IMPACT OF SMALL AND MEDIUM ENTERPRISES ON THE GROWTH OF NIGERIAN ECONOMY

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ABSTRACT

This study investigated the impact of small and medium scale enterprises (SMEs) as the operators have being considered as main sustenance of the economy because of their capacity in enhancing the economy productivity and standard of living of the common man, as they account for over 50% of GDP of developing economies. The main objective of the work is to examine the contributions of SMEs on the growth of Nigerian economy for the period of 35 years between 1981-2015. This study adopted ex-post-facto research design and ordinary least square (OLS) method of estimation for data analysis. The data used for this analysis were generated from Central Bank of Nigeria (CBN) statistical Bulletin and Nigeria Bureau of statistics records. Stationery test was conducted on the series (data) and it was discovered that it consisted of unit root which was eliminated at first difference. Subsequently, a trend analysis and regression analysis were conducted. The result revealed that there was a positive significant relationship between SMEs and economic growth. It was also revealed that over 99% of variation in economic growth was accounted for by SMEs activities in the country. Based on the findings was conducted that SMEs are essential for rapid and sustainable economic growth and development; and in line with this it was recommended that Government should provide enabling environment for SMEs to thrive and provide assessable fund for SMEs.

Keywords: Small and Medium Scale, Economy, Growth, Job creation

1.0   INTRODUCTION

The contributions of Small Scale business to development of any economy have been widely recognized because of their capacity in enhancing industrial output and human welfare. Small scale enterprise consists of the driving force of industrial growth and development of the economy by diversification and growth of industrial production and the achievement of the basic objectives developments. Small businesses account for a greater percentage of all businesses virtually every economy and generate the majority of private sector employment and output. The small scale business also generates employment opportunities thereby reducing the rate of unemployment in the country. In recent time, small scale industrial sector is considered to be the backbone of modern day economy currently in Nigeria, small scale industries represent about 90% of the industrial (Etebefia & Kinkumi, 2013).

Numerous studies have shown that small and medium scale enterprise act as a catalyst for the growth and development of a national economy (Anthony & Arthur, 2008; Chinweuba & Sunday & Vijayakumar, 2013).

In Nigeria, governments formulate policies aimed at facilitating and empowering the growth and development of the small scale enterprises due to their contribution to the Nigeria economy like alleviating poverty, employment generation, enhance human development, and improve social welfare of the people. Therefore, the only avenue to alleviate poverty in a sustainable way is to advance economic growth and development via the creation of employment and wealth. In some developing countries, small scale business enterprises are the center source of income, a breeding ground for entrepreneurs and a provider of employment UNIDO report (2003) as citied in Kehinde, Abiodu, Adegbuye and Oladimeji (2016).

The aim of any economy (either industrialized or not) depends largely on how well managed the small scale industries are, for example, if we take a look at the standard practice of small scale industries in economically developed countries like United Kingdom or United State of America, it can be observed that they depend largely on small scale industries to reach out to the people (Etebefia & Kinkumi, 2013). There is no specific criterion for classifying business

enterprise as a small or medium or large globally. In a study carried out by the international labour organization (ILO, 2005) over 50 definitions were identified by 50 different countries for small scale industries. However, in defining small scale industries, references are usually made to quantitative measures such as number of people employed by the enterprise, investment outlay, the annual sales turnover (sales) and the asset value of the enterprise or combination of these measures.

Nevertheless, despite the efforts and contributions of past and present government towards promoting Nigeria, the contribution of this sector to the economy still remain relatively small in terms of its impact on gross domestic product (GDP), unemployment and poverty reduction. The rate of unemployment in this country is still high and majority of the population still live in poverty (Ekezie, 1995; Bacdom, 2004; Iromaka, 2006).

In the light of the above, this paper attempt to examine the impact of SMEs on the economic development of Nigeria , the research e mbarked on the analysis of SME in Nigeria, between the year 1981 and 2015.

The primary objective of this study is to ascertain the impact of small scale enterprise on the growth of Nigerian economy. The specific objectives include;

a)   To examine the trend of Small and Medium Enterprises (SMEs) and GDP in Nigeria national development.
b)   To determine the relationship between SMEs and growth in Nigeria
c)   To determine the extent to which SMEs has impacted on economic growth in Nigeria

The scope of this study is to focuses on the contributions of small and medium scale enterprises to the economic growth in Nigeria. The study covers a period of 35 years from 1981 – 2016 using data extracted from Central Bank of Nigeria and Bureau of Statistics.

1.1   Research Questions

For this study to accomplish the desired objectives, some basic research questions which reflected on the objectives of the study fielded.

a)   What is the trend for SMEs Performance and Economic Growth in Nigeria?
b)   What is the relationship between SMEs and Economic Growth in Nigeria?
c)   To what extent does SMEs Performance contribute to Economic Growth?

1.2   Research Hypotheses

Ho_1: There is no significant relationship between SMEs and Economic Growth.

Ho_2: There is no significant contribution of SMEs to the prediction of Economic Growth.

2.0   LITERATURE REVIEW

When statistical definitions are used based on selected quantitative criteria to define the SMEs, such definitions are inadequate to unfold the various qualitative features of these enterprises because all such quantitative indicators suffer from various shortcomings and fall short of being adequately satisfactory measures of enterprise size. As such, they are incapable of describing the important economic, social, psychological, behavioural and organizational characteristics of the SMEs which play important roles in explaining why and how small businesses emerge, develop and continue to sustain (Ahmed, 2016).

For instance, USAID in its definition of SMEs classified thus: micro enterprise as informal businesses employing five or fewer workers including unpaid family labour; small enterprises as those operating in the formal sector with five to twenty employees; and medium enterprises as those employing 21 to 50 employees (Kayanula & Quartey, 1999).

The 1975 companies Act in the United Kingdom stated that an enterprise with a turnover of less than £ 1.4 million was small, those with turnover between £1.4 and £5.7million were medium, while those enterprises having turnover above £5.7 million were large. It also went further to classify the enterprises based on number of employees – those with fewer than 50 workers being small, between 50 and 250 workers being medium and those employing above 250

workers were described as being large. Similarly, the European Union (EU) in 1995, defined SME as any enterprise employing less than 250 employees, and went further to break down the SME into micro (less than 10 employees, small (from 10 to 49 employees) and medium (between 50 to 249 employees) (Etuk, Etuk & Baghebo, 2014).

In Nigeria, the Central Bank of Nigeria (CBN) in its monetary policy circular No 22 of 1988 defined small-scale enterprises as having an annual turnover not exceeding five hundred thousand naira (Ali 2003). While the Federal Ministry of Industries (1973) defined small scale enterprises as businesses that have total capital (land, building machinery equipment and working capital) of up to N60, 000 and employ up to 50 persons. Also,The Central bank of Nigeria in its 1990 credit Guidelines for financial institutions characterized small-scale enterprises as those whose yearly turnover does not exceed N200, 000,000 or capital use does not exceed N200, 000,000. Nonetheless, the CBN act 2001 placed the level of employment by small scale enterprises of less than 50 and medium scale enterprises of less than 100 labour forces. In term of the asset based; small scale has capital of less than N 1 million while medium scale has less than N150 million (IFC 2002 referred to in Ogboru 2007). The SMIEIS characterized MSME as any business undertaking with a most extreme capital base of N200 million barring land and working capital and with the amount of workers at the very least 10 or more than 300. Small business was defined by the third National development plan (1975-1980) as a firm that is capable of providing employment to not more than ten employees (Taiwo, Ayodeji & Yusuf, 2012). However, MSMEs also refer to SMEs as a business with a fixed asset and working capital of an amount not exceeding N60, 000 and capable of employing 50 workers. Companies and allied matters act 1990, Federal ministry of Industry Nigeria cited in Taiwo, Ayodeji & Yusuf, 2012). Defined SMEs as a firm with an annual turnover worth N2 million and a net asset of an amount not exceeding N1 million.

However, with the introduction of National Policy on MSMEs has addressed the issue of definition in respect to what constitutes micro, small and medium enterprises was addressed. The definition receives a grouping focused around double criteria, assets and employment (with the exception of land and buildings. Thus: Micro enterprises are those businesses capable of providing employment less than ten (10) employees and have an asset of less than N5 Million with the exception of land and building. Small enterprises are those businesses capable of employing 10 to 49 employees and have an asset of an amount equal to N5 million to N49.9 million with the exception of land and building. Medium enterprises are those businesses capable of employing 50 to 199 employees and have an asset of an amount equal to N50 million to N499.9 million with the exception of land and building (Yahaya, Geidam & Usman, 2016).

The National Council on Industry (NCI) at their 13th meeting held in Makurdi in July, 2001 modified the definition of small-scale business to refer to an enterprise with total capital which excludes cost of land not more than N1.5 million with labour size of not more than ten (10) employees. This includes cottage and micro industries which are mostly single family operated businesses with no employees other than them the owners.
Alabar, (2002) explains that any establishment employing less than ten people and whose investment in machinery and equipment does not exceed N600,000.00 is referred to as small-scale business. He further stated that such business must have fixed assets above N1 million but not exceeding N10 million excluding land (Esiebugie, Hembadoon & Loveday, 2016).

It is also worthy of note that the disparities associated with the definition of this concept could be ascribed to the differences in the background of the researchers, changes in economic conditions, institutional changes and advances in technology (Esiebugie, Hembadoon & Loveday, 2016).

2.1   Features of SMES

There are important qualitative and operational features which distinguish the SMEs from their large counterparts and also exhibit their intrinsic strengths and weaknesses. These features according to (Ahmed, 2016) include: One, a dominant organizational feature of the SMEs is that they are owned and managed by a single individual or a group of persons. Two, is a strong link between the enterprise and the entrepreneur which is inseparable in most cases from each other. While this exposes them to greater risks at times, the deep personal attention of the entrepreneur makes him strongly committed to the success of businesses. This characterizes small firms with positive (a cordial work atmosphere) as well as problematic (generational succession issue) consequences. The dominant presence of the owner-manager in all spheres of business facilitates quick and flexible decision-making, but involves a lack of

delegation of authority which makes him despotic or a `loner' at times; in contrast to a formal hierarchy of management style practiced by the large firms, there is hardly any division of managerial functions in the SMEs due to the absence of middle management for a key role. Due to scale barriers, policy biases and institutional rigidities has restricted access to institutional credit. High barriers to entry into formal credit markets at affordable costs make them suffer from cash-flow problems that are more sensitive to recession from the liquidity point of view.

Generally, such businesses are characterized by labour intensive mode of production, flexible operation as they adjust quickly to various factors, use indigenous raw materials, localized operations, low gestation period, and low level of education/skills (Ifechukwu, 2000; Ali 2003)

2.2   Classification of SMES

SMEs are extremely heterogeneous entities. They can be identified in a wide array of business activities, i.e. a single artisan working in a village market, the coffee shop at the corner, the internet cafe in a small town, a sophisticated engineering or software firm selling in the overseas markets, and a medium-sized parts and components manufacturer selling to the multinational automaker etc. These points to the fact that within the traditional "general category of small firms", there exists a plurality of small firms which are identified by Tommaso and Dubbini (2000) as the following: Rural firms operating in the context of a regional economy, Urban firms cross-cutting formal and informal sectors, Small independent firms operating in isolation and serving local markets, Sub-suppliers operating under indirect control of large firms, Highly specialized firms, and   Firms operating directly in the international markets offering niche product.

2.3   Economic importance of SMES

Small-scale enterprise development reduces poverty through employment generation, income earning, consequent accumulated savings, and increased investment expenditure. The performance of new and existing SMEs has contributed to increased economic activity, job opportunities and poverty reduction (Sirajo&Zayyanu 2014). According to Lingesiya 2012 SMEs plays an important role in economic development through creation of employment opportunities, the mobilization of domestic savings, poverty alleviation, income distribution regional development training of workers and entrepreneurs' creation of economic environment in which large firms flourish and contribute to export earnings.

2.3   Non-Economic importance of SMES

An important issue that needs to be added at this point is that over and above economic importance of the SMEs, they perform important normative functions by providing economic opportunities not only generally, but especially to marginal groups such as women, ethnic minorities, the young and the elderly. It is also argued that working in SMEs engenders personal values that are related not only to economic activities, but also to non-economic normative values, such as independence and self-reliance.

2.4   Challenges of SMES in Nigeria

Some of the major challenges of small enterprises in Nigeria low capacity building, this is because most of the people engaging in SMEs are not well trained and skilled; secondly people misconception on limited access to capital (they believe that accessing capital is a very serious problem) government assistance is usually political and handled by corrupt official; government laudable initiated and policies to support the small scale business sectors in the state are not properly implemented; high rates of business failure low productivity; under capitalization; poor accounting standards; shortage of skill workforce and indiscipline (Sirajo et al, (2014).

Personal savings has been the major source of finance for entrepreneur in the state. This is accumulated savings earned by him as an employee elsewhere or inherited. The proprietor of the small firm may perhaps supplements his personal savings with loans from friend and relations. Government assistant programmes such as those implemented by The Industrial Development Centre (IDCs) and Federal Ministry of industry were also established to provide technical support and man power training (Sirajo et al, 2014).

2.5   Keynesian Economic Theory

Keynesian economic theory was propounded by Keynes. This theory believes that small scale enterprises play a vital role in the economic development of a country. The theory inferred that government can entrench economic stability through efficient financial disbursement to small scale enterprises drive via micro finance banks. The theory opines the operations of small scale enterprises drive the government makes the environment conductive. The government intervention in ensuring a conductive economic environment for the small scale enterprises must ensure efficient allocation of resources, regulation of markets, and stabilization of polices on those economic factors that interact on the operations of small scale enterprises.

Keynes assumes that small scale enterprises drive in a conductive environment where there are polices that maintain fixed interest rate, exchange rate and inflation rate that could have propulsive effect on the operations and therefore, the ability of these firms to understand its environment of operations taking cognizance of the dynamism in the business environment will not only make them pertinent decisions that enhance their performance. The following are the assumptions of the theory.

1)   The theory assumes that small scale enterprises operate in environment orchestrated by the interplay of various elements of the environment. Therefore, small scale operators should take abreast of its economic environmental factors, through external to them, but help them to be proactive in their operations.

2)   The theory also assumes that small scale enterprises drive in stable economic environment where there are fixed exchange rate, interest rate, inflation rate etc.

2.6   Empirical Review

Ogujiuba, Ohuche and Adenuga (2004)   looked into credit availability to small and medium scale enterprises in Nigeria.. The paper showed that the capitals vital for the response of bank lending to economic shocks and emphasize the need for a sound and efficient financial sector to support small and medium scale enterprise. Dada (2014) did an empirical review of commercial banks' credit and the development of small and medium scale enterprises in Nigeria between 1992 and 2011.The estimated models shows that commercial banks to small and medium scale enterprises exert a positive influence on small and medium scale enterprise development, which was by wholesales and retailed trade output as a components of Gross Domestic Product, while exchange rate and interest rate revealed negatives effects on small and medium scale enterprises development. The study suggested among others that adequate savings should be mobilized from the public and that government should persuade banks to lend to small and medium scale enterprise by providing guarantee, interest rate concession and other incentives. Imoughele and Ismaila (2013) investigated the impact of commercial bank credit accessibility on sectoral output growth in Nigeria, covering the period 2011-2018. The result of the study revealed that commercial bank has a long run relationship with sectoral output growth in Nigeria. While appraising the growth effect of small and medium scale enterprises financing in Nigeria, Afolabi (2013) in estimating the multiple regression model. The result indicated that small and medium scale enterprises output has positive influence on economic development while lending rate is found to exert negative effect on real gross domestic product, a proxy for economic growth.

A related study by Nwosa and Oseni (2013) sought to empirically ascertain the impact of bank advances to small and medium scale enterprises on manufacturing output in Nigeria 1992-2010. The study found that banks and advances to the small and medium scale enterprises sector had significant positive impact on manufacturing output both in long-run and short-run. Akinguola (2011), in this paper, explored the relationship between small and medium scale enterprises financing and growth in Nigeria. The paper proposed that accessibility to low interest rate should be provided in other to enhance the growth in Nigeria economy. Examining the relationship between commercial bank credit indicators and rural economic growth in Nigeria, Tajudeen (2012) study shows that the rural economic growth is co-integrated with commercial bank credit indicators in Nigeria. The study also confirmed positive relationship between rural economic growth and commercial banks rural loans between commercial banks loan to agriculture and rural economic growth. Ojong, Arikpo and Ogar (2015) investigated the role of deposit money banks on the growth of small and medium scale enterprises in Nigeria. The results revealed that bank credit had a significant relationship with the growth of small and medium scale enterprises. Multiple taxations and government policies were found to have a significant relationship effect on small and medium scale enterprises growth. The authors suggested deposit

money banks should be encouraged to increase the volume of loan able funds to small and medium scale enterprises, while elimination of multiple taxations, reduction in corporate taxes and the strengthening of government policy frame work were recommended. Safiyaay and Garba (2013) examined the role of commercial banks in enhancing the growth small and medium scale enterprises in Nigeria. It was discovered that commercial banks contribute to financing small and medium scale enterprises though their contribution has declined considerably as the government through Central Bank of Nigeria directives brought to an end the mandatory banks credit allocations. The paper hence recommended that commercial banks should often on its stringent requirements so that small and medium scale enterprises can benefit maximally from loan advances as large companies do.

A study by Duru and Lawal (2012) assessed the impact of financial sector reforms on the growth of small scale enterprises in Nigeria. The results indicated that all variables considered have significant positive impact on the growth of small and medium scale enterprises in Nigeria, thus the government should create and enabling environment small and medium scale enterprises to thrive.

3.0   METHODOLOGY

3.1   Sources of Data Collection
This research study is adopted with the empirical analysis to evaluate the contribution of small scale business to economic growth and development in Nigeria. Secondary data was used in the course of this analysis. The time series were obtained from the various publications of annual reports of the central bank of Nigeria. The data obtained include Real Gross Domestic Product (RGNP), continuous contribution of small scale enterprise.

3.2   Scope of the study
The series (data) covered 35 years period (1981-2015)

3.3   Descriptive analysis
These involve the use of graphical representation of the trend in the adopted macroeconomic variables Real Gross Domestic Product (RGDP) and small scale enterprise. The first step involves testing the order of integration of the individual series under consideration. Researchers have developed several procedures for the test of the order of integration. The most popular ones are Augmented Dickey Fuller test (ADF) due to Dickey and Fuller (1979, 1981), and the Phillip-Perron (PP) due to Phillips (1987) and Phillips and Perron (1988). Augmented Dickey Fuller test (ADF) relies on rejecting a null hypothesis of unit root (the series are non-stationary) in favour of the alternate hypothesis of stationarity. For the purpose of this study we will ADF in testing for the order of integration of the individual variables under study.

3.3.1   Econometric Analysis
In this section the result of the econometrics analysis using E- view is presented and interpreted for easy understanding. We start this presenting and interpreting the result of the ADF which tested the order of integration with a view to determine the stationarity of the individual variables included in the model.

3.4   Model Specification
This study employed simple regression in evaluating the effect of Small and Medium scale enterprise on the growth of Nigeria economy. This study adopted and modifies the model employed by Khan (2012). The choice of this kind of model is based on its property of BLUE (Best Linear Unbiased Estimate).
The model is implicitly specified as follows;
GDP = f(GSMEs)…………………………………………………………(1)
The model is explicitly specified thus
$GDP_t = a_0 + a_1 GSMEs + E_t$………………………………………. (2)
Where:
GDP = Gross Domestic Product
GSMEs = Growth of Small and Medium Scale Enterprises
 a_0 = Constant or the intercept
E_t = Stochastic error term

There has been several argument that the log form of a model produces a more reliable result than the non-log form due to the capacity of the log form to smoothen the data on this ground, a log form of the model is thus specified with a view to smoothen the data and to avoid the error of heteroscedasticity.

$$LOG\ (GDP) = a_0 + a_1\ LOG\ (GSMEs) + E_t \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ (3)$$

3.5   Apiori Expectation

The result confirms the Apiori expectation of this study which assume that all forms of contributions made by small business has a positive relationship with the economic growth and development.

4.0   DESCRIPTIVE ANALYSIS

This section presents various findings drawn from the study. The following results are based on the research questions raised, which the study has sought to answer.

	REAL_GDP	SBUS
Mean	20133.50	3464.831
Median	4588.990	859.8318
Maximum	94144.96	18028.90
Minimum	144.8300	12.49394
Std. Dev.	28608.18	5060.069
Skewness	1.398183	1.504782
Kurtosis	3.630695	4.122697
Jarque-Bera	11.98377	15.04697
Probability	0.002499	0.000540
Sum	704672.3	121269.1
Sum Sq. Dev.	2.78E+10	8.71E+08
Observations	**35**	**35**

The table above shows the result for the descriptive statistics of the variable. The mean value Real Gross Domestic Product (RGDP) is 20133.50 for the Small Business (SBUS) is 3464.831.
Skewness: The variables show positive values for skewness and this implies that the variables are skewed to the right. These indicate that the variables are normally distributed.
Kurtosis: Is a measure of peakedness of the variables has the following 3.630695 for the Real Gross Domestic Product (RGDP) and it has 4.122697 for the Small Business (SBUS).
Jarque-Bera which is also measure of normal distribution given the corresponding P – Values, we accept the Null hypothesis of normal distribution for all the variables.

Figure 4.1:   Trend Analysis

The figure below shows the trend of the variable used in the research. This was done to achieve the first objective.

Real GDP
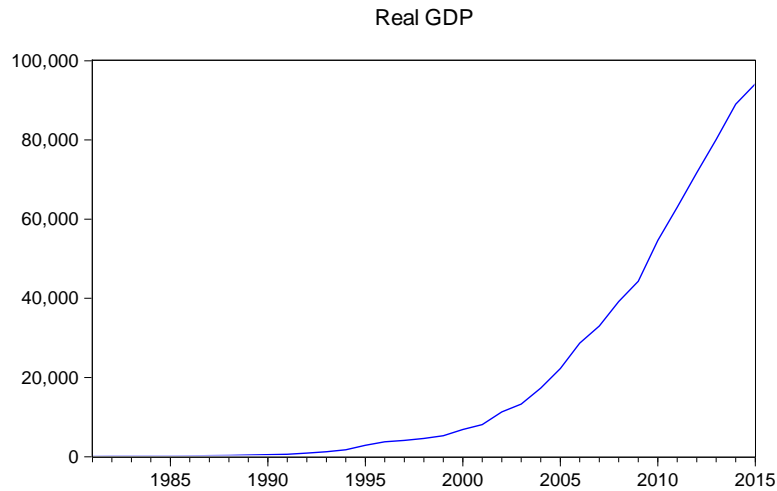
The trend of Real Gross Domestic Product (RGDP) between 1981 – 2015.

The graph above describes the trend of Real Gross Domestic Product (RGDP) scale from 1981 – 1991, the flow of the Gross Domestic Product (GDP) was relatively stable. In 1992, there was a gradual increase to 2003. From 2004 there was fast and continuous increase to 2015.
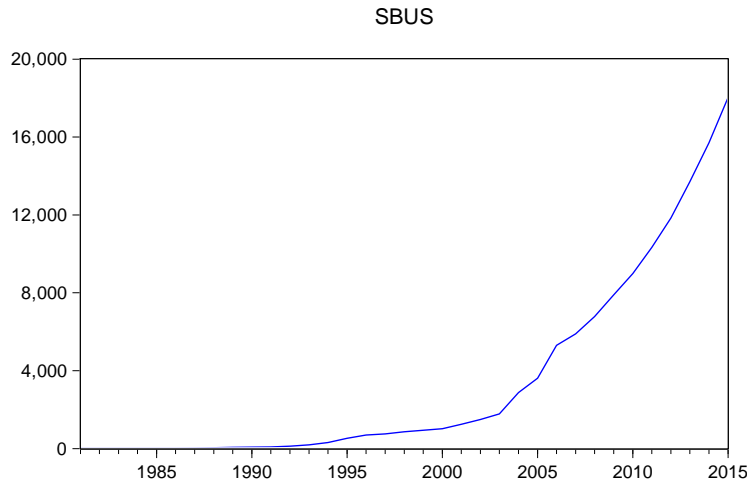
SBUS

The trend of Small Business (SBUS) between 1981 – 2015.

The graph above describes the trend of Small Business (SBUS) scale from 1981 – 1991, the flow of the business was relatively stable. In 1992, there was a gradual increase to 2003 which was at a slow rate. From 2004 there was fast and continuous increase to 2015.

Table 4.2.1: Unit Root Result for Real Gross Domestic Product
Null Hypothesis: D(LNREAL_GDP) has a unit root
Exogenous: Constant
Lag Length: 0 (Automatic - based on AIC, maxlag=8)

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-3.078419	0.0381
Test critical values:	1% level	-3.646342	
	5% level	-2.954021	
	10% level	-2.615817	

Source: Computed by the Researcher, 2019

The Table above shows that the ADF test statistics has a value -3.078419 with a significant probability value of 0.0381 which in absolute term is greater than the 5% and 10% critical values respectively. This implies that variable is station any after first difference and it is significant at 5% and 10% respectively. We therefore reject the null hypothesis (Ho) that LNGDP has a unit root. The result also indicates that the series is free from seeing spurious because Durbin-Watson (2.124970) is greater R^2 value 0.234127.

Table 4.2.2: Unit Root Result for Real Gross Domestic Product
Null Hypothesis: D(LNSBUS) has a unit root
Exogenous: Constant
Lag Length: 0 (Automatic - based on AIC, maxlag=8)

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-3.706932	0.0086
Test critical values:	1% level	-3.646342	
	5% level	-2.954021	
	10% level	-2.615817	

*MacKinnon (1996) one-sided p-values.
Source: Computed by the Researcher, 2019

The above results shows that statistic has a value of -3.706932, which in absolute term is greater than the test critical values at 1%, 5% and 10% respectively with a probability by significant value of 0.0086. This implies that the variable are station any after first difference and it is significant at 1%, 5% and 10% respectively. We therefore reject the (Ho) null Hypothesis that LNSBUS has a unit root. The result also further emphasis that the seen is free being spurious and this was confirmed by Durbin-Watson 2.025492 which is greater than the R^2value of 0.307129.

Table 4.3: Unit Root Result for Real Gross Domestic Product
Dependent Variable: LNREAL_GDP
Method: Least Squares
Date: 05/31/19   Time: 18:48
Sample: 1981 2015
Included observations: 35

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.464374	0.068653	35.89597	0.0000
LNSBUS	0.915517	0.010125	90.41868	0.0000

R-squared	0.995980	Mean dependent var	8.268007
Adjusted R-squared	0.995858	S.D. dependent var	2.239233
S.E. of regression	0.144114	Akaike info criterion	-0.980980
Sum squared resid	0.685371	Schwarz criterion	-0.892103
Log likelihood	19.16715	Hannan-Quinn criter.	-0.950300
F-statistic	8175.537	Durbin-Watson stat	0.364600
Prob(F-statistic)	0.000000		

Source: Computed by the Researcher, 2019

The Simple regression analysis   was carried out to examine or ascertain the magnitudes of small business enterprises on economy growth. The result above shows that the dependent variable economic growth is explained by the explanatory variable small business enterprises as contribution by 99% over the period under review. That is R^2=0.99 (99%).
Put differently, 99% variation in GDP is accounted for by small business. The regression equation can therefore be stated as:
$\wedge$

Y= 2.4644 + 0.9155(X).

Where:

$\hat{Y}$= Estimated Gross Domestic Product

X= Different values of contributions of small scale business to economic growth and development.

The regressions above also show that there is a significant relationship between small scale business and economic growth, evident by t-Statistics and probability value. $P < 0.1$

5.0   CONCLUSION AND RECOMMENDATIONS

5.1   Conclusion

There is no doubt that small scale enterprises are essential for rapid and sustained economy growth and development because they create employment, enhance capacity building for manpower and skills development, promote growth, reduce poverty, and facilitate industrial development among others. Several efforts had been made by successive governments to promote human and materials resources. These efforts have made small and medium scale businesses to contribute significantly to the development of Nigeria economy.

In spite of government policies aimed at providing financial and technical support for the promotion of small business enterprises in Nigeria, they have performed less satisfactorily largely because of operational bottlenecks including lack of depth of the financial system, inadequate infrastructural facilities, poor management practices and low entrepreneurial skills to mention but a few. Banks which are supposed to provide adequate credit facilities in compliance to government policies usually place exorbitant interest rate alongside huge collateral securities that scare away investors. Despite all these bottlenecks, small scale businesses have contributed significantly to economic, social and development of the country.

5.2   Recommendations

Governments should assist prospective entrepreneurs to have access to finance and necessary information relating to business opportunities, modern technology, raw materials, market, plants and machinery which would enable them to reduce their operating costs and be more efficient to meet the market competitions.

It is also recommended that there is need for supporting and strengthening small and medium scale enterprises productive capacities and market competitiveness in the country.

Small and medium scale enterprises owners as a matter of necessity should take insurance policies for their businesses as this may not only help to protect them against uncontrollable risks, but will help to bring them back to their positions whenever they suffer losses, remain profitable and continue to operate in perpetuity, at the same time contributing to the economic growth of the nation.

Prospective business operators should conduct extensive feasibility studies, to evaluate the viability of any proposed business, and to avoid investment in unprofitable ventures. Governments should encourage and continue to build on current programmes and establish new ones if warranted, to improve the levels of managerial competence and skills of the small business owners

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