Small and Medium Scale Enterprises; Challenges and Prospects in Nigeria

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Abstract
This research examined the Small and Medium Scale Enterprises (SMEs) with their challenges and prospects in Nigeria using Bakeries in Ogun state, Nigeria as case study, and the study use both primary and secondary source of data to carry out the work. The purpose of the study is identify the challenges faced by bakery owners in the Yewa south and Ifo local government area, and to identify the prospect of the business.The Statistical Package for Social Sciences was used to analyze the primary data gathered by the use of personal interview with the business owners. The study discovered that there are challenges plaguing the growth and development of SMEs in the country. These challenges include inadequate access to credit facilities, weak infrastructures, and inadequate management skills. Despite the challenges and the difficulties, our findings reveal that SMEs contributed to the employment generation, poverty reduction and increased standard of living of the people. The significance of the study is that it provide insight into the challenges peculiar to bakery owners in the locality and allow the government to know the area of intervention in terms of financing and training to help grow this form of SMEs in the State. The study therefore, recommended that government should make SMEs a focus for industrial policies, make funds available to these businesses, and improve on the level of infrastructure in the country such as road, rail lines construction to ease transportation system and provision of uninterrupted power supply. Non-government organizations and government agencies should conduct training programmes to assists in building the management skills of these business owners that can help in boosting their productivity and output that can lead to economic development of the state as well as that of country at large.

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Keywords: SMEs, bakery, employment, growth, productivity
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INTRODUCTION
Small and Medium Scale Enterprises are seen to play a major role in economic recovery and national development in Nigeria as it was confirmed that in most economy, SMEs have been a major instrument of economic growth and development either in developed or developing economies (Ihua, 2009; Onugu, 2005). Ariyo (1999) stated that SMEs in Nigeria are not only a catalyst of economic growth and development, but also the bedrock of the nation's economy. According to Stoner, et al (2001), they affirmed that SMEs serve as an engine room for the economic development of any country. Adegoke (2012) also identified SMEs as catalysts for economic growth and national development both in developed and developing countries. The growing recognition for SMEs has led to the commitment of World Bank group to identified SMEs sector as a core element in its strategy to foster economic growth, employment and poverty alleviation. As part of the World Bank group development plan strategy in 2004 it approved the sum $2.4 billion for Micro, Small and Medium Enterprises (World Bank, 2000).

The Industrial Research unit of the Obafemi Awolowo University, Ile-Ife defined small scale enterprise as one "whose total assets in Equipment and working capital are less than N250, 000 and employing fever than fifty full-time workers"as cited in (Banmbach, 1992). A micro enterprise is defined as a business with less than 10employees and Asset base less than five million naira, a small enterprise is one with 10 and 49 employees and Asset base of less than five million naira and fifty million naira, while medium enterprises is one with fifty and one hundred ninety-nine employees with Asset base of between fifty million naira and five hundred million naira only (KPMG, 2010). Gholami et al., (2010) regards SMEs as firms that have fewer employees and a lower annual turnover and assets than large firms such as multi-national companies.

Meanwhile the bank of Indonesia defines SMEs as a business that has net worth in excess of twenty million rupees (Kesavan, 1995). On the other hand, The Small Scale Business Act passed by the United States in 1953 states that "A small business is one which is independently owned and operated and not dominant in its field of operation" (Amienghomwan, 2004).

This work intends to highlights Small and Medium Scale Enterprises: challenges and prospects in Nigeria with a view to drawing the attention of all relevant authorizes, stakeholders, business operators and the interested parties, to these challenges and prospects with the aim of alleviating the challenges and sustaining the benefits derivable from SMEs for economic growth and development. This will therefore be of interest to the government at all levels as it can depend on SMEs for employment creation. The significance of the study is that it identify all the challenges involve in bakery business, it identify area where the government can interven and also assessed opportunities that are in the business for the buisness owners, employees, the community and the government.

Likewise, to inform many ignorant business owners, managers, micro, small and medium scale operators, the teeming youths and unemployed graduates, among others about available government financial incentives, protective business laws and programmes, favorable investment& fiscal policies such as Poverty Alleviation Programme (PAP), Youth Empowerment Scheme (YES), National Economic Empowerment and Development Strategy (NEEDS), at the Federal level, State Economic Empowerment and Development Strategy (SEEDS), at the state level, and Local Economic Empowerment and Development Strategy (LEEDS), at the local level government level and The Youth Enterprises With Innovation in Nigeria (TOU WIN), among others. The broad objective of this study is to evaluate small and medium scale enterprises: challenges and prospects in Nigeria.

The objectives of this study is to identified Small and Medium Scale Enterprises (SMEs) as a means of employment generation in Nigeria particularly Ogun state, to determine whether SMEs contribute to poverty reduction in Nigeria and determine whether SMEs contribute to economic growth and development in Nigeria. In achieving the identified objectives this work is expected to provide answer to the following research question; In the light of challenges stated in this research work, the research questions are:
➢ What are the challenges faced, by the selected bakery operators in Yewa South LGA & Ifo LGA respectively?
➢ What are the benefits of bakery business in the two LGAs under review?

➢ Does bakery business contribute in employment creation, economic growth & development & consequently enhance the standard of living of the people in the two LGAs under review?

The identify problems faced by the case study is similar to those identified in (Rogers, 2002) Such as financial gap where the bakery owners interviwed could not identify where to source for fund or how to source for fund for there business. Likewise the level of this business owners are vry low as evidence from the educatinal qualification of the owners. The government especially the local government have not shown enough concern towards the SMEs in terms of creation of training facilities to enhance their knowledge in model equipments that can assist in their business outputs, there is also the problem of infracstructures in terms of road, rail and transportation facilities to trannport their products from one area to the other.

SMEs are faced with numerous problems which serve as impediments to its growth in Nigeria. Some of the problems of SMEs include:
a. Financial Problems: About 80% of small and medium enterprises are stifled because of poor financing and other associated problems. The problem of financing SMEs is not so much as source of funds but its accessibility. Factors identified inhibiting funds accessibility are the stringent conditions set by financial institutions, lack of adequate collateral and credit worthiness & cost of accessing funds. Ihyembe, (2000) explained that he had seen some businessmen who took loan for expansion projects only to turn around to marry new wives, acquire chieftaincy titles or buy houses abroad. Binks and Ennew, (1996) expressed their view that the funding of SMEs is primarily due to the behavior of banks and imperfection of the capital markets.
b. Managerial Problem: Lack of trained manpower and managerial skills also constitute a major challenge to the survival of SMEs in Nigeria. According to West and Wood, (2002), 90% of all these business failures result from lack of experience and competence. Rogers, (2002) also added that inefficiency in overall business management and poor record-keeping is also a major feature of most SMEs; technical problems/competence and lack of essential and required expertise in production, procurement; maintenance, marketing and finances have always led to funds misapplication, wrong and costly decision making.
c. Inadequate Basic Infrastructure: Government has not done enough to create the enabling for SMEs to thrive. The problems of infrastructures ranges from shortage of water supply, inadequate transport systems, lack of electricity to improper solid waste management. Nigeria's underdeveloped physical and

social infrastructures creates a binding constraint to growth of SMEs since they rely heavily on ineffectively provided state infrastructures and cannot afford the cost of developing alternatives.

d. Socio-economic Problems: Most Nigerian entrepreneurs do not have investment culture of re-investing profits. Bala, (2002) stressed that the attitude of a typical Nigeria entrepreneur is to invest today and reap tomorrow. Also, the socio-political ambitions of some entrepreneurs may lead to diversion of valuable funds and energy from business to social waste.

Looking at the challenges faced by SMEs, these challenges are best explained by the finance gap theory promulgated by Bolton (1971). This theory stated that the components knowledge gap and the supply gap are the two sets of challenges faced by SMEs. He pointed to lack of knowledge about available sources of external finance and once the identified the source of finance they have problems satisfying the loan requirement as cited in Ihyembe (2000). External financiers do not understand the owners of Small businesses, which mean the only way they can raise capital is through personal savings, friends and family members. SMEs venture capital and sales value are small compare with their operating costs; they are faced with the problem of maintaining their businesses which may result to eventual collapse of most SMEs

Ogundipe, (1987), stated in his study on entrepreneurship process and small business management in Nigeria that SMEs have the advantage of ensuring creation of rapid employment, development of indigenous entrepreneur and increased utilization of local resources. He further stated that it assist in the reduction in rural to urban migration through creation of employment, SMEs also provide avenue for training of indigenous managers and semi-skilled worker through the development of local technology thereby resulting to raise in the living standard of the community.

Likewise Ozaze, (1986) enumerate on the importance of small scale industries that since it does not involve huge capital it provide ground for administrative training, provide geographical spread especially for agricultural areas. SMEs eliminates or avoid political problems associated with large industrial units. The relevance of SMEs in meeting the basic needs of the society cannot be over emphasized as described in the Basic need theory by Maslow (1993). This theory identifies the needs of the people and their desire to meet these needs. The desire to achieve these needs induced the motivation to engage in activities that will help them satisfy their desire. Basic need theory stated that different needs are met at different time, and that it is only the needs that are yet to be met motivate people. These needs are therefore arranged according to their importance that is, in hierarchy. While lower need is met by an individual, he move to or he is motivated to achieve a higher need. These needs are arranged in hierarchical order starting from physiological or basic needs to self- actualization need as shown figure I;

Basic Needs Theory By Maslow (1943)

SELF ACTULIZATION
NEED
Personal
Potential growth

SELF ESTEEM NEEDS
Self-worth & values

SOCIAL NEEDS
Friendship and team work

SAFETY NEEDS
Safety from harm and deprivation
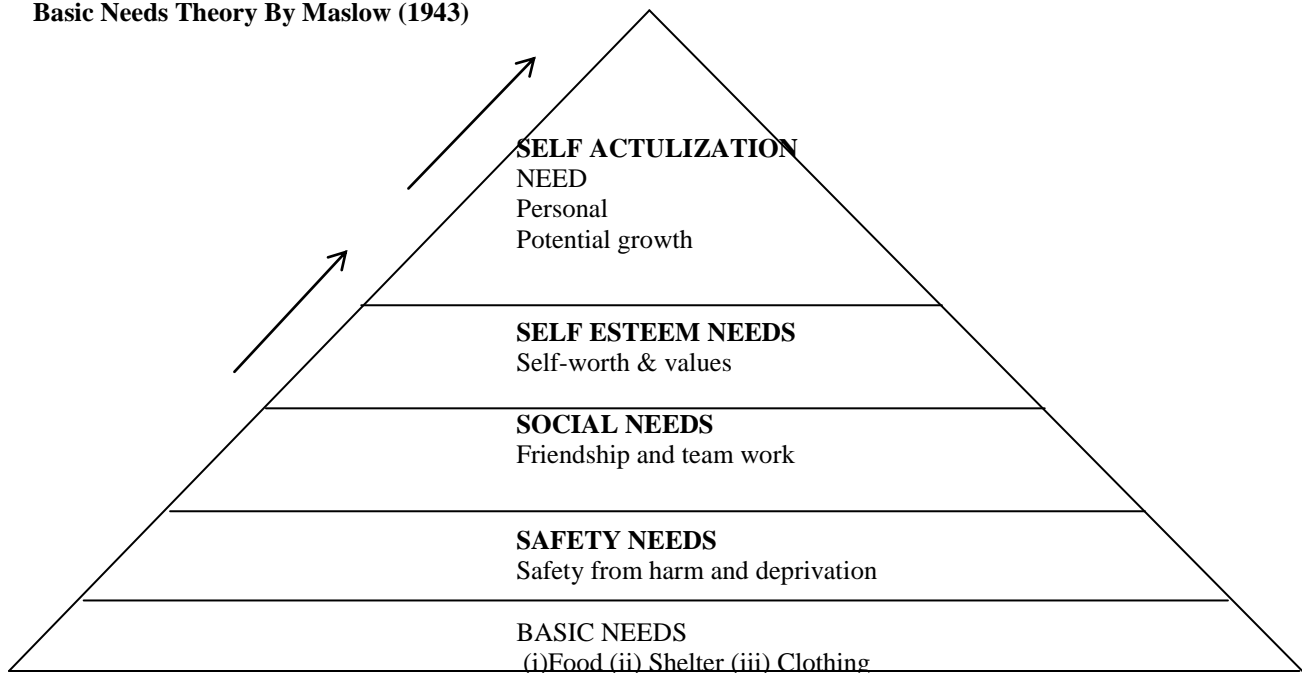
BASIC NEEDS
(i)Food (ii) Shelter (iii) Clothing

Figure 1 showing the Maslow hierarchy of needs

The above figure explains some of the needs that motivate entrepreneurship innovations which lead to the creation of SMEs. In meeting basic needs such as food, shelter and clothing, business ideas were initiated, after achieving basic needs, there arise the needs for safety, safety for what? It is deprivation and harm and next level is social needs that is the desire to create friendship and teamwork, after the achievement of social needs, the desire for self-esteem and self-worth increases with eventual needs for self-actualization which is top most hierarchy

The above identified importance and challenges encountered by Small and Medium enterprises brought us to the following research objectives;
> To examine the impact of Small and Medium Scale Enterprises (SMEs) as a means of employment generation in Nigeria.
> To determine whether SMEs contribute to poverty reduction in Nigeria.
> To determine whether SMEs contribute to economic growth and development in Nigeria.

In order to achieved the above objectives the study decided to test the following hypotheses

Research Hypotheses
Ho1: Small and Medium Scale Enterprises doesn't have any significant impact on employment generation in Yewa South LGA &Ifo LGA respectively

Ho2: Small and Medium scale enterprises doesn't contribute to the growth and development of the two LGAs under review

Ho3: Small and medium scale enterprises are not significantly related to poverty reduction in the two LGAs under review

Methodology
The population for the study is the entire Bakery owners in the two local government of study in Ogun state, Nigeria, Ogun state is in south west Nigeria. Qualitative approach was used to gather and analyze data in this study, both secondary source which is review of work done by others and primary source of data gathering inform of questionnaire alongside personal interview were used in filling the questionnaire, personal interview were employed because most of the respondents could not communicate well using the English language, so it was interpreted to them using the mother language.
In the course of the work, the researchers choose the following categories of people as the proposed population for this study:
(a) Bakery owners (b) Bread sellers and distributors (c) bread hawkers

The sample and sampling technique were picked at random from 25 bakery owners and distributors in order to give each of the members of the population an equal chance of being selected and to ensure accuracy. For the selection of the sample size, the statistical formula given by the National Education Association (NEA) in 1960 was used. The formulae is expressed as

$$S = \frac{X^2 NP (1-P)}{d^2(N-1) + X^2P (1-P)} \qquad (1)$$

Where; S is the required sample size
X^2 is the table value of chi-square at one degree of freedom for the desired confidence level
N is the population size
P is the population proportion which is assumed to be 0.50, since this would provide the maximum sample size
d is the margin error. The formulae above give the minimum sample size that is permissible given the size of the population for the study. Meanwhile Israel (2012) and Mogboyin (2013) have simplified the formula thus;

$$n = \frac{N}{(1+N (d^2))} \qquad (2)$$

This is now use by the researcher to administered 15 questionnaires.

Method of Data collection involves the use of personal interview, observation and survey data to answer the research questions to achieve the stated objectives. The researchers use structured questionnaire to gather data to test the impact of small and medium scale enterprises as a means of employment generation in Nigeria, its contribution to poverty reduction, employment opportunities & its contribution to the improvement in the standard of living in Nigeria.

The Questionnaire Design consists of two sections, Section A and Section B. Section A consists of questions relating to the personal and demographic information of the respondents. Section B consists of questions relating to the stated objectives. Likert-type scale is used for the questions purposed for the research. Respondents were asked to indicate their level of agreement and disagreement with each statement using the five-point Likert scale (1 – Strongly agree; 2 – Agree, 3 – Undecided, 4 – Disagree, 5 – Strongly Disagree).

Reliability and Validity Tests: A three-stage process of validation was adopted for the research instruments for this study. In the first instance, the draft of the questionnaire is made available to experts in social and financial management re department. For instance, after the questionnaire was drafted, it was given to the research supervisor and other academic staff in the department of accountancy, The Federal Polytechnic, Ilaro. The comments and suggestions of these groups of people were used to improve the quality and ensure that

both the face and content validity of the instrument was ensured. The second stage, the revised questionnaire, based on experts' suggestions, was subjected to split half reliability test before developing the final copy. To do this, a pilot test was conducted and the feedback collected was used to further improve the design and contents of the questionnaire. Data generated were analyzed using the ANOVA

FINDINGS
TABLE 1
GENDER OF RESPONDENT

	Frequency	Percent	Valid percent	Cumulative percent
MALE	14	93.3	93.3	93.3
FEMALE	1	6.7	6.7	100.0
Total	15	100.00	100.00	

Source: Field survey, August, 2016
The table 1 above shows that 93.3% of the respondents were male while 6.7% of the respondents were female.

TABLE 2
AGE OF RESPONDENT

	Frequency	Percent	Valid percent	Cumulative percent
20-25 years	1	6.7	6.7	6.7
26-30 years	3	20.0	20.0	26.7
31 years and above	11	73.3	73.3	100.0
	15	100.0	100.0	

Source: Field survey, August, 2016

The table 2 shows that 6.7%of the respondents were between the age of 20 years and 25 years, 20% were between 26 and 30 years while 73.3% were 31 years and above.

TABLE 3
QUALIFICATION OF RESPONDENT

	Frequency	Percent	Valid percent	Cumulative percent
WAEC/GCE	8	53.3	53.3	53.3
A'LEVEL/ND/NCE	6	40.0	40.0	93.3
HND/BSC/MSC/PhD	1	6.7	6.7	100.0
Total	15	100.0	100.0	

Source: Field survey, August, 2016.

The table 3 above shows that 53.3% of the respondents were WAEC/GCE certificate holders, 40% was A'LEVEL/ND/NCE certificate holders while 6.7% were HND/BSC certificate holders.this imply that about 93.3% of the business are not graduate either from the Polytechnic or the University.

TABLE 4
YEAR OF SERVICE OF RESPONDENT

	Frequency	Percent	Valid percent	Cumulative Percent
1-3 years	3	20.0	20.0	20.0
4-6 years	2	13.3	13.3	33.3
7-10 years	4	26.7	26.7	60.0
11 years and above	6	40.0	40.0	100.0
Total	15	100.0	100.0	

Source: Field survey, August, 2016.

The table 4 above shows that 20% of the respondents had spent 1 to 3 years in service, 13.3% had spent 4 to 6 years in service, 26.7% had spent 7 to 10 years in service while 40% had spent 11 years and above in service

HYPOTHESIS I
Ho: SMEs does not have significant impact on employment generation in Yewa South and Ifo Local Government Area

Where,
 SME represents Small and Medium Enterprises

Table 5ANOVAᵃ

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	8.651	1	8.651	41.930	.000ᵇ
	Residual	2.682	13	.206		
	Total	11.333	14			

Table 5 which is the ANOVA table was used to test whether the test is adequate in relating SMEs and employment in the two local governments under consideration, the result gives F-value of 41.930 with p-value of 0.000, which indicates that the model is adequate in relating the two variables (SMEs and employment) under consideration.

HYPOTHESIS II
Ho: SMEs does not contribute to the growth and development of the two local government areas.

Table 6ANOVAᵃ

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	21.363	1	21.363	140.950	.000ᵇ
	Residual	1.970	13	.152		
	Total	23.333	14			

Table 6 which is the ANOVA table gives F-value of 140.950 with p-value of 0.000, which indicates that the model is adequate in relating the two variables (SMEs and growth and development).This test is also significant with p-value of 0.000 which is less than the significance value of 0.05; hence we conclude by accepting the alternative hypothesis that SMEs does contribute to the growth and development of the two local government areas.

HYPOTHESIS III
Ho: SMEs are not significantly related to Poverty Reduction in the two local government areas.

Table 7: Relationship between PR and SME

Variable	R	p-value (2tailed)	Number of Respondent	Comment
PR – SME	.905	.000	15	Significant

Where,
 PR represents Poverty Reduction

The result in table 7indicates that there exists strong positive relationship between SMEs and Poverty Reduction (R= 0.905), also the test is significant with p-value less than the significance value of 0.05. We then conclude by accepting the alternative hypothesis that SMEs are significantly related to Poverty Reduction in the two local government areas

DISCUSSIONS
Table 5shows the contribution of SMEs to employment generation, from this result we can deduce that a unit increase in the number of SMEs will cause 0.742 (74.2%) increase in employment generation of the unemployed youths in the two local governments. This test is also significant with p-value of 0.000 which is less than the significance value of 0.05; hence we conclude by accepting the alternative hypothesis that SMEs does have significant impact on employment generation in Yewa South and Ifo Local Government Area. This finding agrees with Ogundipe (1987). The findings also reveals that SMEs helps in poverty reduction has it does in the two local governments under review, thereby meeting the basic needs of the bakery owners and sellers.

CONCLUSION
SMEs continue as the bedrock of the Nigerian economy. They serve as industrial feedstock and engine of production for large companies and multi-national companies. They play a significant role in the socio-economic transformation of the economy through the greater utilization of raw materials, employment generation, empowerment and development of entrepreneurial skills and increment in production activities, thereby aiding the realization of the goal of domestic self-reliance and meeting the basic needs of individual. However, the full potentials of SMEs in Nigeria are not being realized due to a number of challenges including lack of access to credit facilities, lack of managerial skills and experience by the managers of the SMEs, widespread corruption in the country and weak infrastructures such as road, pipe-

borne water, electricity, etc. The researchers concluded that addressing these teething problems by government and other stakeholders would further enhance the development of SMEs in the country and increase their potential contributions to employment generation, revenue generation and growth in GDP, poverty alleviation, growth and development of the country at large among other economic uplifting benefits. The level of education of the identified business owners is low, this agreed with the finding in West and Wood (2002), the finding from the study revealed in the two local governments that 93% of the bakery owners have no management training in term of qualificatin, which shows that they lack managerial skill needed to expand their business. The local authority should organized managerial courses for business owners in their local communities, therefore any government policy on SMEs should be locally based so as to enjoyed all the identified opportunities and growths in SMEs by the owners and the environment.

RECOMMENDATION

The study therefore recommends that there is a greater need on the part of the government to improve on the current state of infrastructural facilities such as roads, electricity, water supply, communication facilities. It is not enough to provide telecommunication facilities (as currently being witnessed) but to make it affordable and of high quality, good transportation systems are important to the wellbeing of every business.

Managers of SMEs should ensure efficiency through workers motivation to enhance profitability.

Government should provide fiscal incentives and support (such as tax rebates, tax holidays, etc) to SMEs to encourage its growth and development. Government should also review its long existing and conflicting tax policies to eliminate the incidence of multiple taxes and levies.

Financial institutions should simplify the requirements for accessing fund from them and educate the SMEs by providing a checklist of the requirements. This will reduce the time lag between when funds are applied for and when they are actually provided.

Finally, the frequent abandonment of policies by previous governments and establishment of newer ones without clear purpose should be discouraged while consistent and sound policies and regulations that will develop the growth of SMEs should be put in place. Local Government authorities shoud organised training seminar for SMEs to that they can acquired managerial skills which they lost through low education background.

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