their reach and spread is rather limited. However, a vast majority of entrepreneurs are not aware of their existence and operations. Except perhaps for DFIs such as Bank of Agriculture (BoA), BoI and SMEDAN that have some significant capacity and penetration to local communities, many others that are State government financed operate only within the state capital and even at that, have very limited capacity to provide necessary support to the SMEs.

For Nigeria to achieve the developmental objective of becoming one of the 20 most industrialised nations by the year 2020 and for the SME sector to play a leading role in the emerging economic landscape, the DFIs require a paradigm shift in order to provide necessary support and lubrication for SMEs.

9. REFERENCES
1. Adesoye, A. and Atanda, A (2012). Development Finance Institutions in Nigeria: Structure, Roles and Assessment. http://mpra.ub.uni-muenchen.de/35839/MPRA
2. Aftab, K. and Rahim M. (1989). Barriers to the Growth of Informal Sector Firms: a case study, Journal of Development Studies, 25(4).

3. Aluko, S., Oguntoye, A., and Afonja, A. (1975). Small Scale Industries in Western Nigeria. (ed) Industrial Research Unit, University of Ife, Ile-Ife, 6-8.
4. Dunning (1992). Multinational Enterprises and the Global Economy, Washington DC
5. Ekpenyong, D. and Nyong, M (1992). Small and Medium-Scale Enterprises in Nigeria: their Characteristics, Problems and Sources of Finance. African Economic Research Consortium, Nairobi
6. Nigerian Investment Promotion Commission (NIPC) (2004). Overview of Small and Medium Scale Enterprises in Nigeria. An Information Booklet, Abuja. 1-33
7. Nnanna, O. (2001). Financing Small Business Under the New CBN Directive and its Likely Impact on Industrial Growth of the Nigerian Economy. CBN Bulletin, July/Sept. 25(3)
8. Odubanjo, K. (2000). Relevance of Small Scale enterprises in the Development of the Nigerian Economy. Journal of the Chartered Institute of Bankers of Nigeria. Jul/Dec.
9. OECD (2004). Small and Medium-Sized Enterprises in Turkey: Issues and Policies. OECD, Paris
10. Ogunsiji, P. and Ladanu, W.(2010). Entrepreneurial Orientation as a Panacea for the Ebbing Productivity in Nigeria SMEs: A Theoretical perspective. International Business Research, 3(4), 192-199.
11. Onwumere, J. (2000). The nature and Relevance of SMEs in Economic Development. Journal of the Institute of Bankers of Nigeria. Jul/Dec.
12. Roslida, A. (2011). Entrepreneurial Orientation as a Universal Remedy for the Receding Productivity in Malaysian SMEs: A Theoretical Perspective. International Journal of Business and Social Science. Vol. 2(19): 249-257.
13. Scharf and Shetty (1972). Dictionary of Development Banking, Elsevier Publishing Co. New York.
14. Surienty, L., Hong, K., and Hung, D. (2011). Occupational Safety and Health (OSH) in SMEs in Malaysia: A Preliminary Investigation.
15. Wahab, L. and Ijaiya, M. (2006). Small and Medium Scale Enterprises Access to Commercial Banks Credit and their Contribution to GDP in Nigeria. CIBN. Journal of Banking.

10. APPENDIX

APPENDIX 1

	Assets Excluding Real Estate(=Nm)			Annual Turnover (=Nm)			No of Employees		
	Med	Small	Micro	Med	Small	Micro	Med	Small	Micro
CBN	<150	<1		<150	<1		<100	<50	
NERFUND		<10							
NASSI		<40	<1		<40			3-35	
Min of Ind.	<200	<50					<300	<100	<10
NASME	<150	<50	<1	<500	<100	<10	<100	<50	<10
CAMA 37b(2)		<1			<2				

SME Definition by Various Agencies.

APPENDIX 2

Period	Loans to SME (Nm)	Total Bank credit (Nm)	Bank Loan to SMEs as % of Total Credit
1992	20,400	41,810	48.8
1993	15,462.90	48,056	32.2
1994	20,552.50	92,624	22.2
1995	32,374.50	141,146	22.9
1996	42,302.10	169,242	25
1997	40,844.30	240,782	17
1998	42,600.70	272,895.50	15.5
1999	46,824	353,081.10	13.3
2000	44,542.30	508,302.20	8.7
2001	52,428.40	796,164.80	6.6
2002	82,368.40	954,628.80	8.6
2003	90,176.60	1,210,033.10	7.5
2004	54,981.20	1,519,242.70	3.6
2005	50,672.60	1,899,346.40	2.7
2006	25,713.70	2,524,297.90	1
2007	41,100.40	4,813,488.80	0.9
2008	13,383.90	7,725,818.90	0.2

Ratio of Loans to SMEs to Commercial Banks Total Credit

Source: CBN statistical Bulletin various issues.

APPENDIX 3

S/N	Sector	Enterprise	Product and Activities
1	Real Sector	Agriculture	Lumbering, Farming of cassava, cereals, tubers, cocoa, rubber, groundnuts, etc.
		Agro-Allied	Primary agricultural processing of raw agricultural produce such as oil palm, cocoa, groundnut, cassava, fruits, rice, etc
		Manufacturing	Food and beverage, metal, iron, & steel; paper, printing and publishing; chemicals, paints, pharmaceuticals & plastics, textiles, garments & leather; wood, furniture & paper; automobile components and assembly; tanning; fabricators; foundry, etc
		Building and Construction	Building, Structures, Roads, etc.
		Solid Minerals	Artisanal mining, small and medium scale mining, quarrying, etc
2	Service-Related Sector	Information Technology and Communication	Software development, hardware assembly, computer supply and maintenance companies, internet service providers, communication accessories companies, etc.
		Educational Establishments	Schools, colleges, continuing education centres, training centres, vocational skills centres, etc.
		Tourism and Leisure	Hotels, resorts, entertainment, restaurants, recreational services, arts, etc.
		Transportation	Road transport, water transport, logistics, haulage, storage and warehousing etc
		Trade and Commerce	Wholesale and retail, supermarkets, shops, import and/or export etc
		Other Services	Consulting, law, healthcare, financial services, real estate, etc

Distribution of SMEs across Sub-Sectors in Nigeria

REQUEST FOR FEEDBACK

Dear Readers

At the very outset, International Journal of Research in Commerce, IT and Management (IJRCM) acknowledges & appreciates your efforts in showing interest in our present issue under your kind perusal.

I would like to request you to supply your critical comments and suggestions about the material published in this issue as well as on the journal as a whole, on our E-mail i.e. **infoijrcm@gmail.com** for further improvements in the interest of research.

If you have any queries please feel free to contact us on our E-mail **infoijrcm@gmail.com**.

I am sure that your feedback and deliberations would make future issues better – a result of our joint effort.

Looking forward an appropriate consideration.

With sincere regards

Thanking you profoundly

Academically yours

Sd/-

Co-ordinator

ABOUT THE JOURNAL

In this age of Commerce, Economics, Computer, I.T. & Management and cut throat competition, a group of intellectuals felt the need to have some platform, where young and budding managers and academicians could express their views and discuss the problems among their peers. This journal was conceived with this noble intention in view. This journal has been introduced to give an opportunity for expressing refined and innovative ideas in this field. It is our humble endeavour to provide a springboard to the upcoming specialists and give a chance to know about the latest in the sphere of research and knowledge. We have taken a small step and we hope that with the active co-operation of like-minded scholars, we shall be able to serve the society with our humble efforts.

Our Other Journals