

Exploring the Challenges of SMEs in Emerging Economies: a case study of Nigeria

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Abstract: Small and medium enterprises (SMEs) perform an important financial responsibility, considerably in emerging economies. SME is the single biggest participator to job and employment creation, and they consider a considerable part of GDP in this world. However, lack of access to finance keeps the most entrenched barrier to growth of organizations. SMEs are normally very small to attract commercial investor or bank interest and very large to be fit from microfinance products. At present, some solutions to encourage this “missing middle” of businesses have been capable to fill the funding gap in a globally scalable approach. The purpose of this research is to observe the challenges facing small-scale businesses in Nigeria and make recommendations that will support in solving some of these issues and increase the contribution of small Nigerian companies in the global context. This research also defines opportunities for profitability and growth in the global context for these companies. Considering the difficulties and challenges encountered through SMEs in Nigeria will be essential if Nigerian government is to come up with strategies, which will evade their small businesses from being swept away by fast modifications taking position in the current global financial system. This research aimed to explore the challenges for SMEs in emerging economies: A case study of Nigeria.

Keywords: Small and medium enterprise (SMEs)

INTRODUCTION

Background

SME (small and medium enterprise) is a traditional term for segmenting businesses and other companies that are somewhere between the "small office-home office" size and the larger business. The European Union has explained SME as a legally sovereign organization with no more than 500 staffs. Small and medium-sized enterprises (SMEs) account for about 95% of companies and 60% to 70% of employment and produce a large part of new works in OECD markets [1]. They have particular weaknesses and strengths that can need particular policy responses. As globalization and new technologies decrease the value of economies of scale in different activities, the possible support of smaller companies has increased. Though, some of the traditional issues facing SMEs problems in exploiting technology, shortage of financial support, limited managerial abilities, low performance,

and regulatory stresses become more acute in a globalized and technology supported situation.

SMEs are explained as non-subsidiary, independent companies, which use less than a given number of staff. This number is not same across national statistical systems. The most common upper limit is 250 staff, as in the European Union. Although, few nations set the limit at 200 staff, whereas America believes SMEs to contain companies with less than 500 staff [1].

SMEs perform an important responsibility in financial development in different countries, giving the source for most fresh jobs. About 95% of enterprises are SMEs, which account for 60% to 70% of job in different nations. As larger companies outsource more functions and downsize, the importance of SMEs in the economy is growing. Moreover, performance development and consequently financial development is

strongly affected through the competition inherent in the birth and death, entry and exit of smaller companies [1]. This procedure relates high work turnover rates and churning out work markets, which is an essential element of the competitive procedure and structural modification.

A developing country, also recognized as a less-developed nation, is a country with a lower living standard, underdeveloped industrial support, and low Human Development Index (HDI) computerized to other nations [2]. In contrast, since the late 1990s developing countries focused to show higher growth rates than the established ones. There is no universally, agreed-upon method for what establishes a nation development versus what established and which nations fit these two groups. Though there is common reference points like a country's GDP per capita contrasted to other countries. Moreover, the standard term less-developed nation must not be confused with particularly least established nation. While some nations use income per-capita life expectancy, literacy levels, employment rates others dwell so much on indices such as GDP, industrialization and modern infrastructures as a method of classifying nation as either developed or underdeveloped.

In different developing countries, the business context is hostile to market-supported development; SMEs experience excessive regulatory challenges and in most respects regulatory costs are higher than in established countries. Poor business situations are also possibly to have a disproportional negative influence on women-owned businesses, which are possibly to keep informal [3]. It is identified that good policies are essential to protect benefits, secure staffs, consumers and the environment, to encourage the rule of law and for the effectual performance of market economies.

In Nigeria, SMEs are not just a catalyst for financial development, but they are also supposed to be the financial bedrock of the country since they give the financial support for most of the contributors within the financial system [4].

In fact, the existence of small business performance in Nigeria dates back to the pre-colonial era with people getting connected with small businesses or business to earn a living. Constant attempts through Nigeria as a country established SMEs as a tool for national and economic growth begun in 1970-1979 when Nigeria implemented the indigenization strategy by its implementation of the national development policy [22]. The growth plan defined the demand for the Nigerian financial system to be self-reliant by industrialization, entrepreneurial growth, employment production and growth by enhancing export business.

LITERATURE REVIEW

Challenges of SMEs in Developing Countries

Small and Medium Enterprises (SMEs) are an integral part of any economy and play a vital role in supporting a stable economic environment. They are crucial in upholding the growth and existence of economy especially that of developing countries. SMEs are driven by combined efforts of private entrepreneurs, government and financial institutions.

One of the key elements for an SME's success is access to finance. In developing countries, SMEs face a number of hurdles while achieving the financial resources for building up of their businesses. Finance is crucial for any SME to acquire or absorb innovative technologies. Their expansion to global markets or association with other firms is also related to the availability of finance. Traditionally, SMEs find it difficult to avail credit or equity. Even maturities of commercial bank loans offered to them are limited to a very short period. Similarly, lower interest rates are extended to very few companies.

SMEs are often considered to be high-risk borrowers because of insufficient assets and their vulnerability to market fluctuations. They are also very much susceptible to mortality. The existence of an information asymmetry caused due to lack of records in accounting and inadequate business plans often make them a difficult choice for creditors and investors. Also, the high cost of transaction or related administrative costs of lending small amounts make lending to SMEs a risky proposition. Even then, banks turn out to be the biggest supporters of SMEs. It has also been proven that banks would benefit commercially from lending to SMEs.

Besides assistance from banks, SMEs can also rely on private equity firms, which are experienced and expert in their businesses. They would prefer to invest in businesses, which have a potential to grow. Many SMEs do not prefer such investments because of the interference by the equity firm members. However, there are certain investor firms who prove to be a viable option for funding as they use their own money for funding various initiatives.

Issues of SMEs in NIGERIA

SMEs are failing to create expected effects on the economy of Nigeria even of getting government and administrative support. This is because of the existence of some basic inherent problems or complexities that SMEs come across that have not been tackled yet [23]. An assessment of literature indicates the problems faced by SMEs, these problems are basic, enormous and which are enormous, fundamental and influential.

- Inefficient, non-functional and inadequate facilities of infrastructure incur additional costs of operations because SMEs are compelled to take the alternative way for private provision of utilities like water, road, communication, electricity and transportation [5].
- Difficulty in access to credits and funds, which can be noticeable to the unwillingness of banks to continue credit to them, inadequate and poor records of business tenders, lack of adequate and appropriate security/guarantee, high interest rates, high cost of management and administration of small credits [6].
- Administrative inefficiencies in assistance that government offers and bottlenecks of bureaucrats discourage SMEs entrepreneurs [6].
- Banks discriminate, as they are known to be risk averse in the case of lending money to SMEs, particularly to those, which are newly established.
- Import tariffs give rise to irregular competition that favors the import of finished goods.
- Appropriate proposal of business may cause the cost of packaging to rise.
- Inaccessibility to appropriate modern technology and lack of R&D (Research and Development) [7].
- Demands of products get weakened due to decrease or decline in purchasing power of consumer aggravated by the absence of government and public patronage in locally manufactured products.
- High reliance on raw materials import that causes insufficiency occasionally and increase cost of foreign exchange [8].
- Some immoral or dishonest businessmen import substandard products through unfair practices of trade like dumping etc. that affect SMEs image.

These circumstances are infuriated presently by the impact of trade liberalization and internationalization, which cause it challenging for SMEs to compete in home or local markets [4].

Prospects of SMEs in Nigeria

The problems that SMEs is encountered with cannot be avoided due to their huge intensity, depth and breadth [9]. The identified problems of SMEs notwithstanding their enormous depth, breadth and intensity, so it is appropriate and fair to admit the reality that the government cannot watch the SMEs stumble in the range of problems, thus it supports SMEs. The government completely value the opportunities created by SMEs for employment, and also recognize their role in economic development and growth as well as support in the reduction of difficulties and constraints in their functional systems. These demonstrate the reason of establishing supportive institutions by government in the last forty-five years that are structured to provide assistance while minimizing the limitation that SMEs

come across [23]. The institutions that have been established by the government to support SMEs include a variety of specialized banks that make financial decisions for SMEs while focusing SMEs funding to departments and agencies which impart advancement to the small or medium enterprises [10].

It is essential to note the government's policies aimed for the SME establishment and operations to support institutions, has failed [11]. These policies might lack the proper concepts, proper formulations or failed in true religious implementations as reported by all the faults and indications. It has been revealed by earlier findings, which suggest the reason for its ineffectiveness which doesn't include involvement by operators, managers, SME proprietors in policy's consultations and construction that's the reason why the policy was not proved to be effective and could not fulfil the expectations of solving the problems. Therefore it seems that the emphasis and priorities were misplaced. Effective policies involve all the stakeholders belonging to subsectors of SME for establishing policies and strategies for implementing them effectively in order to attain desired results [12]. The matter is that the government is reluctant to let go their plan of rejuvenating and renovating the SME policies that intend to revolutionize SME fortune in terms of fulfilling the expected role in Nigeria's economic development and growth.

Recent establishments of the government can be evidenced by mandate given to small and medium enterprise development agency of Nigeria (SMEDAN) and the bank of industry (BOI); Small and Medium Industries Equity Investment Scheme (SMIEIS) Institutionalization through the support of Banker's committee; Realizing the NEPAD's objective through Federal Government focus; facilitation of the loans and multilateral agencies being supported by the government; International development finance facilities such as European Bank Investment (EIB) facilities being supported by the government [13]. Other programs are targeting the poverty reduction and providing sustenance to the people being affected by contemporary government policies, including Credit Guarantee scheme development for providing loans for SMEs.

The Nigerian Stock Exchange (NSE) and Securities & Exchange commission (SEC) have not only increased their facilities but they are also working for increasing its price so that market provides more funds to the SME [13]. Professional associations and groups are continuously striving for advanced welfare system and a more useful and healthy environment by demanding the government, these are the associations that are involved: Nigerian Association of Small and

Medium Enterprises (NASME), different Chambers of Commerce, Nigerian Association of Small Scale Industries (NASSI). As organizations get increased awareness of the deeper Nigerian Market and its public investment than Capital market would be accessed by many SMEs for raising the fund. Similarly companies have more awareness regarding the development of venture capital companies; hence main focus is on SME development [15]. By the Commencement of this scheme SMIEIS funds have been reserved by the banks as they have explored the fact that this investment is surely a great tool for successful investment.

The African Growth and Opportunities Act (AGOA) obtain another opportunity, in terms of attainment of favors as well as incentives for African countries exporting to the United States of America [15]. Nigerian SMEs has got the opportunity of growth through NEPAD. Similarly Federal Government is taking influential steps to attract developed countries toward investment in Nigeria. Government's effort constitutes president's personnel visits, business missions, business fairs, Exhibitions, activities to promote trade and investment and showcasing activities [15]. In the direction of attracting countries toward investment in Nigeria, governments' efforts are not much remarkable as compared to the efforts of Nigerian Export Promotion Council (NEPC) and the Nigerian Investment Promotion Council (NIPC). Nigeria has got the diverse opportunities for investment and the economy.

On March 1, 2005, President Olusegun Obasanjo presented an allegation to the Central Bank of Nigeria (CBN) with the concern of:

- Having the awareness of the basic purpose of the Small and Medium Industries Equity Investment Scheme (SMIEIS), which must admire the financial institution's efforts toward development; Bank of Industry (BOI), the Nigeria Agricultural Cooperative and Rural Development Bank (NACRDB) are all the financial institutions. These institutes have served to enable Nigeria of having the financial resources of long-term nature
- Presidents also pointed out that Commercial bank's on-going reform conducted by CBN is expected to become more advanced in terms of increased funds regarding competitive interest rates for businesses such as SMEs [16].

Nigerians were reminded by the president that the establishment of the SME was the main focus for the present administration's reform program that was designated in the National Economic Empowerment and Development Strategy (NEEDS) which strongly concentrated on "providing ease in reaching the income generation opportunities for the people as well as boost

their skills to avail the opportunities" also mentioned that "it is very clear through history and other countries have also experience SMEs to be of great potential in alleviating the poverty, increasing the wealth, generating employment and job but regrettably these facts regarding SMEs were not taken into account previous to our arrival in office in 1999" [17].

Optimistic view of SMEs future was reported by President Obasanjo because of the positive reforms by his administration and good outcomes have been obtained through these reforms. It is very clear by the remarkable progress toward the regulatory and legal environment such as company registration, taxes and infrastructure's condition (Particularly telecommunication) [18].

Contemporary trends through which the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) development has occurred has brought confidence and positive optimism that SME subsector would gain the government's attention. Agency is in the process of concluding the findings of a countrywide survey about small and medium enterprises (MSMEs) that was conducted earlier in 2004 [24]. The agency instructs to plan and generate ideas for the promotion of micro, small and medium enterprise's policy including the promotion plan for the growth, backing and advancement of MSME policy. MSMEs total population within the country. It needs to find out the strata of this sector i.e. agriculture, manufacture, mine, business, construction, services, technology etc.

SMEDAN would also be enabled by the survey findings to:

- Find out and analyze the main problems of MSMEs regarding Market function (relates to the demand pricing factors, supply factors, technology infrastructure and raw materials) and Policy environment (incentives, support and regulatory regimes).
- This benefit of overall survey is of creating a link between diverse data and the information that will later be utilized by the SMEDAN in the process of policy formation, its implementation and the intervention, efficient planning regarding development, crucial advice for advanced investment, growth and interest area, possibility of the raw materials and the technical support opportunity, available markets and possible source of having help and financial support[25].

METHODOLOGY

Data collection and data analysis

Location and sampling

Lagos is the most jammed city in Nigeria, is the second speediest creating city in Africa [19]. The

quantity of individuals in Lagos state according to the State Government was 17.5 million. These figures are however discussed by the Nigerian Government and judged faulty by the National Population Commission of Nigeria [20]. The latest reports assess the people at 21 million, making Lagos the greatest city in Africa. This study is limited to Lagos state in Nigeria, where most SMEs are located and the research employed questionnaire which was applied to get the perceptions and experiences of different business owners linked directly in the SMEs.

Data analysis

The data achieved from the above fieldwork will be coded applying suitable methods that will make sure anonymity of all respondents. Written transcripts will be kept through the researcher and submitted as real data. The factual procedures to be utilized as a part of the dissection of the information for this study include frequency distribution, Pearson chi-square, pie chart, and histogram (where important). The Statistical Package for Social Sciences (SPSS) was applied within the investigation of the information. The chi-square test detail will be applied to test the hypotheses. The justification for the utilization of those strategies is determined by the way that the reactions fall into categorical data. This is to say that once a respondent expresses that infrastructural issue is his most noteworthy disadvantage he can't again guarantee that get to back is his most noteworthy test. Likewise, the individuals who evaluated managerial limit, as their most prominent issue couldn't in the meantime rate access to back or some other element so far as that is concerned as their greatest test.

Statistical tool used

The Statistical Package for Social Sciences (SPSS) was applied within the examination of the information gathered in this study, as the researcher considered it the most suitable provided for its flexibility and considering the way of the information gathered.

The SPSS has the fantastic abilities and adaptabilities of breaking down enormous information inside seconds and creating a boundless array of basic and refined measurable results including simple frequency distribution tables, polygons, diagrams, pie graphs, percentages, aggregate frequencies, binomial and different distributions.

Validity and Reliability

When we discuss the nature of a study, frequently alludes to its reliability, dependability,

strictness, believability, methodological amplexness, validity, consistency, and so on. Be that as it may maybe the most broadly utilized term is "legitimacy".

It is a term that even revamped from alternate points of view has kept up as a central component for the appraisal of investigative quality or strictness of studies in the social sciences although a few authors address their part in studies [1]. In the expansive field of mixed strategy investigate the significance and conventional idea of legitimacy has been reformulated chiefly as far as social development of information by giving another attention to elucidation. The perception behind reliability is that any important outcomes should be more than a one-off result and be naturally repeatable. Other researchers should be capable to perform properly the similar assessment, under the similar situations and produce the equal outcomes [12]. This will support the outcomes and make sure that the broader scientific society will accept the research questions.

The validity of this study refers the exactness with which the actualities are gathered in writings or reports without being mutilated by a researcher. Moreover, to give a substantial portrayal of articles, occasions and practices, the researcher attempt to comprehend, interpretive validity what they intend to protests, occasions and practices [21]. As survey study is subjected to feedback, it is essential that validity and reliability quality of a detailed analysis exploration is created, by taking after the four tests of build validity, inner validity, outer validity and reliability. Therefore, this study composes the organization of the survey to the tested SMEs in Lagos state, (Nigeria) in such a path as to build and reaffirm the validity and reliability of the conclusion.

RESULT, ANALYSIS AND DISCUSSION

Presentation of response from questionnaire

The data that was presented and analyzed are gotten from the respondents on whom the questionnaires were administered. As far as nature or sort of business, the respondents likewise spread over different types of financial exercises including services, trading, construction, development, agro-united, data and information transfers and additionally strong minerals. Most of the respondents demonstrated a considerable measure of investment and immediately completed the questionnaires and returned them, consequently demonstrating that numerous SMEs have been moaning under overwhelming issues and have been paying special mind to a "guardian angel" or relief.



Fig- 3: The Location of Data Collection

The above map shows that all the respondents come from Lagos state of Nigeria. This is owing to the fact that Lagos state happens to be the center for the

research. Thus, all the 150 questionnaires were distributed among the selected 150 SMEs (i.e. one for each) in the study area (Lagos).

Table-1: Year(s) of Establishment

Years	Frequency	Percentage
1-10	57	38%
11-20	89	59.33%
21-30	3	2%
31-40	1	0.67%
Above 40	-	-
Total	150	100%

The above table shows the years of establishment of the selected SMEs in Lagos, in which case 55.33% of the SMEs were established 11-20 years ago. On the other hand, 38% of the respondents had 1-10 years of operation. Likewise the remaining 2% and

0.67% of the remaining respondents had respectively 21-30 years and 31-40 years of operations. However, none of the sampled SMEs were established above 40 years ago.

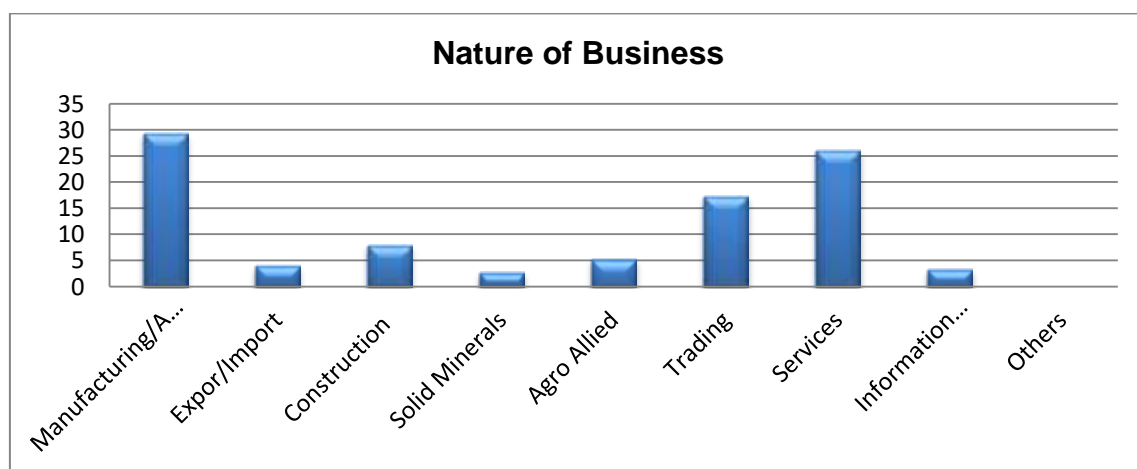


Fig-1: Nature of Business

Of the nature or line of business engaged by the respondents, 29.33% of the SMEs engaged in Manufacturing/assembling, 26% engaged in services, 17.33% engaged in Trading, 8% engaged in construction, 5.33% engaged in Agro-allied business,

4% of the SMEs participate in Export/import and others respectively. 3.33% engaged in services while 2.67% of the remaining SMEs partake in Solid minerals, as depicted in the table above.

Table-2: Employees

No. Of employees	Frequency	Percentage
From 1-10	23	18%
From 11-50	93	62%
From 51-200	34	23%
More than 200	-	-
Total	150	100%

The above table presents the number of employees employed by the sampled SMEs in which case 62% of the sampled SMEs have 11-50 employees,

whilst 22.67% of the SMEs have a total number of 51-200 workers. The remaining 17.33% of the SMEs have 1-10 employees.

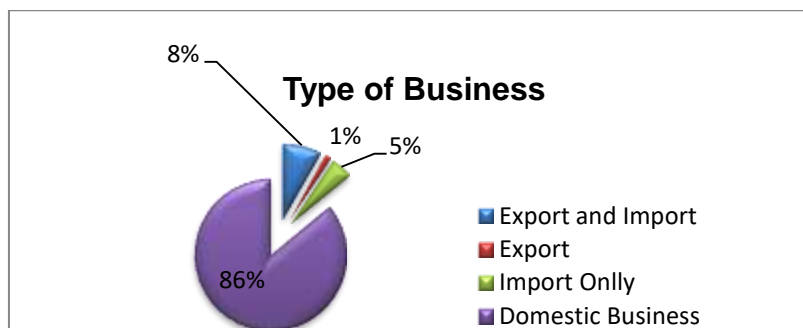


Fig-2: Type of Business

It is a general fact that SMEs engaged in to different line of businesses, which perhaps explain their pattern of specialization. The present age of globalization equally posed the greatest challenge of which meeting the increased demand across the globe is the apex. Hence, business entities nowadays extend their operations far away from domestic or regional to international horizon.

Notwithstanding, the above chart indicates that 86% of the SMEs in Nigeria engaged in domestic business only. 8% of them participate in to export/import, 4.67% engaged in import only, while only 1.33% of the SMEs engaged in export with the outside economies.

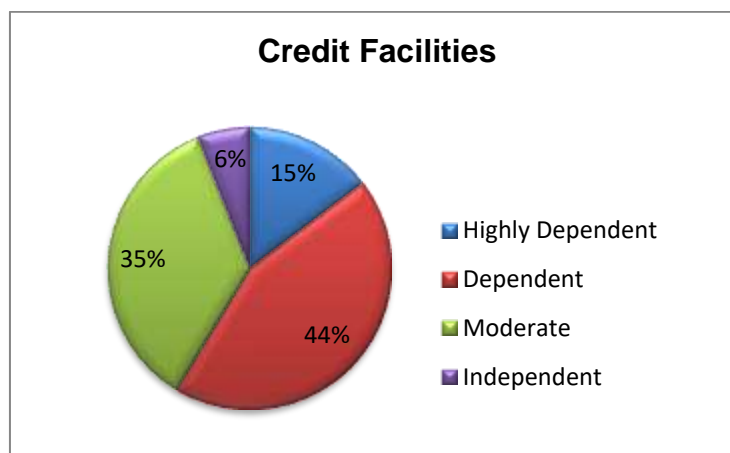


Fig-3: Credit Facilities

Access to adequate funding and or credit facilities becomes imperative in any business set-up. SMEs were no exception. That is why 64% of the respondents believed that having access to sufficient credit facilities would help their business. Yet 36% of the other respondents believed otherwise as can be seen from the above chart. However, cross country studies

by the World Bank's World Development Report reveals that famous among the challenges facing SMEs in most of the emerging economies was the funding problem or inaccessibility to credit facilities which thus reaffirm the opinion of the majority respondents as can be seen from the above chart.

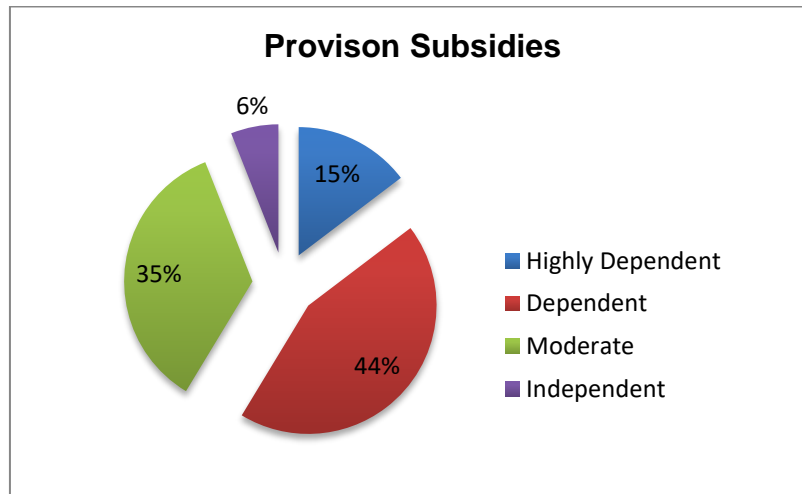


Fig-4: Subsidies

On whether or not provision of subsidies could enhance the performance of SMEs in Nigeria, 48% of the SMEs strongly agreed, whereas 33% agreed. Although 18% of the respondents disagreed, yet 1% of

the remaining SMEs strongly disagreed with the statement, arguing that subsidies have no significant impact on the performance of SMEs in Nigeria.

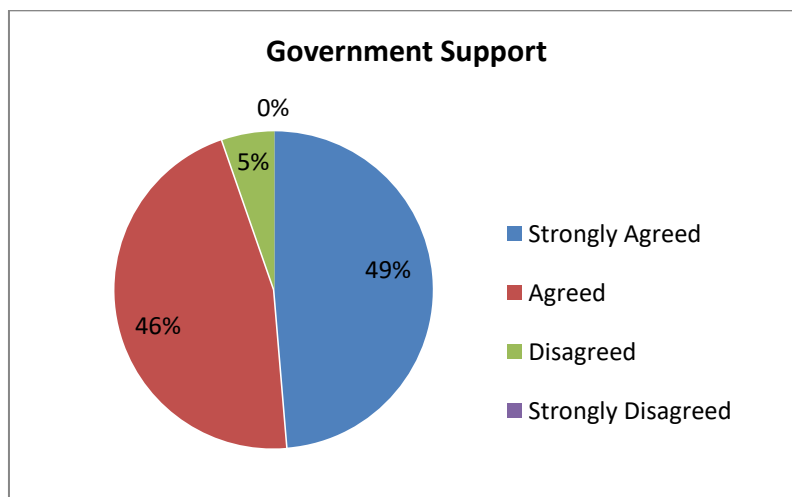


Fig-5: Government Support

Adequate government support encouraged productivity and efficiency of firms everywhere. That is why 48.67% of the respondents strongly agreed, 46% of them agreed. Yet 5.33% of the remaining respondents disagreed and none of the SMEs disagreed strongly that

government support in the form of incentives, subsidies, policies that favors SMEs and tax holidays have no significant impact on the performance of SMEs in Nigeria as can be seen from the chart above.

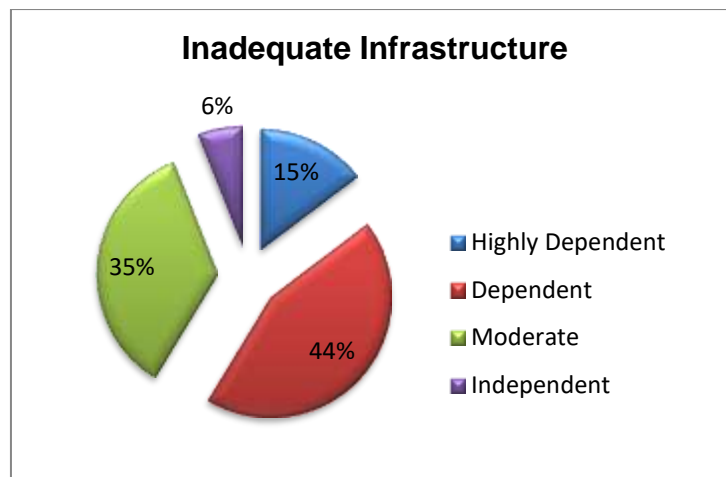


Fig-6: Infrastructures

There is no gainsaying to the fact that inadequate provision of infrastructure affects the performance of SMEs across the emerging economies including Nigeria. This was further reaffirmed by the World Development Report of 2005 which ranked inadequate infrastructure among the top basic constraints affecting the productivity of SMEs in most developing nations. That perhaps explain the reason

why 65.33% of the respondents opined that inadequate infrastructure could affects the performance of SMEs in Nigeria. This was equally complemented by 31.33% of the other respondents who agreed with the statement. However, 2.67% of the SMEs disagreed with the above saying with 0.67% of the remaining SMEs strongly disagreed as shown in the chart above.

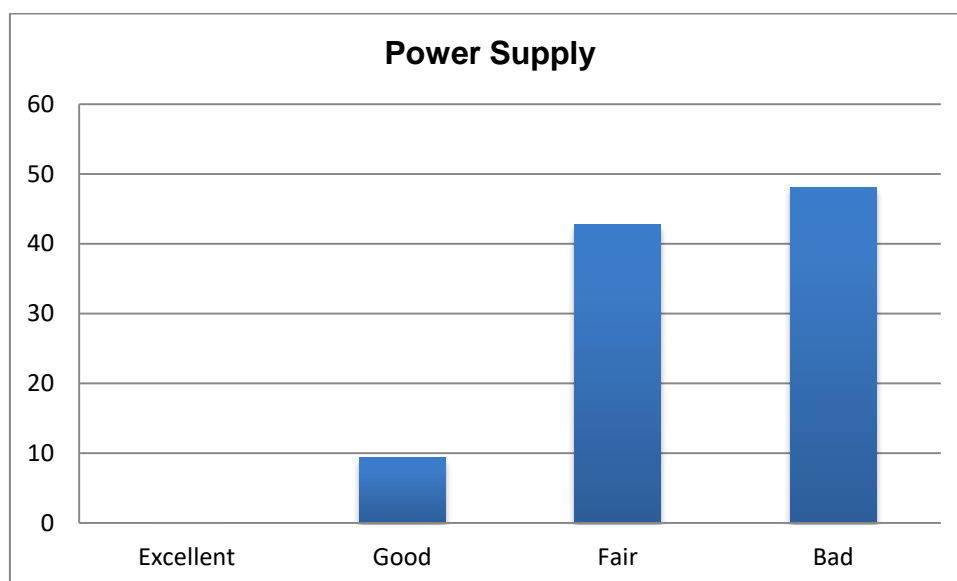


Fig-4.8: Power Supply

Surprisingly but not unexpectedly, 48% of the SMEs in Lagos rated the sufficiency of power supply in the area of their business 'Bad'. 43% of them rated power sufficiency in their area of business 'Fair'. Only 9% of the SMEs rated power sufficiency in their area of operation 'Good'. Unfortunately, none of the respondents rated power supply 'Excellent' as shown in

the above table. This clearly reveals some of the challenges facing SMEs in developing nations especially those that are still yarning for adequacy of power supply. For insufficiency of it results in to increasing cost, which lowers productivity and efficiency of any business enterprise.

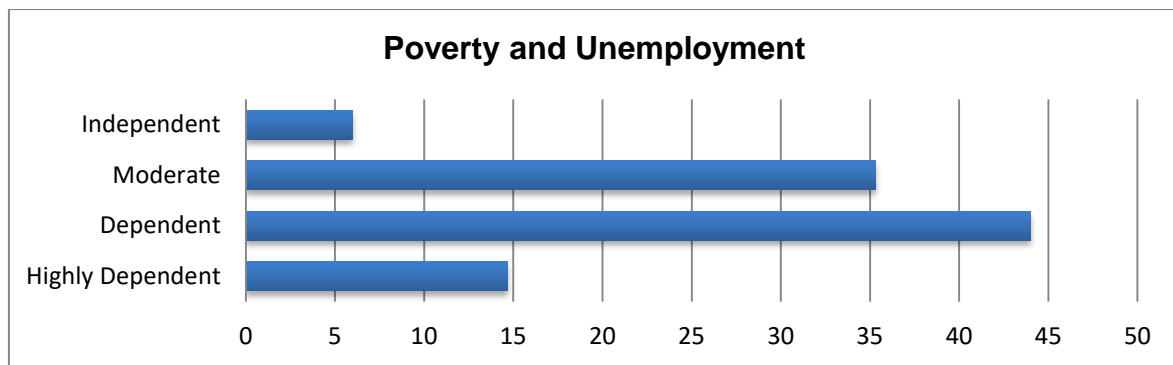


Fig-7: Poverty and Unemployment

82% of the SMEs believed that poverty and unemployment were among the challenges bedeviling the progress of SMEs in Nigeria. 16.66% of the other

SMEs also agreed with the statement. Unfortunately, 1.33% of the remaining respondents believed otherwise as can be seen in the chart above.

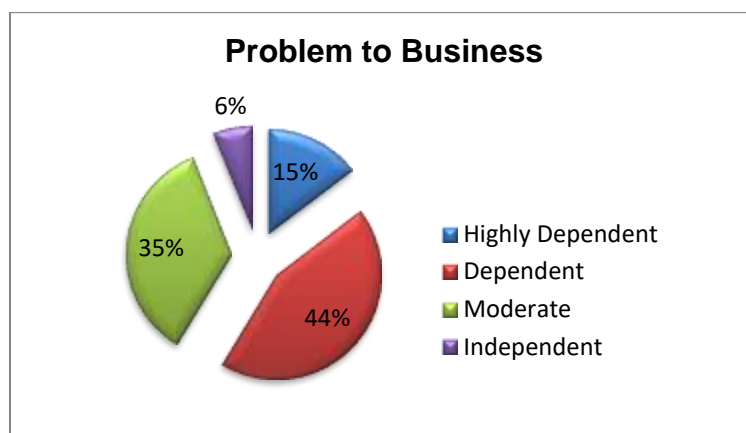


Fig- 8: Problems

As to the problem, which affects the respondents' business, the table above shows that 44% of the SMEs rated security threats as their apex problem, 31% pronounced that inconsistency in

government policies is what affects their business. Similarly, 19% rated poor market share as their major problem. The remaining 6% of the SMEs ranked bribery/corruption as their major problem.

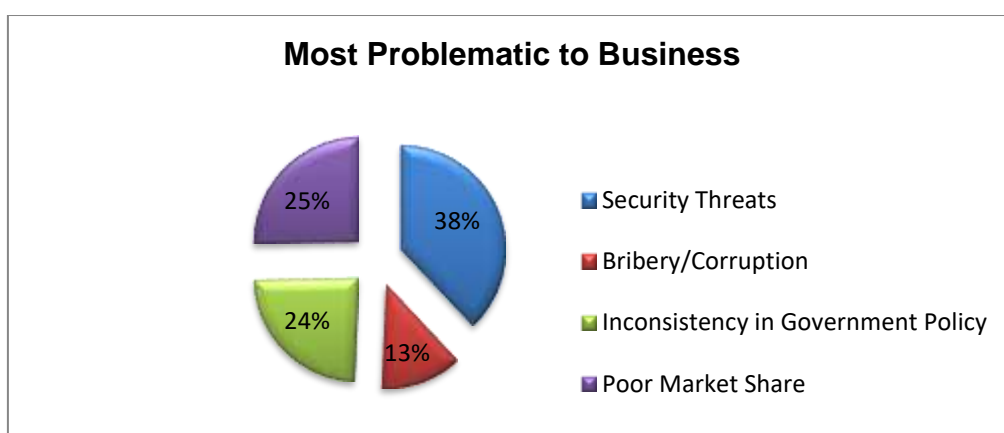


Fig-9: Most Problematic

Although each of the sampled SMEs were affected by manifold problems, in which case I (security threats) was rated by 38% SMEs as the leading

predicament to their operations. 25% of the remaining SMEs lamented IV (poor market share) as their most problematic; 24% indicated III (inconsistencies in

government policies); the remaining 13% of the other SMEs opined that II (bribery/corruption) is their

greatest plague. This is presented in the chart above.

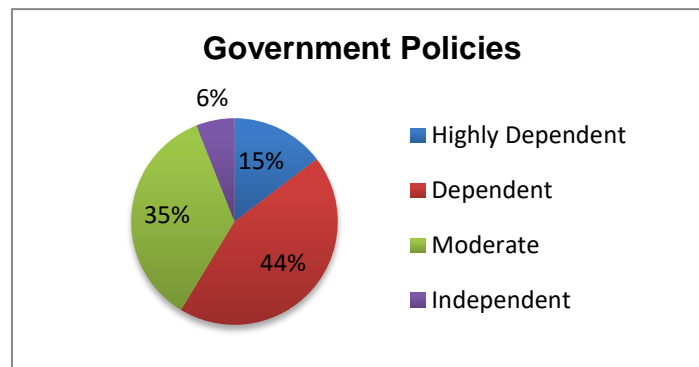


Fig-10: Government Policies

Certainly, absence of good governance couple with irregularities, inconsistencies as well as bureaucratic cumbersome procedures prompted the downfall of most SMEs in the emerging economies. Nigeria is no exception. That is why 70% of the SMEs strongly agreed that government policies (if not well

furnished) jeopardize the performance and progress of most SMEs in Nigeria. This is supported by the response of 25% of the other SMEs who totally agreed with the maxim. Conversely, 4% and 1% of the remaining SMEs respectively stand against the statement as presented in the chart above.

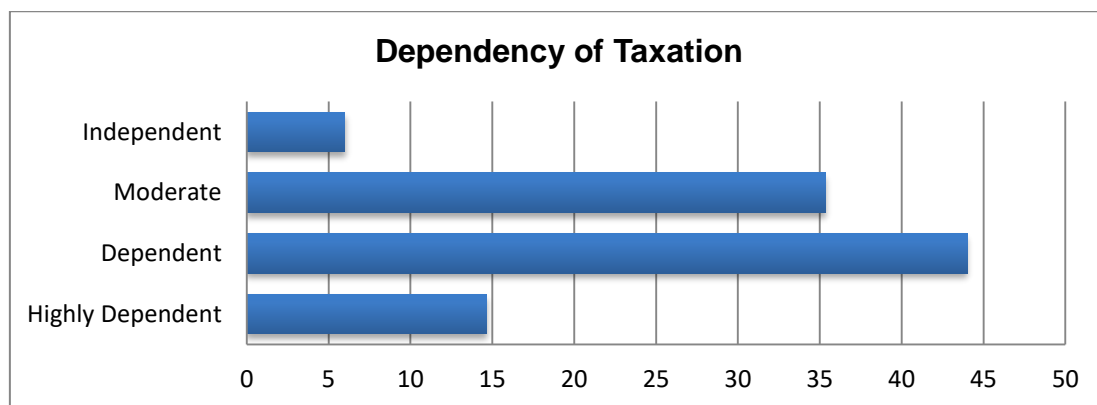


Fig-11: Taxation

Taxation is a compulsory levy and an integral part of any socio-economic set up. In fact, the growing demand of the society is what necessitates the institutionalization of taxation as a source of meeting societal demand. Hence putting pressure on economic agents (producers and consumers) in the society; with business enterprises (including SMEs) as the most

affected. Notwithstanding, 44% of the SMEs opined that taxation is highly dependent on their business. 35% of the SMEs labelled it moderate. 15% of the SMEs considered taxation 'highly independent', 6% of the remaining SMEs state dependency of taxation on their business as 'independent' as indicated in the above table.

Table-3: Response to the open-ended question

50%	30%	25%	18%	10%	7%	20%
Power Supply	Bribery and Corruption	Security threats	Government Support	Political Instability	Poor market share	No comment

The above table had shown the difference percentage view of respondent comments from the questionnaire that was distributed to small business companies in Lagos state, Nigeria.

Hypotheses

The following hypotheses were made in order to enable the researchers ascertain the greatest drawback for SMEs in Nigeria and fully appreciate their respective relevant significance:

H₁: Insufficient credit, poor infrastructure, poor government policies, taxation does not represent the greatest challenges bedeviling the performance and progress of SMEs in Nigeria.

H₂: Insecurity threats do not affect SMEs' operation in Nigeria.

H₃: Technology and poor market share does not represent the greatest challenge for SMEs' progress.

H₄: Bribery and corruption does not affect the performance of SMEs in Nigeria.

Table-4: Hypothesis

Response	Insufficient credit facilities	Poor infrastructure	Poor government policies	Taxation	
Strongly agree	96	98	104	22	320
Agree	54	47	38	66	205
Disagree	0	4	6	53	63
Strongly disagree	0	1	2	9	12
Total	150	150	150	150	600

Table-5: Chi-square contingency table

R-C	F _o	F _e	F _o -F _e	(F _o -F _e) ²	(F _o -F _e) ² /F _e
1-1	96	80	16.0000	256	3.2000
1-2	98	80	18.0000	324	4.0500
1-3	104	80	24.0000	576	7.2000
1-4	22	80	-58.0000	3364	42.0500
2-1	54	51.2500	2.7500	7.5625	0.1476
2-2	47	51.2500	-4.2500	18.0625	0.3524
2-3	38	51.2500	-13.2500	175.5625	3.4256
2-4	66	51.2500	14.7500	217.5625	4.2451
3-1	0	15.7500	-15.7500	248.0625	15.7500
3-2	4	15.7500	-11.7500	138.0625	8.7659
3-3	6	15.7500	-9.7500	95.0625	6.0357
3-4	53	15.7500	37.2500	1387.5625	88.0992
4-1	0	3	-3.0000	9.0000	3.0000
4-2	1	3	-2.0000	4.0000	1.3333
4-3	2	3	-1.0000	1.0000	0.5000
4-4	9	3	6.0000	36.0000	12
					$\sum \chi^2 = 183.2715$

$$\text{Cal } \chi^2 = \sum \frac{(f_o - f_e)^2}{f_e} = 183.2715$$

The value of χ^2 tab at 5% level, df₉ = 16.919.

Where: f_o = observed frequency

f_e = expected frequency estimated thus:

f_e = (Row total)(Column total)

Grand total

Decision rule

When the calculated χ^2 is greater than the critical χ^2 at 5% level of significance, the alternative hypothesis (H₁) will be accepted. If on the other hand, calculated χ^2 is less than or equal to the critical χ^2 at 5% level of significance, and then the null hypothesis will be accepted. Therefore, since calculated χ^2 value

(183.2715) is greater than the critical (16.919) value, the null hypothesis will be rejected, and the study thus conclude that insufficient credit facilities, poor infrastructure, poor government policies and taxation were among the major challenges militating against the performance and progress of SMEs in Nigeria.

Table-6: Correlation Matrix

CORRELATION MATRIX					
Control Variable			Credit	Infrastructure	Taxation
Government policies	Credit	Correlation	1.000	.996	.617
		Significance (2-tailed)	.	.057	.577
		Df	0	1	1
	Infrastructure	Correlation	.996	1.000	.685
		Significance (2-tailed)	.057	.	.519
		Df	1	0	1
	Taxation	Correlation	.617	.685	1.000
		Significance (2-tailed)	.577	.519	.
		Df	1	1	0

The above table presents the correlation matrix, in which case government policies was labelled as control variable, and thus shows a positive and significant correlation between the variables i.e. credit, infrastructure and taxation. The table above presents a positive and yet strong correlation between the variables under study. Therefore, since all the variables are positively correlated, an increase in one may positively changes the other variables '*all things being equal*'.

DISCUSSION

There is no gainsaying to the fact that all the findings of this research were further reaffirmed by other researches empirically. For example, the study finds that insufficient electricity affects the performance of SMEs in Nigeria generally. This is further reaffirmed by the doing business 2014 ranking which puts Nigeria 185th in terms of getting electricity.

According to the African Energy in 2005, currently, only 10 percent of rural households and approximately 40 percent of Nigeria's total population have access to electricity.

Based on Onugu[26] he discovered using Chi-square non-parametric technique that access to capital/finance and infrastructure affects the performance of SMEs in Nigeria, as the value of χ^2 calculated (39.509) and (88.913) outweighs their corresponding values of χ^2 tabulated (31.410) and (43.773) respectively at 5% level of significance. He equally ranked the major problems militating against the performances of SMEs in Nigeria in which case; access to finance, infrastructure, policy inconsistency and multiple taxes and levies were respectively the 2nd, 3rd, 4th, and 6th most troublesome factors out of ten affecting SMEs in Nigeria. Thus, his findings conformed to the ones in this study.

More specifically however, this study finds that poor infrastructure appears to be the genesis of raining inefficiencies of SMEs in Nigeria at large. The United Nations Economic Commission for Africa's Economic Report on Africa 2004 ranks Nigeria 28th out of 30 African countries in its Infrastructure Index.

Insufficient credit facilities are found by this study the leading pandemics cushioning the performances of SMEs in Nigeria. On this note, The National Bureau of Statistics Survey in September, 2014 shows that "an estimate of 83.2 per cent of the SMEs have initial start-up capital of below N10 million, while seven per cent of the enterprises have initial start-up capital of between N10 million and N20 million," adding that the main source of capital is personal savings, with 54.4 percent; followed by loan (22.0 percent); and family source of capital (16.7 per cent). "The source of capital of most micro enterprises are personal savings, which represents 84.6 percent; family source (29.8 per cent), loans (9.2 per cent) and cooperative (8.0 per cent) were other major sources of capital," the survey notes.

The study further went consistent with the Doing Business Report, (2014) which ranked Nigeria 11th in terms of getting credit, 170th in terms of paying taxes and 158th in terms of trading across borders. Overall, the result puts Nigeria 147th in terms of doing business across the globe in 2014, as against the erstwhile ranking of 138th in 2013 indicating a difference of -9. That is why majority of the SMEs unanimously opined that insufficient credit, infrastructure, insecurity, excessive taxes, dearth of incentives, bribery /corruption, and deteriorating political will among others, affects their performances generally and which are indeed the major findings of

this study as well as other reviewed studies examined in this study.

CONCLUSION

When we look at the general problems that are facing SMEs generally in Nigeria, they include inaccessibility to finance/capital, poor infrastructure, poor government policy, insufficient power supply, environmental components related issues, numerous charges and levies, modern technology, poor government help, marketing problems and the non-availability of raw materials locally.

The rate of growth of SMEs in Nigeria is stunted due to the following reasons: fear of failure of the enterprise, lack of entrepreneurial spirit, fear of starvation for a few months after quitting a paid job, inability to produce or pay for a feasibility study or business plan, mindset that “it will not work” or “I won’t succeed” and so on. Capability structure

Particularly in terms of business knowledge, skills and way of thinking, self-confidence, acquisition and development of entrepreneurial spirit and right business motivation and ability to set goals are imperatives for entrepreneurial success.

Infrastructure has been the greatest problem of the manufacturing subsector of SMEs in Nigeria. Power supply poses the greatest challenge as most of the SMEs companies have turned to generating sets for regular power supply, which is costly. Many of the SMEs also have to construct their own road network and providing their own water system at huge costs. Most importantly numerous SMEs in Nigeria are not educated about the presence of SMEDAN, the different sources of funds for SME improvement, the lawful and administrative necessities, how to source funds from banks or even the fundamental methodology for promoting an enterprise.

What the researchers also come across is that majority of SME promoters in Nigeria are averse to going into partnership schemes and also to equity participation by banks under the SMIEIS programmed. This generally spread occurrence is determined by the regular question and self-centeredness from the SME promoters the vast majority of whom don't even trust their staff with the result that delegation of duties and giving of responsibilities to subordinates are at the most reduced level.

Limitations of the Study

Various constraints had been faced while conducting this investigation that include limitation of resources in terms of funds thus the reason the study is restricted to the first state with the most SMEs, unwillingness or non-responsive behavior of

respondents, inaccessibility or unavailability of data. Funds are the most challenging limitation that was encountered which limited the intensity of the area of coverage of the research. Even though different SMEs are spread in different areas in Nigeria, this study focused on SMEs in Lagos only which like we have stated earlier due to security situation the researchers found it time consuming and lot of funds spending. Again the researcher likewise experiences the unwillingness of a few respondents to finish the questionnaire on time, furthermore to the individuals who even neglected to finish them whatsoever. This consequently constrained the size of respondents included in the study despite the researchers’ diligent work and methods to them clarifying the potential profits of the study to them.

Recommendations

When we go back to the findings in this research, the Nigerian SMEs are left far behind; they have far to go in the Nigerian business arena. The difficulties and the issues confronting the SMEs in Nigeria are awful and must be handled by the assistance of Nigerian governments (Federal, State and Local) and their offices preferences banks, administrative powers and duty powers. The SMEs in Nigeria truly require a pressing backing from the government to revamp the SME segment of the economy so as to review the developing unemployment rate in the nation, decrease corruption and poverty level and improve expectation for everyday life.

The following are the key recommendations that will enhance the performance of Nigerian SMEs:

- The federal government should help in bringing stable power supply, so that the Nigerian SMEs will both benefit from it and help them reduce cost.
- The government needs to tackle the (Boko haram) security situation, poverty and corruption.
- The central government ought to secure Industrial Development Centers (IDCs) in all the states of the alliance, restore the old ones, and make every one of them working.
- The administration through the assistance of the Central Bank of Nigeria ought to secure National Credit Guarantee Scheme for SMEs, which ought to ensure no less than 70 percent of loans required by SMEs Nigeria.
- The administration ought to as a matter of criticalness impact proper changes in the traditions and in addition in the ports operations to diminish the quantity of agencies included and make the clearing of merchandise more effective.

- The Nigerian should provide a good and better education and the introduction of entrepreneurial studies in all the Nigerian Universities. This would excite talented people to go into technical areas and develop themselves.
- The government ought to secure a National Rehabilitation Fund to give reviving stores to inadequately SMEs.
- The government should help in reducing the tax rate for SMEs within their first three years of life and then from the fourth year and beyond.
- The Government should institutionalize the policy of buying only made-in-Nigeria goods and services except where such is not made or manufactured locally.

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