DEVELOPING NIGERIA THROUGH SMALL SCALE ENTERPRISES

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Abstract
Micro, Small and Medium Scale Enterprises (MSMEs) have contributed to the economic growth and development of most countries that prioritized them as a viable economic transformation strategy. Nigerian governments have also accorded MSMEs due recognition in the past national economic plans leading to creation of numerous institutions for the purpose of providing research, management, and financial assistance to them. However, the socio-economic goals which the MSMEs are expected to significantly contribute to and ultimately get achieved are far from being realized after four decades into the journey. Thus, this study reviews the problems and challenges that have made it difficult for MSMEs to contribute meaningfully to the economic growth and development of Nigeria. The methodology adopted is more or less library and desk research. The study identified inadequate and sporadic electricity and water supply, poor road network, outdated and grossly inadequate railway systems, and undeveloped inland water way systems as basic problems facing MSMEs. Other problems include low access to institutional finance, dearth of professional managers, multiple taxation problem, inconsistent economic policies, and lack of adequate protection from imported products among others. It is hoped that the study would provide the authorities with deeper understanding of these problems, which is required for their effective tackling.

Keywords: MSMEs, economic development; unemployment

Introduction
Overwhelming attention has been devoted to Micro, Small and Medium Enterprises (MSMEs) by the Nigerian government in the last four decades or so which has culminated into establishment of several institutions and policy frameworks (e.g. Small Scale Industries Credit Guarantee Scheme in 1971, Industrial Training Fund in 1971, National Bank for Commerce and Industry in 1973, Nigeria Agricultural and Cooperative Bank in 1973, Centre for Industrial Research and Development in 1979, National Directorate of Employment in 1986, National Economic Reconstruction Fund in 1990, Small and Medium Scale Enterprises Loan Scheme in 1992, Family Economic Advancement Programme in 1997, Small and Medium Enterprises Equity Investment Scheme in 1999, Bank of Industry in 2001, Small and Medium Enterprises Development Agency of Nigeria in 2003, National Economic Empowerment and Development Strategy, and National Poverty Eradication Programme, etc) to encourage creation and sustainable development of MSMEs across the country. These efforts are seemingly gingered by the impressive contributions of MSMEs to the economies of some developed and developing countries, primarily in terms of job creation, innovative products and technologies, intermediate roles to the large industries, import substitution products, and correctors of rural-urban migration. For example, SMEs’ contribution to industrial production and employment was 47% and 49% respectively in Malaysia in 1985, 45% and 64% in South Korea in 1991, and 52% and 64% in Germany in 1994 (CAPCI, 1994). SMEs contribute more
than 50% of GDP in European and American countries, and over 40 per cent in most of the Asian countries (Oyeyinka, 2007). Forty percent of the Kenyan’s GDP is form SMEs (Osotimehin, Jegede, Akinlabi and Olajide, 2012). Yusuf (1995) found in his study that government support is one of the critical success factors for small business in South Pacific.

Efforts made by the successive Nigerian governments were also in recognition of the fact that Nigeria has the potentials that other countries that have succeeded through SMEs do not have - vast arid land, conducive weather and climatic condition, large population (i.e. abundant labour and market), several mineral deposits, river and water way resources – which if effectively and efficiently harnessed, coordinated and managed could lead to the long awaited socio-economic development in the country. However, several years after government intervention in MSMEs affairs, the number of MSMEs in the country has increased tremendously but the socio-economic problems which the policies are expected to solve still lingers on and is increasing at an alarming rate. Unemployment rate increased from approximately 13% in 2000 to 24% in 2011, and poverty rate sky rocketed from approximately 54% in 2004 to 70% in 2010 (see: National Bureau of Statistics, 2010; World Atlas, 2012). Previous studies have attributed the inability of MSMEs to bring about pre-determined socio-economic development in Nigeria on several factors, which varies from one study to another. For coherence, there is need to present, in a review form, the general and specific problems of MSMEs in Nigeria on several factors, which varies from one study to another. For coherence, there is need to present, in a review form, the general and specific problems of MSMEs in Nigeria in one pack to enhance stakeholders deep understanding of those problems in preparatory for thinking-out and implementing effective lasting solution. This is the motivation driving the current the study.

**Micro, small and medium-scale enterprises**

When defining MSMEs, reference is usually made to some quantifiable measures such as number of paid employees, capital investment, the annual turnover (sales), asset value, profit margin, market share and sophistication of equipments or a combination of two or more these measures (Oshegbami, 1983; Inang and Ukpong, 1992; Owualah, 2000; Olabisi, Olagbemi and Atere, 2011 ). However, in attempting to quantify the parameters used in defining SBE, different estimates and specifications are used by different authors, agencies and countries leading to numerous definitions of SBE in the literature. This became necessary because MSMEs’ features are significantly influenced by factors such as inflation, time-lag/economic cycle, level of industrial development, and nature of industry (Osotimehin et al., 2012; Mawoli, Sarkin-Daji, and Wushishi, 2013). Thus, relevant scholarly and institutional definitions of MSMEs are reviewed separately below:

**Micro-scale enterprises**

The National Council on Industry (NCI) (1991) defined micro enterprises as an industry whose total project cost excluding cost of land but including working capital is not more than N500,000. In another definition given by NCI in 1996, cottage/micro industry is regarded as an industry whose total cost, including working capital but excluding cost of land, is not more than N1 million and a labour size of not more than 10 workers; NCI (2001) re-defines Micro/Cottage Industry as an enterprise with total capital employed of not more than N1.5 million including working capital but excluding cost of land and a labour size of not more than 10 workers.

It is clear from the above that MEs’ definition was reviewed by NCI every five years and in each case, only one (capital investment) out of the two features is adjusted; labour size remained the same throughout a period of ten years. Future definitions of MEs will continue to witness amendments of “capital investment” because, as money, its value is continuously affected by interest rate, inflation, and exchange rate (see: Ehinomen and Adeleke, 2012). Thus, it is safer to define MEs as those having between 1 to 10 paid employees and not just apprentices. Inegbenebor (2006) notes that the current industrial policy of Nigeria
defines MSMEs on the basis of employment only.

**Small-scale enterprises**

According to Mawoli and Aliyu (2010), Small-scale Enterprises (SEs) refers to all commercial undertakings that are small in size, have small number of employees, capital employed, number of customers and sales turnover. Nickel, Mchugh and Mchugh (1997) describe SEs as independently operated enterprises, not dominant in its field and meets certain size standards in terms of number of employment and annual receipts.

According to Federal Ministry of Industry (FMI) (1972), a Small-scale Enterprise (SEs) is an enterprise having investment capital in land, building, machinery and equipment, and working capital up to N60,000 and employing not more than 50 persons. Between 1972 and 1981, the Ministry reviewed the investment capital three times. For example, it was reviewed from N60,000 in 1972 to N150,000 in 1973, N250,000 in 1979, and N500,000 in 1981 but excluding cost of land (see: Ibrahim, 2008) apparently to reflect the economic trends and national economic policies of the time.

The Central Bank of Nigeria (CBN) (1988) defines SEs as the enterprise having annual turnover not exceeding N500,000. Similarly, the Federal Government of Nigeria (FGN) in her 1990 budget describes SEs for the purpose of commercial bank loans as those with an annual turnover not exceeding N500,000, the enterprises for merchant bank loans as those with capital investment not exceeding N2 million, and net asset value of not more than 1 million naira.

SEs was recognized by National Council on Industry (NCI) (1991) as an enterprise with total project cost excluding cost of land and including working capital that does not exceed N5 million. Yet, it re-defines the concept in 1996 as an enterprise with total cost (inclusive working capital but excluding cost of land) above N1 million but not exceeding N40 million, with a labour size of between 11 and 35 workers (see: Salami, 2004). NCI in her latest definition of SEs in 2001 maintains that it is an industry with total capital employed of over N1.50 million, including working capital but excluding cost of land and/or a labour size of 11 to 100 workers. Lastly,

**Medium-scale enterprise**

NCI (2001) sees Medium enterprises as those having capital employed of over N50 million but not more than N200 million, including working capital but excluding cost of land and/or labour size of 101 to 300 workers. The use of “and/or” implies that both or any of the two mentioned characteristics can serve. Thus, given the age of this definition and the inflation rate in the country, the study regards Medium enterprises as those having between 101 to 300 paid workers.

Small and Medium Enterprises Equity Investment Scheme (SMEEIS) (1999) defines SMEs as any enterprise with a maximum asset base of N500 million (excluding land and working capital) and with no lower or upper limit of staff. It could be observed from this definition that no distinction is made between SEs and MEs. Solomon (2012) earlier observed that there is no clear-cut definition that distinguishes a purely small scale enterprise from a medium-scale enterprise in Nigeria.

**Problems and challenges confronting MSMEs in Nigeria**

It is important to study the problems of MSMEs because according to Ihua (2009), whenever a business goes burst, bankrupt, or fails there is always a resultant negative impact on most, if not all, of the stakeholders. Entrepreneurs lose their capital investments, employees lose their jobs, the society loses a means of the production and distribution of goods and services, consumers are deprived of
goods and services and their standard of living is reduced, and the government loses revenue it would have earned from tax, etc.

There are baskets of problems and challenges impeding smooth operation and growth of MSMEs in Nigeria. For clarity, the “problems” are external to the MSMEs and beyond their control, while the “challenges” are internal obstacles hindering MSMEs smooth operation and growth (see: Osetimehin, 2012). The problems as well as challenges of MSMEs often cited in literature are financial, economic, regulatory, management, accounting, taxes, marketing, infrastructural, natural disaster, information and production technology, fiscal incentive, research and development, training and development, raw material, personnel and socio-cultural related problems (see for example: Obitayo, 2001; Essein, 2001, Alade, 2007; Onugu, 2005; Ibrahim, 2008; Ihua, 2009, Mawoli and Aliyu, 2010). However, in this study, the problems of SMEs are reviewed under the following themes:

i. **Inadequate and poor state of infrastructure**: Infrastructural facilities such as transportation networks, pipe borne water, electricity, security, telecommunication, etc. encourages the establishment, operations and growth of SMEs when they are provided in the required quantity and maintained consistently. This is hardly the case in Nigeria. Power supply to MSMEs in the country is sporadic and grossly inadequate for use in industries. For example, the total generating capacity of Nigeria’s power stations as at year 2003 is estimated at 5,400 Megawatts (MW) but only 1600 (29%) MW is actually generated (AFDB/OECD 2004:258). Ajanaku (2007) reveals that Nigeria needs 375,000 MW to meet up with the global standard. He argued that using less than 3000 MW produced in Nigeria between 4th and 1st quarter of 2007 and 2008 respectively, translates to 27 KW/hr per person which is far below the world per capita consumption of 2500 kw/hr per person. Thus, for survival purposes, operators of MSMEs supplement power supplies from the national grid with standby generators at exorbitant procurement and maintenance costs/prices that inflate the final prices of the manufactured products against the imported products and making them less competitive. Obitayo (2001) submits that incessant power outage could cause under-utilization of factory capacity which adversely affects small industries. Essein (2001) argues that the relative burden of extra costs of providing electricity is much heavier on Small Scale Industry (SSI). According to Nnana (2001), the relative burden of compensatory provision of infrastructural facilities is much heavier on SMEs than large enterprises.

The total power supply to the industrial estates in Nigeria is less than half of what is required to operate the firms at full capacity. For example, table 1 shows that none of the industrial locations had up to 50 percent of electricity supply in 4 consecutive years, i.e. 2003 to 2006. The highest percentage of power supply (in total average) was received by the Lagos axis (48.11%), while Anambra/Enugu axis had least power supply in the said four years (29.15%). The annual average of electricity supply received by the industrial estates across the country fluctuates between an approximate value of 31% to 42% (see: MAN, 2006).
Table 1: Percentage of Power Supply by NEPA/PHCN to Industrial Axis in Nigeria 2003 - 2006

<table>
<thead>
<tr>
<th>Location</th>
<th>Power Supply in Percentages</th>
<th>*Total Average Per Location</th>
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<tbody>
<tr>
<td>Oyo, Osun, Ondo, Ekiti axis</td>
<td>53.00 39.60 26.65 33.30</td>
<td>38.14</td>
</tr>
<tr>
<td>Edo/Delta axis</td>
<td>39.30 18.30 64.60 45.70</td>
<td>41.98</td>
</tr>
<tr>
<td>Anambra/Enugu axis</td>
<td>43.10 24.13 25.65 23.70</td>
<td>29.15</td>
</tr>
<tr>
<td>Kano State axis</td>
<td>24.50 28.75 40.40 39.15</td>
<td>33.20</td>
</tr>
<tr>
<td>Bauchi, Borno, Benue, Adamawa, Plateau axis</td>
<td>52.50 19.75 57.55 60.60</td>
<td>47.60</td>
</tr>
<tr>
<td>Ogun axis</td>
<td>22.30 46.25 54.35 50.60</td>
<td>43.38</td>
</tr>
<tr>
<td>Imo/Abia axis</td>
<td>33.20 28.30 41.85 31.90</td>
<td>33.81</td>
</tr>
<tr>
<td>Kaduna axis</td>
<td>44.00 31.25 46.25 27.40</td>
<td>36.48</td>
</tr>
<tr>
<td>Rivers axis</td>
<td>45.50 8.00 40.65 44.50</td>
<td>34.66</td>
</tr>
<tr>
<td>Lagos axis</td>
<td>48.30 39.18 52.70 52.25</td>
<td>48.11</td>
</tr>
<tr>
<td>Average Per year</td>
<td>40.56 31.30 45.40 41.70</td>
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*Column is mine.

Adoghe (2008) state the major factors responsible for the steady decline in the performance of the NEPA/PHCN are lack of adequate funding, lack of essential managerial strategies, sharp increase in residential and industrial demand, improper maintenance of the electricity plants and facilities, and obsolete and deficient infrastructure. In year 2005, the Nigerian government initiated reforms Electric Power Sector Reform Implementation Committee, and Electricity Power Reform Act (EPSR Act) Cap E7 LFN in the electricity sector with a bid to boosting public electricity supply in the country. Though the reform is on-going, 8 years after its commencement the country is supposed to have started feeling its positive impacts. The power generating capacity in the country is 3804 MW as at 2011 which represent slight increment compared to 3555 MW produced in August, 2010 (Ayankola, 2011). As argued by Ayankola (2011), the transmission system in use as at 2011 cannot even evacuate more than 4000MW even if the country generates more than 4000MW. Private participants granted license have started operating in partnership with some states governments to provide electricity for domestic and industrial use. Adoghe (2010) pointed out that the power quality and reliability Utilities in Nigeria still do not publish standard performance statistics which reveals how far the country is close or far from acceptable norms.

The transportation networks – road, rail, pipe, and sea are grossly insufficient and in dilapidated state. For example, railways and roads remain neglected, inland water transport underdeveloped, and pipe transport vandalized by restive youths and oil bunkerers as a result of lack of security (see for example: Obilikwu, 2009). Imhonlele (2009) stresses that the poor state of road network in the country has led to loss of huge man hours with many businesses unable to meet up with contract and business schedules, loss of cargo and human lives through road accidents. However, the current administration of President Goodluck Jonathan has managed to get the trains working, the rail networks are very outdated and have not been extended to many urban and rural areas where many MSMEs are located over 52 years of nationhood.

Supply of portable water in Nigeria is also grossly inadequate and irregular. For example, the urban and rural areas in Nigeria have access to only 30% and 65% of potable water...
supply in 2006 respectively (USAID, 2007). Averagely, both urban and rural sectors of the Nigerian economy have access to 47.5% of safe water. In particular, MSMEs and large enterprises have no access to adequate potable water supply for industrial use which affects MSMEs performance negatively.

The Nigerian three tiers of the government share responsibility for managing water resources and for providing water in Nigeria. The federal government, through The Federal Ministry of Water Resources (FMWR), is responsible for formulating and coordinating national water policies, management of water resources including allocation of between states, and approving developing projects (FMWR, 2001). Its main involvement in potable water supply has been the provision of multi-purpose dams and the supply of water in bulk, some to urban water system. The state governments are required to provide urban, semi-urban, and in some case rural water supply (FMWS, 2001). They also have powers and responsibilities to develop and manage water supply facilities within its respective state and to meet sound financial objective. Lastly, the local governments are responsible for the provision of rural water supplies and sanitation facilities in their areas.

Generally and as noted by Ibrahim (2008), low cost and high quality infrastructure tend to enhance competition in regional and global markets and improve product competitiveness and industry growth and survival. Havlicek (2006) identified availability of infrastructural facilities as the key determinants of SMEs performance and growth.

Financial problems: MSMEs often find it difficult to raise funds for investment from both money and capital markets. In the money market, that is market for short-term loans such as commercial banks, loans are given to applicants based on availability of collateral, level of risk, past performance, etc. Sadly, most SMEs are rated poor in these areas. This is why only 1% of universal banks total credit goes to SMEs in Nigeria (Lawson 2007). However, even when commercial banks decide to lend to SMEs, it is usually at a high interest rate (between 20% - 23% in 2008/2009) (Mawoli and Aliyu, 2010). Though informal short-term sources of finance provide the bulk of capital to SMEs, they provide less than 1% of the total capital requirement by SMEs in Nigeria (Lawson, 2007). Consultative Group to Assist the Poor (CGAP) (2009) also affirms that only 5% of SMEs in Nigeria have access to access to loans, and 59% report difficulties in accessing financial services.

A study by ICA (2008) revealed that as much as 70% of SMEs finances comes from personal fund or retained earnings, 25% from trade credit and customer advances, 4% from family, friend and informal sources, and only 1% from banks and other financial institutions (see table 2).

Table 2: Sources of SMEs Finance in Nigeria

<table>
<thead>
<tr>
<th>Percentage of financing from:</th>
<th>Total</th>
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<tbody>
<tr>
<td>Own Funds/Retained Earnings</td>
<td>70%</td>
</tr>
<tr>
<td>Borrowed from Banks and other Financial Institutions</td>
<td>1%</td>
</tr>
<tr>
<td>Purchases on Credit from Suppliers and Advances from customers</td>
<td>25%</td>
</tr>
<tr>
<td>Borrowed from Family, Friends and other Informal sources</td>
<td>4%</td>
</tr>
</tbody>
</table>

Source: ICA Survey (2008)

Though quite a number of developmental banks and agencies have been created in Nigeria to, among others, provide financial assistance to SMEs, the organizations have not lived to expectations. For example, Nigerian Bank for Commerce and Industry (NBCI) was bedeviled with liquidity problems in 1989 and thus unable to carry out its function as apex financial body because of management inefficiency. The Nigeria Industrial Development Bank (NIDB) has also been unable to operate effectively due to financial
and administrative problems. SMEEIS was also faced with low patronage, for example, out of 40 billion naira equity funds set aside by commercial banks for SMEs financing, only 42.5 percent was accessed while the remaining 52.2% was lying fallow as at December 2006 (CBN, 2006). Abeireijo (2005) attributed the low patronage of SMEEIS to the unwillingness of entrepreneurs to dilute holdings, preferring to be “big fish in the little pond” rather than being “a small piece of a much larger pie”.

Though the Second-Tier securities Market was established as an avenue for SMES to raise long term funds through equity financing instead of depending on borrowed funds, Ehinomen and Adeleke (2012) note that certain conditions are stipulated for SMES to benefit from this gesture; this has made it difficult for SMEs to raise fresh funds in form of equity from the stock market. Essien (2001) argues that a limited amount of equity may make it difficult for an enterprise to raise enough loans for the establishment of the desired scale of operation. Nnana (2001) contends that the stock exchange in Nigeria is yet to appreciably accommodate the long-term financial needs of SMEs.

iii. Economic problems: According to Mawoli and Aliyu (2010), high foreign exchange rate, galloping inflations, and unstable monetary and fiscal policies hamper MSMEs development. Majority of SMIs in Nigeria rely on foreign imported technology and even agricultural raw materials from advanced countries to carry out production. Thus, it could be argued that when the Nigerian currency losses value or is devalued, the exchange rate between Naira and any foreign currency, say US Dollars (all things being equal) increases. This also increases the cost of imported technologies, spare parts and raw materials needed by SMIs, and thus forces them to close down in the event that they cannot bear the high cost. High illiteracy among SMEs operators makes proper understanding of the implications of certain monetary and fiscal policies very difficult especially when the policies are constantly changed.

Furthermore, the import tariff policy operated in Nigeria is one of the key factors hindering growth and survival of MSMEs operating in the country. Ibrahim (2007) observes that the tariff structure on imported products also encourage dumping. He further argues that custom duty on imported finished products are much lower than on raw materials and then makes it difficult for SMIs to manufacture at competitive prices. MAN (2006) identified dumping, smuggling, influx of cheap, fake and substandard foreign finished products as one of the major reasons for poor performance and low industrial capacity utilization in the manufacturing sector.

Since Nigeria is a signatory to the World Trade Organization Agreement on trade liberalization, the country is required to enact and implement policies that permit and promote free trade among nations. Unfortunately, SMIs in Nigeria are unable to compete with the products imported from developed industrialized economy. Hence, there is need for every country, especially developing countries to practice trade liberalization with caution (Ibrahim, 2008). Essien (2001) buttresses that national interest should be paramount in the pursuit of trade liberalization. Arguing further, Essein (2001) observes that even the industrial countries do not open their borders to all kinds of products to avoid dumping and protect their infant industries. The current situation in which the Nigerian market is virtually taken over by dumped goods (new and second hand) is detrimental to the realization of industrial development goals.

Dearth of managerial and entrepreneurial skills: Majority of the overseers of MSMEs in Nigeria have little or no managerial skills and resort to trial-and-error unscientific management method which often times lead to business failure. Onugu (2005) contends that there is lack of appropriate and adequate managerial and entrepreneurial skill with the attendant lack of strategic plan, business plan, succession plan, adequate organizational set-up, and transparent operational system on the
part of many founders and managers of MSMEs in Nigeria.

As argued by Ibrahim (2008), poor management of MSMEs is pervasive and persists in Nigeria because the sector cannot afford and thus attract “A-Class” type of managers like the large firms. Thus, the calibers of managers that are often available to MSMEs for employment are those with inadequate academic and professional qualifications. The implication of having the wrong managers in the right places is that wrong decisions are made (see: Onugu, 2005; and Ibrahim, 2010). To succeed in business, managers of MSMEs must acquire conceptual, human and technical skills. This is essential because according to Mawoli and Aliyu (2010), managing is scientific, not a hunch.

v. Personnel related problems: Among the problems affecting MSMEs are inadequate scarcity of employable manpower, and inadequate training of the already employed MSMEs staff. The primary, secondary and tertiary institutions have collectively failed in their responsibilities of providing quality education covering conceptual, psychomotor, and affective domains which in the end makes graduates totally unemployable, difficult and costly to train after employment, or non-performing and destructive after employment.

Employees cannot function effectively and contribute to the organizational goals until they are adequately and consistently trained and developed on their jobs. Unfortunately, MSMEs in Nigeria hardly train their staff perhaps due to weak financial capability that characterized the sector. Onugu (2005) stresses that in spite of the fact that training institutions abound in Nigeria, they rarely address the relevant needs of SMEs especially in the areas of Accounting, Marketing, Information technology, Technological Processes and Development, international trade, Administration and Management of SMEs.

vi. Research related problems: There is a general lackadaisical attitude to research in the country. The government institutions that provide research support to MSMEs are not adequately funded which reduces their ability to serve the MSMEs accordingly in terms of new methods and strategies of production, marketing and financing a business.

MSMEs also lack access to research facilities and institutions that can assist them to fashion out modern equipment, technology and more efficient ways of doing things (Ehinomen and Adeleke, 2012). Research is usually carried out to proffer solution to an identified problem but the outcome of most researches conducted by the academia in Nigeria mostly ends up on the library shelves. This is because “the general impression that available literature on the scientific research process gives is that the task ends with the writing of the formal/conventional research report” (Adepoju, 2007:222). Thus, most of the empirical researches done on SMEs are not appropriately disseminated to SMEs operators not to talk of implementation.

Regulatory problem: According to Alade (2007), small scale industries are often bounded by regulatory agencies in areas of multiple taxes, and tedious and cumbersome importation procedures. Onugu (2005) affirms that the high incidence of multiplicity of regulatory agencies, taxes and levies result in high cost of doing business and discourage entrepreneurs (Onugu, 2005; and Aliyu, 2008).

Marketing problems: According to Mawoli and Aliyu (2010), most business practitioners thought marketing is meant for only large businesses. As a result, they fail to learn and apply marketing principles to their small business enterprises. Instead of making very high sales and realizing profits, they make very low sales and incurring losses.

The National Policy on Micro, Small and Medium Enterprises in Nigeria (2007) as cited in Ibrahim (2008) identified marketing problems confronting SMEs in Nigeria as poor packaging, inadequate marketing information, multiple and overlapping regulatory framework which lead to high costs and loss of confidence, high cost of advertisement, poor
marketing infrastructure, poor quality products, weakness in market identification and development, weak access to market, weak product competitiveness, and weak demand.

ix. **Political problems:** Both small and large businesses strive well under a stable and predictable political environment. Mawoli and Aliyu (2010) state that from independence in 1960 to 1999, the Nigerian political environment was highly unpredictable. They argue that since every change in government is usually accompanied by immediate change in government economic policies, long term planning was difficult to do. In addition, new government policies may have adverse effect on some SMEs which may force them to close down.

x. **Corruption:** SMEs win contract bids for supply of office furniture and fittings, stationary, and provision of services such as repairs, auditing, and other consultancy services. Under the duress of some government officials, they supply substandard materials in order to conserve cost and share contract profit with the officials. The implication being that they may not win future contract jobs from the same client. Another problem is that the substandard product supplied may pose a lot of danger to users’ lives (see: Mawoli and Aliyu, 2010).

xi. **Cultural problems:** When SMEs’ operators realize enough profit, rather than reinvesting the profit in a new business or in the existing business, they re-marry new wives and grow large families. In the long run, profit realized from business becomes grossly insufficient to cater for the SMEs owners’ large family, and thus resort to using up the business capital. Eventually, the business becomes liquidated.

**Strategy for addressing the problems**

In order to surmount the lingering problems of MSMEs in Nigeria, there is a need to approach the whole issue systematically. The systematization includes:

i. **Problem/need assessment:** It is noteworthy that no two cottages or clusters of MSMEs have 100% similar problems. Thus, clusters of MSMEs should be analyzed separately so as to identify and define their peculiar problems. An identified and well defined problem is more than half solved.

ii. **Goal alignment:** New goals concerned with promoting MSMEs need to be set for different clusters of MSMEs. The primary goals should specify the number of new enterprises that need to be created in certain locations, the number of apprentice that need to be trained, number of new entrepreneurs that need to be groomed, and the new level of innovation to attain, etc.

The other aspects of the goal should address the things that need to be done in order to get the ultimate or primary goals achieved. For example, what are the business support infrastructures required by each cluster of MSMEs before they can operate effectively and efficiently.

iii. **Budgeting and implementation:** The total sum of money required to provide the business support infrastructure and other technical services should be properly estimated. All tiers of the government, organized private sector and international financiers should be mobilized to commit funds and other logistics to the projects. Importantly, the projects should be well supervised to ensure they meet global standards.

iv. **Evaluation and control:** Right from the project execution stage, there is a need to involve project supervisory teams that are not only competent but honest. This is to checkmate the corrupt practices of bribery by the contractors and/or extortion by supervisors which could mar or compromise the project quality.
Mechanism for regular maintenance of the infrastructures should be put in place so that any malfunction or decay can be dictated and fixed timely. Moreover, the extent to which the newly installed business-supporting facilities have contributed to the attainment of newly set broad or primary goals of MSMEs should be appraised periodically and either commendation or corrective actions taken where the need arises.

Conclusion

The Nigerian government made concerted efforts to develop MSMEs’ sector of the economy since 1970s in order create adequate employment opportunities, reduce poverty rate, stimulate import-substitution and economic growth. However, the sector failed to make profound contribution to the Nigerian economy in the decades that followed up till year 2013 due to the lingering problems such as insufficient and poor state of existing basic infrastructure, political instability and poor governance, inadequate funding, paucity of professional managers, and deep rooted corruption within the government cycles among others. The way out of these problems is to recognize and define the peculiar needs/problems of MSME cottages, set new developmental goals for the MSMEs, fund the implementation projects, and monitor the exercise closely for the attainment of the expected targets.

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