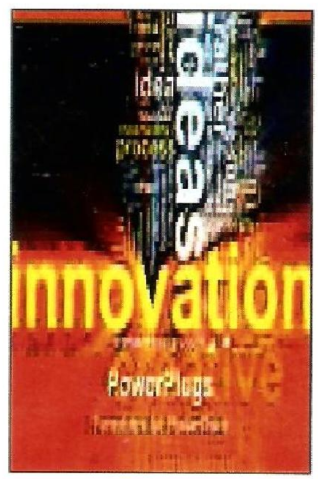
# TWINTECH BUSINESS SCHOOL REVIEW

VOLUME 1: ISSUES 4

REVIEW DATE : SEPTEMBER 2011

## LEAD STORY HEADLINE : DYNAMIC CAPABILITIES AND INNOVATION

The Issues no. 4 of TBS Review will elaborate together knowledge from a variety of fields to propose that innovation management can be viewed as a form of organizational capability. Excellent companies invest and nurture this capability, from which the entity execute effective innovation processes, leading to innovations in new product, services and processes, and superior business performance results. An extensive review of the literature on innovation management, along with a case study of foreign and local companies, develops a conceptual model of the firm as an innovation engine. This new agenda and strategic substantial investment in innovation capability as the primary engine for wealth creation, rather than the possession of physical assets. Building on the dynamic capabilities literature, an "***innovation capability***" construct is proposed with seven elements. These are vision and strategy, harnessing the competence base, organizational intelligence, creativity and idea management, organizational structures and systems, culture and climate, and management of technology. **(Editor, Sept 11)**







**Address to :**

Editor-in-chief

Twintech Business School Review,
Level 5, Block F, Sri Damansara Business Park, Persiaran Industri, Bandar Sri Damansara, 52200 Kuala Lumpur, Malaysia

Tel : 603 6286 1200/603-62751110

Fax : 603-62741500

E-mail : mustafadakian@gmail.com




## INSIDE THIS ISSUE:



MSC MALAYSIA Status Institution

# SMALL AND MEDIUM SCALE ENTERPRISES (SMES): AN APPROPRIATE MEDICATION FOR NIGERIA'S ECONOMIC PREDICAMENT IN THE GLOBAL COMPETITIVE ECONOMY

By

**Ogundele, O.J.I( PhD., Olajide, 0. 1., Hassan, A.R., Adeoye, A.O**
Department of Business Administration and Management Technology, Faculty of Management Sciences, Lagos State University, Ojo Lagos.

**Afegbua, S. I**
Department of Public Administration, Faculty of Management of Management Sciences, Lagos State University, Ojo, Lagos, Nigeria.
And
**Gafar Olanrewaju Yusuf**
Administration Staff College Of Nigeria (ASCON), Department Of Human Resources Management, Topo Badagry LAGOS STATE
Email:yuwabfis@yahoo.com

**Abstract**

*The paper notes that an action which needs to be taken over ten years for proper foundation to be laid, if rushed in two years will still be defective and instead of yielding a good result will more than escalate the problem. This is the true picture of Nigeria. It is contended that Nigeria is supposed to have joined the league of industrialized nations by now, but the fact remains that successive governments since independence did not give adequate attention to applying the right medication to the ailing economy. This paper examines the poverty situation in Nigeria. There is a focus on theoretical background with particular emphasis on defining the Small and medium Enterprises (SMEs). Effort is made in this paper to expose the economic development potentialities of small and medium scale enterprises It is noted that SMEs have, and are still performing the magic in the Asian countries like Taiwan China, Singapore Koreo and other South-East Asian countries, and presently these countries are forces to reckon with in the world today. The efforts of the past and present administrations were examined and reasons why the steps taken did not catapult the country forward economically were equally highlighted with recommendations on how the SMEs could serve as catalyst to economic development of Nigeria A model for actualizing the recommendation is presented The paper concluded on the note that the future development of Nigeria rests on effective promotion of the SMEs.*

## 1.0. Introduction

Giving the appropriate medication to any ailment will instantly cure the disease and possible spread is prevented. This has not been the case for Nigeria over the years in treating the ailments of her economic problems. Over forty-seven years after independence, Nigeria is still struggling to cross the development hurdles. The post independent Nigeria that requires (SMEs) to give a solid background to real economic development was given large but defective doses of large scale and highly capital intensive industrial enterprises as its medication, precisely, import substitution, large scale industrialization strategy together with direct government participation in the establishment of some large scale industries were the order of those days. No wonder we are where we are today.

This paper, therefore, critically examines the causes of Nigeria's economic underdevelopment problems and analyzes how small and medium scale industries can cure this 'disease' and move the country forward in the comity of nations. To properly understand the picture of what the Nigerian economic problem looks like, is like picturing the extreme opposite of economic buoyancy. When an economy is buoyant, it implies that the country is conveniently meeting and sustaining the aspirations of the people of such economy in terms of good healthcare, good food, education, employment, provision of socio-economic infrastructure, low inflation rate and reasonably high capacity utilization of industries. But in a situation where the opposite of these are prevailing, such economy could be rightly tagged as having economic kwashiorkor (i.e. problem), where the generality of the people are deficient in the proper or desired quality standard of living. In other words, a country could be described as having economic problems when a greater percentage of its citizens are overwhelmed with poverty and could not have access to basic necessities of life. This implies life degradation with persistently low per capita income; low education and high unemployment rate with high degree of dependency ratio. This is the situation prevailing in Nigeria over the years In fact a recent report by World Outlook (2004) ranked Nigeria as one of the poorest nations of the world This is not a result of lack of resources endowment or potentials for growth but because of bad resources management and distribution. A question may be asked as to what our economic managers have been doing all along, but the simple answer, is that there is no proper diagnosis of the economic ailment of the country by successive managers, and when there was any, wrong medications were applied. There are instances where very close to appropriate series of policies were made towards developing SMEs but it is dismaying that supposed doctors' were not convinced or sure of their prescriptions hence little effort was exerted in making the patient (the economy) to use the prescribed "drug". As a result, good polices were dropped mid-way or pursued with lackadaisical attitude.

The situation being experienced in Nigeria over the years, which has been described here as economic kwashiorkor, is analysed below to enable us isolate causes and how SMEs could be a right medication for it.

## 2.0. Poverty Situation in Nigeria

Poverty is seen written on the faces of a greater percentage of Nigerians. This is reflected in the type of food intakes by the generality of the people, poverty rate increased by half from about 48% to about 66% of the population at the beginning of the millennium. Empirical evidence shows that very low percentage of the population could afford a balanced diet while carbohydrates dominate their basket of consumption. This cannot but be in a country especially where currently, a local government councilor with first school leaving certificate earns more than a university professor. Health care level in terms of life expectancy rate has been considerably low over the years, it was dangling between 49 and 51 years for almost two and half decades after independence but in the last three years, it has risen to 54 years. This is in contrast to what prevails in developed economics where life expectancy is not less than 72 years.

Poverty also reflects in the housing and literacy rate. The number of people living per room per house is not less than ten especially in the urban centres and the location of such houses and type reflects poverty. There is the concentration of people in the Lagos suburbs like Ajangbadi, Ajuwon, Agege, lju in Lagos State. There is also the fact that good things of life like good roads and good water even electricity is a luxury.

In the World Human Development report of 2001, it was stated that over eighty percent (80%) of Nigerians were uneducated So with a country of one hundred and forty million people, and 80% are uneducated means less than twenty eight million people are educated This is an insignificant proportion of the population that can actually bring change This is compounded with the fact that a fractional percentage of the so-called educated people are gainfully employed. The per capita income of Nigerians has been persistently unresponsive to increase in the volume of foreign earnings. This is not unconnected with the increase in population that is neutralising the increases in earnings and the per capita income in Nigeria as at start of the new millennium 2000 was $200 (Edordu, 2001) This is considerably low and as a result there is low saving that could actually enhance capital formation. Japan for instance, had a per capita income of $34,630. With this, reasonable saving could be made after consumption is met, unlike what we have in Nigeria.

Industrial capacity utilization for the first two and half decades after independence had been ranging between 25% and 35%. And presently it is just around 38%. It dangled around 42% in 1991 and 35% as at 2001. The implication of this is that there is little the industrial sector can contribute to improving the socio-economic welfare of the people when they cannot operate at a reasonable capacity level. On the whole, the gross domestic product (GDP) which is the total goods and services produced in a country over a period of time usually a year, has not shown significant growth rate over the years. The percentage growth rates in the two decades have been between 1.0% in 1983 and 4.6% in 2006 (Ogundele, 2007).

The picture painted above represents the prevailing situation in the economy coupled with bad governance which the country has been experiencing over the years. The more disturbing and harmful is that military regime dominated the greater percentage of the total forty-seven years of Nigeria as an independent nation, having ruled for twenty-nine years. The oil boom during the military regime further blinded the leaders then as to how to go about developmental process in the country. This was coupled with dearth of indigenous entrepreneurship which constrained the government to assume the role of entrepreneur. The dream was to promote large industrial concerns, which could catapult the country overnight to be in the league of developed industrialized nations. The dream could not manifest as the whole exercise could aptly be described as dwelling in fantasy. The main cause of all these was wrong medications that were applied to the economic problems over the years. Efforts shall now be made to give a theoretical framework of the small and medium scale enterprises, its features roles and performance.

## 3.0. Theoretical Framework

### 3 1 Concept of SMEs

As take-off point, we examine various definitions of SMEs in various countries and situations. The Small and Medium Enterprises (SMEs) is defined according to the level of development and need of each country concerned. The American Small Business Administration (SBA) defines a small scale business as one that is independently owned and operated, not dominant in its field but meets certain specified criteria for SBA sponsored loan programmes. These criteria are based on the condition that the annual receipt of the Small Scale Industries (SSl) does not exceed five million in service industries. The United Nations however defines SSI (often used interchangeably as SMEs) as an industrial concern operating with less than one hundred people. While India describes a Small-Scale Industry as an industry concern with capital investment in plant and machinery not exceeding six million rupees (US$ 170,000), the Japanese small-Scale Industry is seen as an industry with capital investment of 100 million yen (US$ 800, 000) and with labour size of not more than 300. Malaysia describes an industry as small-scale when capital investment does not exceed 250,000 MS (US$ 100,000) and less than 50 workers.

In Nigeria, the current definitions of Small and Medium Scale industries as adopted by the National Council of Industry (NCR 13, 2001) are composite in nature. A Small Scale Industry is an industry establishment with total capital employed of over N1.5 million but not more than Fifty million naira, including working capital but excluding cost of land, and/or a labour size of 11-100 workers. Again, a medium scale industry is an industry with a total capital employed of over Fifty million naira but not more than Two hundred million naira including working capital but excluding cost of land, and/or a labour size of 101-300 workers. It is worth noting that before this unified definition by Nation Council on Industry, there existed various definitions as much as possible reflecting stage of development of the country.

The Central Bank of Nigeria (CBN) in the early eighties defined SSI as an enterprise with nothing less than $500,000 as turnover. The World Bank and the Nigerian Bank for Commerce and Industry during the same period agreed to define SSI as an enterprise whose maximum capital cost and cost per employee do not exceed $300,000 and $7,500 respectively. Based on the various definitions that abound, Nigeria Bank for Commerce and Industry evolved its own official operational definition of SSI which was adopted till the year 1990. This was given as those industries with a total cost of not more than $750,000 including working capital but excluding the cost of land.

By 1992, these varying definitions were unified by the National Council on Industry. A small- Scale enterprise was defined as enterprises whose fixed asset is between $1 million and $10 million including working capital but excluding cost of land. While medium enterprises are seen as those having fixed assets of over $10 million but not excluding land but including working capital. The African Development Bank (ADB) (1997) for its own credit line to Nigeria, defines as SMEs, project whose total investment in each case is a maximum of about $6.5 million.

From the various definitions given above, one would appreciate the fact the capital involvement in this type of business is relatively simple, with linear technologies. SMEs can easily be spread all over the country and make use of available surplus resource-labour. An important benevolent opportunity derivable from SMEs is the decentralization of economic activities, which will thereby reduce imbalance among regions and between rural and urban areas. From all the foregoing definitions, it could be seen that different countries and institutions have given various definitions of SME or SSI, which makes it difficult to have a generally acceptable definition. The best one can say is posited by Ogundele (2007) where an SME or SSI is a small enterprise independently owned with no dominance in its market segment.

### 3.2. The Role of SMEs in Economic and Social Development

In 1953, The United States of America (USA) enacted The Small Business Act which reads in part: "the essence of the American Economic System of private enterprises is competition. It is the declared policy of the Congress that the government should aid, counsel, assist and protect, in so far as possible, the interest of small business concerns in order to preserve them from competitive enterprise". The President of the United States is also required by law, to give a State of Small Business address similar only to the state of the Union address annually. In 1954, the Netherlands issued its own White paper on the development of small-scale industries. In 1959, the Federal Republic of Germany followed with its Policy Framework on SM Es, while in

1963, Japan enacted the Fundamental Laws on Small and Medium Enterprises. South Korea, India, and many other South-East Asian countries followed. It is to be noted that SMEs have contributed immensely to the success story of these countries.

Many authors have subscribed to the fact that Small and Medium Scale Enterprises (SMEs) have significant roles to play in any economy especially in the area of employment generation, structural transformation of the economy, providing the necessary industrial linkage, and training ground for the development of indigenous entrepreneurs and making available consumer goods among others.

KI-Jung (2000) reiterated that the development of SMEs in Korea has brought about a tremendous reduction in unemployment rate and at the same time played the role of a tractor for economic growth and socially invited extrication from poverty and national confidence in the development of Korea. Windapo (2000) further argued that SMEs provides motivation for the mobilization and productive employment of domestic savings in the economy.

Ogundele (2007) notes that SMEs play multi dimensional roles as agents of social economic and technological changes in various countries of the world. These are by ways of bearing risk of uncertainty, employment creation and development of indigenous technology, to mention a few.

### 3.3. Governments efforts in promoting SMEs in Nigeria over the Years.

To say that successive governments since independence have not acknowledged the efficacy of SMEs in alleviating poverty and the concomitant suffering of the masses will be too unfair. The problem however lies on the economic managers of the extent and appropriateness of SMEs, hence the ineptitudeness in pursing the implementation of various policies as reflected in the various development plans from Second National Development Plan to date. The easy money being derived through the sale of crude oil further blinded political leaders to divert their attention substitution. This industrialization strategy (import substitution), encouraged substantially large scale industries that were virtually capital intensive. The rationale behind the policy as presented then was that import substitution would enhance local valued added and reduction of pressure on foreign exchange earnings. It is envisaged that at the end of the day, technology would have been transferred. This expectation was never to be and in fact most of the industries established then turned out to have little or no local value added because they were just an assembly plants and packaging out fits. Examples of such industries were the Peugeot Automobile plant in Kaduna (PAN) and Delta Steel Industry in Alaja, among others.

Due to the disappointment experienced from import substitution method, successive governments started looking elsewhere for possible strategies geared towards the development of the economy, and some policies were made towards the development of small and medium scale enterprises in the country. The National Development Plans starting from 1970 have had the development of SMEs as one of the objectives of the plans

To foster this the Industrial Development Centre (IDC) and Small-Scale Industries Credit Scheme were established in 1971 The Nigeria Bank for Commerce and Industry (NBCI) (1972) was established to specially promote the development of SMEs in the country. The states Small-Scale Industries Credit Scheme at the state level were also established. It is a scheme that gives grants to prospective SMEs industrialists in their respective states. To corroborate all the efforts, the Central Bank of Nigeria makes, on a regular basis, a policy pronouncement to all commercial and merchant banks operating in the country to allocate certain percentage (at lease 10%) of their loanable funds to SMEs development in the 1979/80 fiscal year This was subsequently increased to 16 and 20 percent of their total loans and advances in April 1980 and 1990 respectively Recently, the Central Bank of Nigeria mandated banks operating in the country to set aside 10 percent of their profit before tax for equity investment in SSIs. Many programmes such as Working for Yourself Development Programme (WFYP) and Entrepreneurship

Development Programme (EDP) were designed to train prospective SMEs entrepreneurs.

Apart from the various forms of funding highlighted above the Nigerian Government has further broadened the sources and forms of assistance to SMEs through the establishment of several other agencies. These include the National Directorate of Employment (NDE) whose main objective is to reduce if not eliminate unemployment by creating opportunities for self employment and self reliance among young graduates. The Directorate of food, Roads and Rural Infrastructure (DFRRI) emerged to accelerate the development of rural infrastructure in order to enhance the growth and development of the rural economy in particular, including SMEs and the community Bank which endeavours to reach out to the small craftsmen, petty traders and other small business entrepreneurs who in no way could be able to meet the conditionality of the conventional banks. There is also the introduction of other specialized schemes including the World Bank SME-1 and SME-2 loan programmes; Family Economic Advancement Programme (FEAP) and the Agricultural Credit Guarantee Scheme Fund.

Other measures put in place to foster SMEs in Nigeria include the followings:

**National Poverty Eradication Programme (NAPEP)** was established in the year 2000 by the civilian government. It adopted the strategy of providing financial and resource facilities assistances to small and micro organisations. It has 4 main schemes, namely: Youth Empowerment schemes (YES), The National Resources Development Conservation Scheme (NRDCS), Rural Infrastructure Development Scheme (RIDS) and Social Welfare Services Scheme (SOWESS).

**Small and Medium Enterprises Development Agency (SMEDAN**) emerged in 2004 specifically to focus on giving the needed support to small and medium scale enterprises by ensuring successful establishment of functioning production units of business organisations across Nigeria for sustainable economic development.

**National Economic Empowerment and Development Strategy (NEEDS**) was an economic policy put in place in 2004. It had 4 main pillars, one of which is growing the private sector, with the aim of making Nigeria one of the 20 most industrialized nations by the year 2020.

The present administration headed by President Umaru Yar'adua has a seven-point agenda with emphasis on energy transportation food security land wealth creation and education The wealth creation element of the agenda also captures the SMEs as part pf engine for creating wealth. There also exists a State Level Development Institution whose role is to facilitate the state's industrial development, through the provision of financial assistance to SMEs, on generous terms. Most of the states have established industrial estates, with infrastructural facilities, where plots of land are allocated at subsidized rents with a view to encouraging the growth of SMEs and increasing employment opportunities in their respective states A number of other government agencies or government supported institutions are actively involved in the provision of support services such as management consultancy, technical advisory services, and training to SMEs. These include the Industrial Training Fund (ITF), the Centre for Management Development (CMD), the Federal Institute of Industrial Research (FIIR), Project Development Agency (PRODA) and the Nigeria Institute of Social and Economic Research (NISER). The major private sector organization involved in the promotion of industrial development include: the Manufacturers Association of Nigeria (MAN), the National Association of Small Scale Industries (NASSI) and the National Chamber of Commerce, Industry, Mines and Agriculture (NACCIMA). There also exist numerous small-scale private sector organizations catering for the interest of SMEs or specific industries within the SME sub-sector.

From the fore-goings, it could be seen that Nigeria has a number of policy programmes at developing or providing support to the SMEs. Why has Nigeria not been able to make progress in her efforts at making SMEs as critical agent of economic progress? The next segment focuses on the factors that are responsible for poor performance of SMEs in Nigeria.

### 3.4. Restraining Factors against Governments Efforts

However, all these efforts put up by the successive governments could not bring the much expected results because of some fundamental problems amongst which is the lag between policy pronouncement and policy implementation. Sooner after these policies were put in place than the planners' attention was often diverted elsewhere and the proper monitoring that the policies require were not given and hence the poor result obtained.

Besides that, there are still some other factors militating against adequate realization of good results from the diverse steps taken by the government to stimulate economic development via the development of SMEs. These inhibiting factors could be broadly classified into three:

Structural, Financial and Managerial. The capacity and the type of manpower available for employment limit the level of management performance. This is obvious because they are operating along side the large-scale organization that are more organized and offer better payment to labour. Many competent labours are thus employed by these large industries leaving the SMEs to make do with what can be described as labour "left-over" (low skilled labour) This will definitely affect implementation of ideas no matter how brilliant they may be

On the financial side the capital available to SMEs reflects its name-'small This is made worse as the money does not even get to them despite frequent review. The banks more often than not prefer paying fines as stated by the CBN's policy than complying with the percentage allocation to SMEs. This comes as a result of excessive default rate and cumbersome administration of such loans. Thus, the SMEs sub sector is considered a high-risk zone for loan facilities because recovery uncertainty rate is high Because of the ownership structure that is more of sole proprietorship or family business they find it difficult to raise money from the capital market.

Structurally there is a restriction on their scale and assets, so SMEs cannot but concentrate more efforts on labour intensive method of production rather than capital intensive in an economy where the quality and skill of labour available is considerably low. The resultant effect is obvious-poor output quality that will not be able to compete favourably in a deregulated economy where many products from foreign countries are available and even the expected local value added to industries would not be realized as a result of low level of technology, which results from labour intensive production level. Other inhibiting factors are: inadequate and inefficient infrastructural facilities, overbearing bureaucracy, inefficient administration if fiscal incentives and the unstable macroeconomic environment (until the last four years), coupled with poor management practices and low entrepreneurial skills.

### 3.5. How SMEs can be used to Resolve the Economic Problem

The economic 'kwashiorkor' does not result because of non-availability of resources to fight it, but mainly because of administration of the inappropriate dose of economic policies and more importantly on the implementation side. So, the fact still remains that despite the seemingly unyielding situations, as a result the militating inhibiting factors, it is argued that if the following steps were taken concerning the SMEs, the ailment- poverty will disappear, the economy will develop, and the citizens welfare will improve. As lucidly painted by Ajayi (2002), Development depends on at least two pillars, which together will support sustained growth and poverty reduction. The first is that we must build a good investment climate-all factors that mostly influence private sector decision, macro economic stability, good governance and infrastructures. The second is human investment. The citizens need be developed through good education and training that will develop relevant entrepreneur. Closely related to the above is the idea that the government should devise a means of closing the gap between policy pronouncement and implementation that renders most of the past efforts useless. Policy design that will give legal backing to protect and support SMEs original ideas should be made. If SMEs are encouraged toward adopting appropriate technology suitable for the production of goods according to the taste of their consumers and creating consumer demands through product differentiation, it is sure that the economic kwashiorkor will vanish.

Government could also go into partnership with SMEs operators to develop indigenous technologies This is important in order to alleviate the usual fear of failure that may stifle life out of these SMEs If the investment is single headed by the operator with Government assistance, the risk can be minimised, and the possibility of success is made high. This will help in the quality product development and enhance the process of automation of production.

Concerning financing SMEs, the government can do two major things. First, the government can alleviate the fears being expressed by financial institution to give certain percentage of their loadable funds to SMEs, by acting BS principal guarantor to genuine SMEs operators with these financial institutions. Secondly, the government could expose SMEs to offshore loans. This is a foreign flow of loans from well-developed economies. The benefits from this source of finance are the lowering cost of interest and long term of repayment. “In many practical situation in Nigeria and sub-Sahara Africa, Off-shore financing in U.S. dollar terms would cost well below 10% compared to cost exceeding 30% in terms of most local African currencies” (Edordu, 2001). Experiences of India, Korea, Indonesia and Taiwan are overwhelming in this type of financing SMEs in their respective countries. No wonder then, with the miracle these SMEs are performing by exposing their countries to enormous competitive advantage both nationally and internationally. SMEs in these countries have substantially been able to contribute to their export success as export to Gross Domestic Product ratios have stood as 40% for so long a period. In Korea, the development of SMEs from the 1970s to the 1980’s brought about the: economic effects of increase in employment; played the role of a tractor in economic growth; and socially invited extrication from poverty and national confidence in the development. Thanks to the backup of abundant manpower, the progress of education and the advancement of technology (Ki-Jung, 2000).

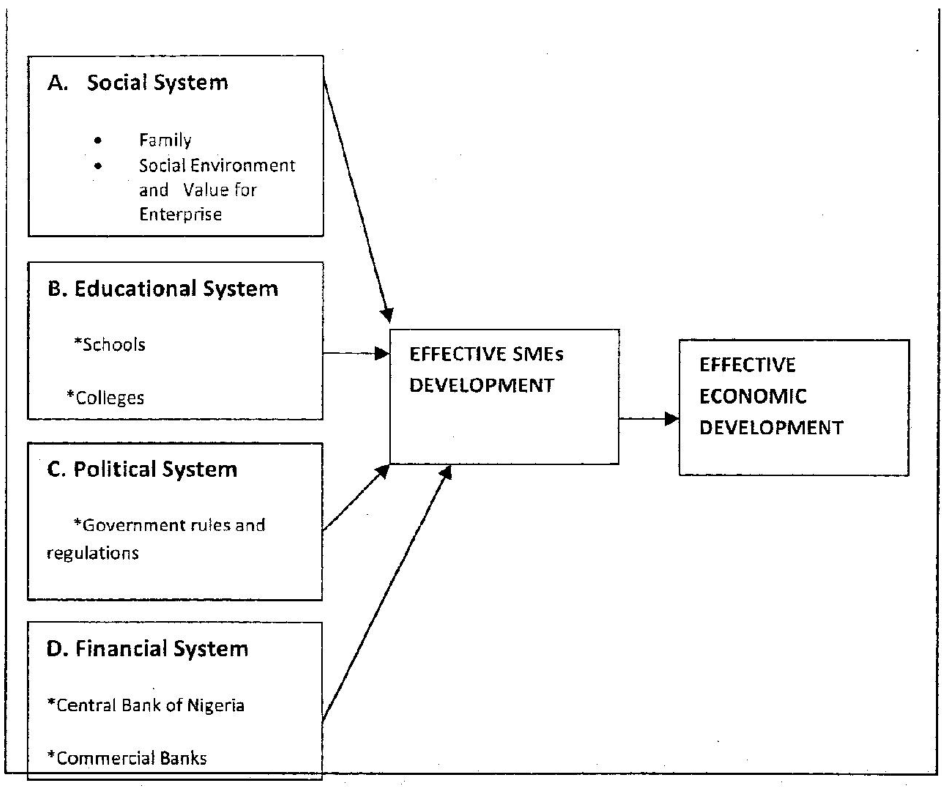
The current initiative of the Bankers Committee with the Central Bank of Nigeria as the prime mover to provide a sustainable source of finance to SMEs should also be encouraged and intensified. Besides providing sustainable source of finance, the committee also requires Banks to identify, develop and package viable industries with the entrepreneurs. Under the scheme, all Banks in Nigeria are expected to set aside 10 percent of their annual Profit Before Tax (PBT), for enquity investment in SMEs. It is estimated that the aggregate pre-tax profit of banks would be about N573.7 billion in the first five years (2001-2005) and 10 percent of that sum would be N57.37 billion. This is a sustainable amount that could revive the SMEs in the country if all stakeholders play their roles as expected. In fact, according to Segun Ama, Managing Director Fountain Trust Bank, a total of N14.6 billion had been pooled by banks at the end of March 2003 under the Small and Medium Investment Equity Scheme (SMIES). Out of which 2.8 billion naira had been invested in 67 projects across the country. At the same time, banks have equally organized training workshop for industrialist and bankers to educate them on this scheme so that they will show increased interest and benefit from the programme, while the bankers will be able to understand better how the programme will work.

If this tempo could be maintained and sustained and they do not go the way of other policies that die no sooner than they are formulated, then we are hopeful that the SMEs would heal the economy Kwashiorkor in no distant future.

## 4.0. Recommendations

The model below represents prescriptions on how SMEs can play an active role in the Nigerian economy.

**Fig. 1: Collaborative Supportive Systems for SMEs to play active role in Economic Development**




*Source*: Anyanwu C.M (2000)- Modificed

Explanations: (A) Families should encourage hard work and enterprise spirit among the children. Values have to be developed towards enterprise formation with emphasis on ethical and socially responsible behaviour. (B) Universal Basic Education (UBE) to start effectively in 2008 September As one of its focus should be Entrepreneurship development in Youths Enterprise formation skills should be developed in students, right from secondary to tertiary education institution. (C) Political systems should give effective support to existing institutions for SMEs promotion. There is need to remove corrupt leaders from these institutions, applying of rules and regulations objectively and strictly promoting the growth of SM Es. (D) The Central Bank of Nigeria (CBN), Commercial Banks, Development Banks and Microfinance institutions all have roles to play. The CBN as it is doing currently, should provide leadership role in SMEs financing, using strategy that works on bank consolidation in Nigeria. It should apply the same strict measures on banks to finance SMEs.

If all the prescriptions made above could be applied, It is expected that SMEs would be able to create the necessary employment for the masses, redistribute income, spread the climate of development across the country, together with providing motivation for the mobilization and productive employment of savings. The necessary linkage with other sectors of the economy would be created. SMEs would be able to stimulate indigenous entrepreneurship and development of indigenous technology.

Conclusively therefore, efforts should be made to develop SMEs in the country based on consistency and persistency in policy pursuance. Development of SMEs is increasingly recognized as the most vital medication that cures economic problems and promotes socio economic and human development in all nations of the world. In fact, histories of economic development of the present modern economies show that appreciable economic development started to manifest when these economies did the right thing at the right time, that is, a conscious and deliberate effort towards industrialization, from the cottage industries, to small and medium scale, before the eventual large scale industries. The level of their economic buoyancy and welfare of their citizens bear testimony to this.

## References


Anyanwu C. M. (2000): "Financing the Development of Small-Scale Industries in Nigeria, Another Approach". Paper Presented to the sub-committee of the Bankers' committee on financing of small industries. Lagos.

Anyanwu C A (1996) 'Efficient Administration of Credit for Small Scale Industrial Development". Bullion Vol. 20 No. 3. CBN.

Anyanwu C. M. (2001) Financing and Promoting Small-Scale Industries: Concepts; Issues and Prospects". Bullion No.25 Vol. 3. CBN.

Edordu C. C. (2001) Offshore Borrowing and Guarantees by banks Implication for Portfolio Management' Bullion Vol 25 No 4 CBN

Essien O E (2001) The Role of Development Finance Institutions (DFTS) in the Financing of Small-Scale Industries (SSIs)". Bullion 25(3) CBN.

Golchha, H. C. (1995), "SMEs are vital component of Economic Growth In all Nations". An opening address of the 6 international conference on small and medium enterprises, Seoul.

Ki-Jung, R (2000) "Prospect for SMEs towards 2000, under conditions of changing political Economic, Social and Technological Institution". An opening address presented at the world Association of Small and Medium Enterprises Seoul, Korea.

Levy, B (1993) "Obstacles to Developing Indigenous Small and Medium Enterprises: an Empirical Assessment" World Economic Review. 24

Nnanna, O. J. (2001) "Financing Small-Scale Businesses under the New CBN Directive and its likely impact on Industrial Growth of the Nigerian Economy". Bullion. No.25 Vol. 3. CBN.

Ogundele, O.J.K (2007) Introduction to Entrepreneurship, Corporate Governance and Small Business Management. Lagos: Molofin Nominees.

Okafor, P (2007) SMEDAN Refocuses on Training restructuring for sustainable economic development. National Mirror. Wednesday, Feb.7, Vol. 3 No. 45. 38.

Osoba, A. M. (1987) Towards the development of small Scale Industries in Nigeria Seminar NISER, Ibadan.

Otiti, A.O.G (1998). Essays on banking and Finance in Nigeria. Lagos: CIBN Press Pp 27-36.

Schmitz, H. (1982) "Growth Constraint on small Scale Manufacturing in Developing Countries". A critical review, World Development .VoI.10. No.6.

World Bank (1995) "Nigeria: A Diagnostic Review of the Small and Medium Scale Enterprises" (Interim Report).

World Dev. Report (2001) Investing in Health. New York: Oxford University Press.

Windapo, A (2000) Role of Entrepreneurship and Small and Medium Enterprises to Economic Development of Development of Developing Countries. A Paper presented at the 16 International Conference of the World Association of small and Medium Enterprises, Seoul (Korea).