INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE, ECONOMICS & MANAGEMENT

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- 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.

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A-RE-EXAMINATION OF POLICY OPTIONS FOR SMALL AND MEDIUM ENTERPRISES (SMEs) DEVELOPMENT IN NIGERIA

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ABSTRACT

Owing to the general acceptance of the critical economic development roles of the Small and Medium Enterprises (SMEs), successive governments in Nigeria formulated and implemented various policies, programmes and schemes to support and promote the sub-sector. However, despite these policies and programmes, SMEs in Nigeria have not performed their critical role of driving the country's industrial transformation and development as witnessed in other developed countries. This paper analytically examines some of those policies and programmes initiated and implemented by the current civilian administrations in Nigeria since the return to democratic rule in 1999, towards promoting the SMEs sub-sector of the economy. It was found that the policies were very sound on paper and have the potential to really grow the subsector but they failed due to implementation and infrastructural bottlenecks. The paper recommends that government should consolidate these policies and come up with implementation frameworks that are sustainable and measurable in order to eliminate the effects of corruption.

KEYWORDS

SMEs Development policy, implementation, programmes.

BACKGROUND TO THE STUDY

Policy debates in developing countries centered around the contributions of Small and Medium Enterprises (SMEs) in their development process. The relevance claimed for SMEs are many, including the development of entrepreneurship skills and attitude; the likelihood that SMEs will generation and poverty alleviation; they are usually easy to establish and quick to provide returns; promote inter and intra-regional balanced growth; and, they serve as sub-contracting units for larger enterprises. More generally, the development of SMEs is seen as a catalyst for the achievement of wider economic and social objectives, including poverty alleviation (Cook and Nixson, 2000).

According to Akabueze (2002), the benefits of SMEs to any economy are easily noticeable. They include contribution to the economy in terms of output of goods and services; creation of jobs at relatively low capital cost, especially in the fast growing service sector; providing a vehicle for reducing income disparities; developing a pool of skilled and semi-skilled workers as a basis for the future industrial expansion; improving forward and backward linkages between economically, socially and geographically diverse sectors of the economy; providing opportunities for developing and adapting appropriate technological packages; offering an excellent breeding ground for entrepreneurial and managerial talent, the critical shortage of which is often a great hindrance to economic development, among others.

SMEs in Nigeria have not performed creditably well and hence not played the expected vital and vibrant role in the economic growth and development of Nigeria. This situation has been of great concern to the government, citizenry, operators, practitioners and the organized private sector. The governments at federal, state and even local levels through budgetary allocations, policies and pronouncements have signified interest and acknowledgement of the crucial role of the SME sector of the economy and hence made policies for energizing same. There has also been support and aid from fiscal incentives, grants, bilateral and multilateral agencies as well as specialized institutions, all geared towards making the SME sub-sector vibrant (Onugu, 2005).

Just as it has been a great concern to all and sundry to promote the development of SMEs, it has also been a great cause of concern to all that vital sector fallen short of expectations. The situation is more disturbing and worrying when compared with what other developing and developed countries have been able to achieve with their SMEs. It has been shown that there is a high correlation between the degree of poverty, hunger, unemployment, economic well-being (standard of living) of the citizens of countries and the degree of vibrancy of the respective countries SMEs (Onugu, 2005).

To give effect to these aspirations, various policies programmes and institutional arrangements have been instituted over time by the Federal Government of Nigeria, to explore the potentials of SMEs, enhance their chances of survival and to put the sector in the front burner of Government's development strategy. This paper therefore, reviews these policies programmes and schemes designed and implemented by successive civilian regimes from 1999 to 2013.

SMALL AND MEDIUM SCALE ENTERPRISES (SMEs) IN NIGERIA

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 sector (Ekwem,). Given a population of well over 160million people, vast productive and arable land, rich variety of mineral deposits, as well as enormous human and other natural resources, Nigeria should have been a haven for small and medium enterprises with maximum returns, as it also has the location advantage as a marketing hub for the West, East and Central Africa Countries (Onugu, 2005, Usman, 2012).

A number of reasons have been adduced as to why the expectations from the SMEs have not been met. If anything, the performance of the SMEs in Nigeria has been rather dismal. First and foremost, the little progress made by the courageous and entrepreneurial efforts of the first generation of indigenous industrialists were almost virtually wiped out by the massive devastation, dislocations and indeed traumatic devaluation, which resulted from the Structural Adjustment Programme (SAP) (Onugu, 2005, Umar, 2008). Onugu (2005) opined that the underlying policies and good intention of SAP were based on the neo-classical theory of efficient, perfectly competitive markets whose assumptions were unfortunately not in line with the prevailing circumstances, constraints and operating environment of SMEs in a developing economy like Nigeria. The SAP era thus represented the anti-climax of the thriving and flourishing period for SMEs in Nigeria over the past decade. The economy of the country has as a result remained on the decline with no appreciable real growth.

Political instability led to the multiplicity and duplication of policies, programmes and schemes designed to promote and sustain the small business sector generally and SMEs in particular. This has resulted in macroeconomic distortions and its negative impact on productivity and poor returns on investment. The4se and other problems constituted drawbacks to the development of SMEs, which to all intents and purposes provided the critical building blocks for sustainable industrialization and economic growth.

GOVERNMENT POLICIES AND PROGRAMMES FOR SMEs DEVELOPMENT IN NIGERIA (2000 - 2012)

The SMEs operating in Nigeria are not shielded from or immuned to the typical problems and constraints of SMEs in other developing countries. Almost every country assists the SMEs subsector largely because of the crucial role they play in the country's economic growth and development. The assistance is usually in the form of facilities and supportive services rather than on protection and subsidies. Other services provided by some governments include ease of access to finance, venture capital, information, training and retraining, research and development (R & D) support, infrastructure and tax incentives. Some of these services are provided through local authorities and industry association at times with the involvement of non-governmental organizations (NGOs).

In recognition of the crucial roles played by SMEs with respect to economic growth and development, successive governments in Nigeria had introduced various initiatives aimed at promoting the welfare of SMEs in the country. The most tangible among the different incentive packages that varied with almost every change in government leadership was the focus on enhancing financial opportunities for the SMEs. Some of the support institutions and opportunities created by the government to enable SMEs and access funding and other support services in the past 14 years include:

1. Small and Medium Scale Industries Equity Investment Scheme (SMIEIS) in 2001
2. Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) in 2003
3. Bank of Industry (BOI) in 2004
4. National Economic Empowerment and Development Strategy (NEEDS) in 2004
5. The Micro Finance Banks Policy and Regulatory Framework in 2004
6. National Integrated Industrial Development (NID) blueprint in 2007
7. CBN's N200 billion SME Loan in 2010
8. N200 billion SMEs Credit Guarantee Scheme in 2010.

The small and Medium Industries Equity Investment Scheme (SMIEIS) Fund, was instituted in response to the Federal Government's concern and policy measures for the promotion of small and medium enterprises, as vehicles for rapid industrialization, sustainable economic growth and development, poverty alleviation and employment generation (Anyanwu et. Al., 2003). The scheme was a voluntary initiative of the Banker's Committee, which requires all banks to set aside 10% of their pre-tax profit, for equity investment and promotion of small and medium industries (SMEs) in Nigeria, as part of their contribution towards stimulating economic growth, developing local technology and generating employment (Udoh et. al., 2011, Ughulu, 2007).

The specific objectives of the scheme as noted by Anyanwu, et. al., (2003) include: a) facilitating the flow of funds for the establishment of new small and medium scale industries (SMIs) projects, b) developing and packaging viable industries with Nigerian entrepreneurs, c) providing venture capital and management that would spearhead the restructuring and financing of the existing small and medium scale enterprises (SMEs), d) stimulating economic growth, developing local technology and generating employment.

Eligibility for funding under the scheme requires a prospective beneficiary to be: a) registered as a limited liability company with the Corporate Affairs Commission (CAC) and comply with all the regulations in the Companies and Allied Matters Act (1990) such as filing annual returns including audited financial statements, b) complying with all tax laws and regulations and rendering regular returns to the appropriate authorities and c) engaging or proposing to engage in any of the business approved under the scheme.

The scheme provides for the funds invested by the banks to be in form of equity investment in eligible firms. Banks are allowed to take up to a maximum of 40% equity holding subject to a limit of N200 million per enterprise. A consortium of banks can jointly invest in an enterprise subject to the 40% equity holding limit. The scheme also provides for the allocation of 90% of the entire amount set aside by the banks to the real sector while the remaining will be allocated to micro/cottage enterprises (Udoh et. al., 2011; Ughulu, 2007).

The launching of SMIEIS was followed by the establishment of Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) by an Act of the National Assembly (as amended) (SMEDAN/UNDP, 2008). The agency was assigned to promote, facilitate and coordinate all government policies on Micro, Small and Medium Enterprises (MSMEs), (NEEDS, 2004). The specific functions of the agency are: a) Awareness creation/business sanitations and information provision for attitudinal changes and effective business decision; b) Business development services (BDS) which include training, counseling and mentoring; c) Promotion of enterprise networking/cluster formation, stimulating economies of scale and international competitiveness; d) Advocacy, policy development and improvement in MSE's operating environments; and e) Promotion of linkages and access of MSME's to vital resources especially finance and workspace ((SMEDAN/UNDP, 2008)).

Furthermore, in order to consolidate the role of SMEDAN, a new national policy on Micro, Small and Medium Scale Enterprises (MSMEs) was launched in March 2008. The fundamental objectives of the policy, according to the report, are to provide an overall framework of action as a guide for well-focused, harmonious and coordinated programming by all actors and evaluation and monitoring of stakeholders' activities.

In an effort to ensure the realization of the possible achievements of the objectives of the preceding policies, the Federal Government in 2004 launched the National Economic Empowerment and Development Strategy (NEEDS). Under this development policy, the private sector was identified as the engine of growth. The private sector is the executor, investor and manager of business, while the government is the facilitator and regulator, helping the private sector to grow, creates jobs, and generates wealth (NPC, 2004).

NEEDS as an integrated development policy document has the following key objectives: a) to accelerate the pace of industrial development by increasing value added at every stage of the value chain, b) to encourage forward and backward linkages in a few niches, c) to provide enabling environment for private sector leadership, d) to promote the establishment of efficient small and medium size enterprise sector in order to enhance sustainable economic development, and e) to facilitate the development of an industrial sector that is internationally competitive.

This policy document expressly identified economic growth as the basic instrument for employment creation and poverty reduction. It recognizes that the promotion of the private sector, and by implication, small and medium scale enterprises is the main stimulus for economic growth and development, employment generation and wealth creation (NPC, 2004).

The Bank of Industry (BOI) is an amalgamation of three development finance institutions and their subsidiaries – Nigeria Industrial Development Bank (NIDB), National Economic Reconstruction Fund (NERFUND), Nigeria Bank for Commerce and Industry (NBCI), Industrial Development Insurance Brokers (IDIB) and Leasing Company of Nigeria (LECON). It was introduced as a development finance institution to accelerate Nigeria's industrial development through the provisions of term loans, equity finances and technical assistance to industrial enterprises. The orientation of this institution has been development in nature to make a considerable impact in terms of long-term financing (sanctions and disbursement), employment generation, industrial dispersal and promotion of indigenous entrepreneurship (Amakom, 2008). Prior to the advent of the current civilian administration, the main Federal Government vehicle for the promotion of the small scale business sector was the Nigeria Bank for Commerce and Industry (NBCI) but, its performance was quite sub-optimal leading to its insolvency in 1989 and subsequent merger with NIDB in 2001 (Anyanwu, 2003). The NIDB on its part has promoted quite a number of successful industrial ventures covering about 17 industry sub-sectors. Its performance however, began to decline with the setting up of NERFUND and the SME II loan scheme, amongst other problems (Sunusi, 2003). However due to some pressure on the government on the need to unbundle the amalgamation of NERFUND and NIDB and NBCI, the government recently excised NERFUND from the Bank of Industry and made it independent as it was before. This is aimed at enabling the institution to continue on its set objectives which are more or less distinct from that of Bank of Industry as it is presently constituted.

In recognition of the role of microfinance banks as an important tool for poverty alleviation through empowering micro and small entrepreneurs, the government through the CBN initiated the Micro Finance Banks Policy and Regulatory Framework in 2004. The CBN wanted to see sustainable financial services available to those who do not have access to formal financial resources hence the creation and establishments of microfinance banks. Up to the end 2010 there were about 820 microfinance banks in Nigeria. However in 2011, 224 of the microfinance banks were found to be terminally distressed or insolvent which led to the revocation of their licenses but later the CBN, granted provisional licenses to 121out of the 224 microfinance banks, whose licenses were initially withdrawn (The Punch, 2010).

Microfinance bank is any company licensed by the Central Bank of Nigeria (CBN) to carry on the business of providing microfinance services such as saving, loans, domestic funds transfer, and other financial services that are needed by the economically active poor, micro, small and medium enterprises to conduct or expand their businesses as defined in the guideline for MFB in Nigeria (CBN, 2009).

Microfinance Bank basically performs financial intermediation function, by linking deficit spending units with surplus spending units at a reduced interest rate. But, unlike the commercial banks, they are expected to provide financial services such as credits and financial advisory to small businesses that ordinarily would not have access to such services due to their perceived characteristic risks level (Ekwem, 2012). However, poor corporate governance and public risks aversion due to their previous experience(s) with failed related microfinance banks had therefore made their management more complicated and demanding than that of the commercial bank.

In a bid to unlock the tight credit market in Nigeria, and enhance credit to the real sector SMEs, the Central Bank of Nigeria (CBN) approved the establishment of a N200 billion Small and Medium Enterprises Credit Guarantee Scheme (SMECGS), to promote access to credit by manufacturing SMEs in Nigeria (CBN, 2010). The scheme was designed to provide guarantee cover for loans advanced to the SMEs by commercial banks. The CBN guarantee covers up to 80 percent of principal and interest and is valid up to the maturity date of the loan with maximum tenure of seven years inclusive of a two-year moratorium.

The objectives of the scheme are to fast-track the development of the manufacturing SMEs by providing guarantee to banks for credit extension to the manufacturing SMEs; set the pace for industrialization of the Nigerian economy; increase access to finance by manufacturing SMEs; increase output, generate employment, diversify the revenue base, increase foreign exchange earnings and provide inputs for the industrial sector on a sustainable basis.

Appraisal of the civilian regimes policies and schemes shows that the small and medium industries equity investment scheme (SMIEIS) was applauded as the solution to the entrepreneurial difficulties of the Nigeria small scale investor because it is considerably different from previous policies that were debt based. It is hoped that the scheme would revitalize the Nigerian real sector and contribute towards diversifying the economy and ensure the emergence of the Nigerian *Keiretsu.* This scheme was based on the concept of venture capital (VC) financing which corresponds to the financial history of today's major world corporations that actually started with venture capital financing (Dagogo et. al., 2009). The scheme recorded significant achievement in terms of sectoral and geographical distribution of investments before its suspension by the CBN in 2009. The sum of N42.025 billion was set aside by banks for investment in SMIEIS projects, out of which N28.204 billion was invested in 333 projects as at 30th June, 2009 (CBN, 2009). Of the 333 projects funded by the scheme 205 were in the real sector. However, out of the sum of N28.204 billion invested as at 30th June, 2009, only N8.104 billion was invested in 144 manufacturing projects. Tourism and Leisure which was not part of the scheme initially, received an investment of N7.454 billion in 23 projects.

However, despite its modest achievement the scheme was bedeviled with slow pace of aggregate investment and other setbacks that include high cost of pre-investment activities, such as feasibility studies, assets valuation, etc. which entrepreneurs feared might becomes wasted fund, if they are not considered; reluctance of banks to make a paradigm shift from short-term financing to long term financing; continued poor state of physical infrastructures, amongst others.

There were also numerous problems faced by the SMEs while trying to access the fund and they include: a) absence/poor management structure, b) poor internal control systems, c) improper keeping of financial records, d) high rate of business failures, e) lack of technical and economic counseling, f) weak working capital base, g) nondisclosure of vital information that will guide informed investment decision, h) susceptibility to sudden policy changes, i) poor accounting standards (improper records of business transactions, j) limited accessibility to institutional credit and k) shortage of skilled manpower (Amakom, 2008). These problems and the successful conclusion of the banking sector consolidation exercise of 2004-2005 led the CBN to suspend the scheme in 2009 (Udoh et. al., 2011).

The creation of SMEDAN implies that policies on MSMEs in Nigeria have become a macroeconomic issue which has to be centralized with unified mechanism. This however, made the implementation of the policy inflexible and ineffective. So far, the major achievement of SMEDAN is in the area of Entrepreneurship development training that they offered to various entrepreneurs in the country, the take-over of the management of 23 Industrial Development Centres (IDCs) spread across various locations in the country from the Federal Ministry of Industries. It has also in conjunction with United Nations Industrial Development Organization (UNIDO) conducted a nationwide survey/census of Micro, Small and Medium Enterprises (MSMEs) in Nigeria. This is in order to have a national compendium of data about the nature, characteristics and locations of the MSMEs in Nigeria (SMEDAN, 2010).

In order to overcome the challenges of inability to transform R & D output into commercial activities, the Federal Government of Nigeria through the federal Ministry of Science and Technology initiated the Technology Business Incubation Centre (TBIC) project. Technology incubation is an integrated support programme provided by the federal government in collaboration with state governments and academic institutions, with the intention of creating and nurturing of budding technology based enterprises. It is intended to speed the commercialization of technologies by effectively linking talents, technology, capital and knowhow in order to accelerate the development of new enterprises (FMST, 2005).

The main objective of the project is to boost the industrial base of the country through commercialization of Research and Development (R & D) result, upgrading and enhancing the application of indigenous technologies. This will achieved through nurturing the start-up and growth of new innovative small scale industries engaged in value- added and technology related activities over a period of time.

The concept of incubation process involves the provision of share facilities such as working spaces, offices, hands-on management assistant and access to finance. It also involves networking and exposure to critical business and technical support services that enhance the success of enterprises during incubation which last for three (3) to four (4) years. There is presently 25 TBIC's spread across 25 states of the federation.

One of the first technology incubation centres was the Kano incubation center that was established in 1997 but became fully operational in 2001 when the state government built the incubation centre as part of its contribution to the programme. The center consists of officers, workshops and production incubation centre. The federal government provided the necessary machinery and equipment for production as well as the workshop and foundries for fabrications (FMST, 2005).

However, 12 years after the take-off of the project not a single R &D result, project or thesis has been brought to the centre for commercialization. According the managers of the project all efforts at forging a working relationship with Universities, polytechnics and research institutes have failed. The failure is attributed to the reluctance of the academic and research institutions to prevent R & D results for commercialization, citing proprietary rights and other concerns. The few small scale firms operating form the TIC are promoted by local entrepreneurs who have ideas but lack the required funds to set-up on their own. This explains why only 38 businesses were so far incubated in the centre 12 years after take-off.

As part of efforts towards the implementation of Nigeria's industrial policy, the government in 2007 instituted another policy, the National Integrated Industrial Development (NID) blueprint, as a service framework developed by the United Nations Industrial Development Organization (UNIDO) in collaboration with the Federal Ministry of Industry and other stakeholders. Under this new initiative, the Lagos, Kano, Aba and Port Harcourt industrial action plan was developed to address the problem of infrastructural decay and to focus efforts in addressing the needs of these four industrial cities. The framework also made a provision for the construction of one park in each of the six geo-political zones of the country to boost the development of the small business sector (CBN, 2007).

This policy like the ones before it has also failed to achieve its desired objectives. It mainly failed due to bureaucratic bottleneck in terms of the policy implementation. Most of the Proposed sites have become abandoned and the "cluster concept" conceived by the policy is only operational on papers. The designated industrial parts lack operational facilities such as adequate power supply and other critical infrastructures for the small scale industries/enterprise to benefit (Ijaiya and Akanbi, 2009).

It is indeed apparent that despite the existence of these well-intentioned policies programmes and institutions designed to provide succor to the SMEs the sector is yet to find its bearing in the murky waters of Nigeria's business environment. This in a way implies that the SMEs have not witnessed any remarkable improvement in the past 12 years and that most of the policies enunciated have failed to uplift the fortunes of the sector.

CONCLUSION AND RECOMMENDATIONS

This paper attempts to review policies and programmes designed and implemented by successive civilian administration in Nigeria since the return to democratic rule in 1999. This study began on the premise that SMEs have a critical role to play in the economic and industrial development of Nigeria, but they are however, hampered by many negative factors some of which are internal to them due to their characteristics and some are external to them. The external factors have to do with the general macroeconomic environment and official policy regimes.

In order to correct these limiting factors and encourage them to play their expected role in promoting economic growth and development aspirations, governments at both the federal and state levels have designed and implemented a number of policies, programmes and schemes for the benefit of the SMEs. It is the conclusion of this paper that SMEs support policies and programmes in Nigeria have not positively impacted on the performance of small and medium enterprises in a significant way in Nigeria. This is caused essentially by poor implementation and infrastructural bottlenecks.

Based on the conclusion of this study it is recommended that the Federal Government should consolidate all the listed policies and programmes with a view to making them concise and easily implementable. Schemes like SMEEIS should be reinstated because of its advantage of being equity based rather debt based financing option. It also has the advantage of being funded through retained profit rather than the through depositors or shareholder' funds SMEEIS also enable the banks to be involved in the management of the funded SMEs as shareholders which would enable them to help professionalize the management of the funded SMEs.

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