*International Journal of Women in Technical Education and Employment*
*ISSN: 2811-1567. Volume 3 – Issue 2. December 2022*
*https://fpiwitedjournal.federalpolyilaro.edu.ng*

# Small And Medium Enterprises (SMES) Development and Economic Growth in Nigeria

**[1]Ogunsanwo, Abayomi Olusegun & [2]Fatogun, Olukunle Ibukun**
[1]Department of Business Administration Management & [2]Department of Accountancy
Federal Polytechnic, Ilaro, Ogun State, Nigeria.
abayomi.ogunsanwo@federalpolyilaro.edu.ng; Olukunle.fatogun@federalpolyilaro.edu.ng

**ARTICLE HISTORY**

Received: November 28, 2022
Revised: December 14, 2022
Accepted: December 21,2022

## Abstract

*Daily efforts by governments to promote economic development include developing the SME sector. The purpose of this study was to examine how Nigeria's small and medium-sized business development affected national economic expansion. Asset base and SME aggregate capitalization served as proxies for measuring SME development, whereas Gross Domestic Product served as a proxy for measuring economic growth. Time series data for the years 2000 to 2018 were gathered from the National Bureau of Statistics 2018, the Central Bank of Nigeria Statistical Bulletin 2018, and the National Survey of Micro, Small, and Medium Enterprises (MSMEs) 2013 and 2017 carried out by the Small & Medium Enterprise Development Agency of Nigeria (SMEDAN). Using E-view version 9, the Autoregressive Distributed Lag Model (ADRL) and Error Correction Model (ECM) were used for data analysis. The findings revealed that the aggregate asset base and aggregate capitalization of SMEs have little or no significant influence on economic growth. It was recommended amongst others that more efforts should be put in place by Government to promote the development of SMEs and prove the necessary funding and conducive environment for SMEs to thrive.*

**Keywords:** asset base, capitalization, economic growth, Small and Medium Enterprises

**Citation**
Ogunsanwo, A. O. & Fatogun, O. I. (2022). Small And Medium Enterprises (SMES) Development and Economic Growth in Nigeria. *International Journal of Women in Technical Education and Employment*, 3(2), 193 – 202.

## Introduction

Small and medium-sized businesses (SMEs) are widespread in both developed and developing countries since they are one of the main forces behind economic growth in both rural and urban areas. As a result, governments work daily to enhance the SME sector in an effort to promote economic development. This may be done by creating an environment that allows SMEs to flourish or by offering the incentives required for the sector's expansion.

The introduction of small and medium-sized businesses (SME) on the development scene dates back to the late 1940s, and its main goal has been to advance trade and industrialization in the current industrialized nations (OECD, 2004). The definitions of SME vary widely from country to country and are typically based on the economic impact of SME, the policies and programs developed by certain authorities or organizations with the power to grow SME, and other factors. What is regarded as a small firm in established economies like those of the United States of America (USA), Japan, and Germany, may be a medium- or large-scaled enterprise in a developing economy like Nigeria. Additionally, the definition of a SME changes over time depending on the policy priorities of different agencies or growing institutions (Etuk, Etuk & Michael, 2014).

For instance, SMES were defined as businesses with a total capital investment between N1.5 million and N200 million under the Nigerian Small and Medium Industries Equity Investment Scheme (SMIEIS) of 1998. Working capital is included here, but the cost of the land is not. A SME was defined as an organization having at least 10 and up to 300

employees by Nigeria's National Council on Industry (Udechukwu, 2003). The European Union defines SMEs as businesses with fewer than 250 employees and annual revenues of less than €50 million, according to Ikpor et al. (2014). Furthermore, it was suggested that a company shouldn't own more than 25% of another company.

Ilegbinosa and Jumbo (2015) made the argument that many countries, especially developed and some developing nations like the United States of America, China, and India, have benefited from the growth of small and medium-sized enterprises (SMEs). SMEs account for more than 98 percent of enterprises and more than 65 percent of job possibilities in these nations (Deen, 2003). Globally, SMEs provide more than 50% of industrialized nations' Gross Domestic Product (GDP). The adoption and application of SME has had a considerable impact on the economies of several European, American, and Asian countries. SMEs contributed more than 50% of the non-farm private GDP and 75% of new jobs in the US. In addition, 95% of all enterprises that are registered overseas are SMEs. In 2010, 76 million people were employed by SMEs, which comprised 99.8% of all firms in the European Union. People, or 67.4% of all employment (Canetti, 2003). It was then made clear that SMEs have primarily been acknowledged as the foundation of the economy and have a significant impact on employment opportunities, the value of human resources, the emergence of an entrepreneurship philosophy, the support for large-scale industries, and the creation of new business opportunities (Boniface, 2006).

According to Ikpor, Nnabu, and Itumo (2017), Nigeria's economic situations in the 1970s and early 1980s influenced the country to adopt industrialization strategies that focused on mass production. This is a product of the 1970s post-war reconstruction effort. Due to the establishment of various large-scale industries, The importation of heavy equipment, expert manpower, and significant financial expenditure were all necessary for these businesses. These unregulated importations allegedly had a detrimental effect on Nigeria's foreign exchange gains. According to Ikpor, Nnabu, and Itumo (2017), Nigeria's economic circumstances in the 1970s and early 1980s influenced the country to adopt industrialization strategies that focused on mass production. He continues by saying that it is predicted to promote job creation at relatively low capital costs, expand product and service production, reduce inequality, and assist the growth of the human capital required for further industrialisation.

The majority of developed countries have acknowledged the importance of SMEs in industrial restructuring and taken further action by developing and implementing national financial policies to promote the expansion of SMEs (Ikpor et al, 2017). However, the inability of SMEs to obtain funding from banking institutions and a lack of sufficient capital limit their ability to play a role in addressing macroeconomic concerns (Etale and Light, 2021)). Additionally, there have been considerable obstacles to the availability of capital, such as the high cost of borrowing and the difficulty in acquiring cash, which has caused small and medium-sized businesses to collapse early (Mambula, 2002). In Nigeria, the performance of commercial firms, particularly SMEs, has been found to be severely hampered by the lack of financing availability. There are both official and unofficial sources of financing for SMEs in Nigeria, according to prior studies (Gelinas, 1998; Aruwa, 2004). The key formal funding sources for SMEs have been suggested to be commercial banks and development banks. The study also emphasized the informal financing options for SMEs in Nigeria, such as loans from friends, family, and cooperative groups.

The Nigerian government has been steadfast in its efforts and genuinely interested in developing SMEs. For instance, a lot of microfinance businesses have been started in Nigeria to help SMEs grow. According to Ikpor et al. (2017), The Rural Banking Initiative (RBI) was launched in 1977, although the Nigerian Industrial Development Bank (NIDB) was founded in 1962 to improve financing for agriculture and SMEs, the Agricultural Credit Guarantee Scheme Fund (ACGSF) and Nigerian Agricultural Cooperative Bank were also founded. In the middle of the 1980s, the government established the National Economic Reconstruction Fund (NERFUND) to lessen the negative effects of structural adjustment initiatives. NERFUND provides SMEs with a concessionary long-term loan with a five- to ten-year (5-10) tenure (Ogujiuba, Ohuche, & Adenuga, 2004). Between 1990 and 1998, 214 small and medium-sized firms received a total of US$144.9 million in

assistance. The ACGSF loaned 701,000 SMEs a total of 43.12 billion between 1978 and 2011. In addition, the government acquired a US$270 World Bank loan to boost domestic SME funding. Through the nation's participating commercial banks, this credit was given to SME. The government created the community banking scheme in 1991 to promote rural development and give smallholders start-up funds in order to broaden the sources of funding for SMEs. In addition, the Family Economic Advancement Programme (FEAP) and People's Bank were founded in 1997. The NERFUND and NIDB were combined by the government in 2002 to create the Bank of Industry, which offers SMEs and the industrial sector loans with an interest rate of 10%.

Consequently, it might be claimed that the Nigerian government has actively encouraged the expansion of SMEs for a sizable length of time. In addition to the aforementioned, according to Ogujiuba et al. (2004), the Central Bank of Nigeria launched a variety of SME-financing programs to support the growth of SMEs in Nigeria. For instance, the Refinancing and Rediscounting Facility plan was created in 2002 at a reduced rate to give banks who provide loans for long-term manufacturing a little break. The Small and Medium Industries Equity Investment Scheme (SMIEIS), which required commercial banks to set aside 10% of their yearly profit-before-tax for financing small and medium-sized firms, was also formed by the CBN and Bankers' Committee that year.

In order to provide long-term or specialized subsidies for the promotion of SMEs in Nigeria, a variety of various intervention programs have been established. Ikpor et al (2017) state that one of these was established in 2005 and is known as the Microfinance Initiative (MFI). CBN launched 200 billion intervention funds in 2010 to help manufacturing-focused SMEs in order to adequately fund SMEs. In addition, $300 billion in funds were put aside to support SMEs clusters in the aviation and off-grid power sectors. The nation's SME activity has increased dramatically as a result of the recent opening of the NIRSAL Micro-finance Bank. The Central Bank of Nigeria (CBN), on behalf of the federal government, presented a N50 billion Targeted Credit Facility (TCF) as a stimulus package to assist individuals and Micro, Small and Medium-sized Enterprises (MSMEs) that are affected by the Coronavirus Pandemic in order to lessen the impact of the Coronavirus Pandemic that affected the world in 2020 and, by extension, has harmed SMEs globally.

However, these endeavors were characterized by debt default and a failure to achieve the stated objectives. This is because the government is promoting these policies by allocating loans, providing subsidies, and capping interest rates. The number of financing choices available to SMEs in Nigeria may have decreased as a result of these. It is alarming that SMEs' issues continue despite government efforts to highlight their role to economic growth (Onugu 2005 & Ogechukwu 2006).

> "The industry continues to be plagued by a number of problems, including banks' reluctance to lend to SMEs due to a lack of reliable information on borrowers, poor bookkeeping, lax accounting standards, and low levels of operational transparency, lack of discipline in the use of credit facilities, the perception that the SME sector is risky, and difficulties enforcing loan contracts, high rates of loan diversion, the inability to conduct feasibility studies, and abse (Ogujiuba, et. al., 2004). These difficulties are connected to the environment and the features of small and medium-sized businesses (Onugu, 2005)."

According to Ikpor *et al*., this resulted in a drop in the standard of living, a low per capita income, and a high unemployment rate (2017). In light of the aforementioned, this study looked at how the development of SMEs in Nigeria impacted national economic development.

## Methodology

This study used an ex-post facto research design technique to analyze how the rise of SMEs impacted economic growth in Nigeria. SMEs were represented by aggregate assets and aggregate capitalization, while gross domestic product served as a proxy for economic growth (GDP). Economic growth was

chosen as the dependent variable, with SMEs chosen as the independent variable.

E-view version 9 was used to analyze the time series data for this study, which covered a 19-year period from 2000 to 2018. The series were taken from the National Bureau of Statistics 2018, the Central Bank of Nigeria's statistical bulletin from 2018, and the Small and Medium Enterprise Development Agency of Nigeria's (SMEDAN) 2013 and 2017 National Survey of Micro, Small, and Medium Enterprises (MSMEs) for the years 2000 to 2018.

Unit root tests were used in the analysis to identify random walks. The results showed that the series were stationary at levels 1(0) and 1(1), thus band co-integration tests were done, which demonstrated the existence of a long-term relationship between the variables.

Consequently, both Autoregressive Distributed Lag (ARDL) and Error Correction Model (ECM) was carried out. Finally, diagnostic tests consisting of heteroscedacity, normality and serial correlation were conducted to ascertain the fitness of the model.

$EG = F(SMESD)$……. equ 1

$EG = F(AABSMSES, ACSMSES)$……..…. equ 2

$Y = \alpha^0 + \alpha_1 X_1 + \alpha_2 X_2 \ldots\ldots\ldots er$ ---------- equ 3

EG = Economic Growth
AGASBSMEs = Aggregate Asset Base of SMEs
AGCAPSMEs = Aggregate Capitalization of SMEs
SMEs = Small and Medium Scale Enterprises
$\alpha_0$ = Constant
$\alpha_1$,$\alpha_2$= Coefficient of determinant
$e_r$ = Error Term
Y = Dependent Variables
$X_1$, $X_2$= Independent Variables

## Interpretation and Discussion of Results

**Table1: Descriptive Statistics of the Variables**

Date: 10/08/22 Time: 19:15
Sample: 2000 2018

| | LNGDP | LNAABSMES | LNACSMES |
|---|---|---|---|
| Mean | 17.34405 | 12.71925 | 12.00668 |
| Median | 17.48311 | 12.77330 | 11.77173 |
| Maximum | 18.66568 | 14.85163 | 14.28332 |
| Minimum | 15.30358 | 11.58703 | 10.89941 |
| Std. Dev. | 1.048351 | 1.070336 | 0.975125 |
| Skewness | -0.465601 | 0.690666 | 0.760901 |
| Kurtosis | 1.945902 | 2.372581 | 2.641171 |
| Jarque-Bera | 1.566121 | 1.822205 | 1.935341 |
| Probability | 0.457005 | 0.402081 | 0.379967 |
| Sum | 329.5370 | 241.6657 | 228.1270 |
| Sum Sq. Dev. | 19.78270 | 20.62114 | 17.11565 |
| Observations | 19 | 19 | 19 |

The series' descriptive statistics show the traits of the variables used in the research investigation. With mean scores of 12.71925, 12.00668, and 17.34405 correspondingly, the table displayed the aggregate asset base of small and medium-sized firms (AABSMES), aggregate capitalization of small and medium-sized enterprises (ACSMES), and gross domestic product (GDP). Standard deviation values for the variables AABSMES, ACSMES, and GDP are 1.070336, 0.975125, and 1.048351, respectively. The skewness revealed that two (2) of the series, AABSMES and ACSMES, are positively skewed while the third, GDP, is negatively skewed. The kurtosis, which depicts the series' peak, is platykurtic in nature, as shown by its value below 3. The jacubera test, which assesses the normality of a distribution, revealed that the variables are not normally distributed, as shown by the jacubera probality ($p > 0.05$) value, which is more than a 5 percent threshold for significance.

**Table 2: Unit Root Test**

| **AUGUMENTED DICKEY FULLER TEST** | | | | | |
|---|---|---|---|---|---|
| **Series** | **Critical Level** | **1%** | **5%** | **10%** | **Remarks** |
| **LNGDP** | -4.454993 (0.0124) | -4.571559 | -3.690814 | -3.286909 | I(o) |
| **D(LNAABSMES)** | -4.414781 ( 0.0035) | -3.886751 | -3.052169 | -2.666593 | I(I) |
| **D(LNACSMES)** | -5.109542 ( 0.0009) | -3.886751 | -3.052169 | -2.666593 | I(I) |

.

The series is not prone to random walk when the t-statistic value is higher than the absolute critical value. According to the test statistics for the log levels of the aggregate asset base of small and medium-sized enterprises (LNAABSMES) and aggregate capitalization of small and medium-sized enterprises (LNACSMES), respectively, the variables are statistically insignificant at level but in first difference, while the gross domestic product (GDP) is stationary at level. This implies that one of the series is free from random walk at level, and the other two series are both significant at the level of 5% because they are both free from random walk at first difference. The Bound test was used to conduct a co-integration test because the variables were stationary at I(O) and I(1).

**Table 3: Cointegration Bound Test**

ARDL Bounds Test
Date: 10/08/22 Time: 19:34
Sample: 2001 2018
Included observations: 18
Null Hypothesis: No long-run relationships exist

| Test Statistic | Value | K |
|---|---|---|
| F-statistic | 1.109157 | 2 |

Critical Value Bounds

| Significance | I0 Bound | I1 Bound |
|---|---|---|

| | | |
|---|---|---|
| 10% | 3.17 | 4.14 |
| 5% | 3.79 | 4.85 |
| 2.5% | 4.41 | 5.52 |
| 1% | 5.15 | 6.36 |

The test indicates that there is co-integration, since the F-statistic value of the bound test is lesser to lower bound I(O) result at 5 percent level of significance, we accept the null hypothesis at 95% confident interval. Their values are higher than the critical values at the 0.05 level, as shown in the table. This indicates that the variables have a long-term association.

**Table 4: Auto Regressive Distributed Lag Model**

Dependent Variable: LNGDP
Method: ARDL
Date: 10/08/22 Time: 19:39
Sample (adjusted): 2001 2018
Included observations: 18 after adjustments
Maximum dependent lags: 1 (Automatic selection)
Model selection method: Akaike info criterion (AIC)
Dynamic regressors (1 lag, automatic): LNAABSMES LNACSMES
Fixed regressors: C
Number of models evaluated: 4
Selected Model: ARDL (1, 0, 0)

| Variable | Coefficient | Std. Error | t-Statistic | Prob.* |
|---|---|---|---|---|
| LNGDP (-1) | 0.647110 | 0.196383 | 3.295148 | 0.0053 |
| LNAABSMES | 0.080390 | 0.258814 | 0.310611 | 0.7607 |
| LNACSMES | -0.115138 | 0.284659 | -0.404477 | 0.6920 |
| C | 6.615304 | 4.222887 | 1.566536 | 0.1395 |

| | | | |
|---|---|---|---|
| R-squared | 0.473389 | Mean dependent var | 17.43279 |
| Adjusted R-squared | 0.360543 | S.D. dependent var | 1.002623 |
| S.E. of regression | 0.801758 | Akaike info criterion | 2.589110 |
| Sum squared resid | 8.999421 | Schwarz criterion | 2.786970 |
| Log likelihood | -19.30199 | Hannan-Quinn criter. | 2.616392 |
| F-statistic | 4.195025 | Durbin-Watson stat | 2.563722 |
| Prob(F-statistic) | 0.025878 | | |

*Note: p-values and any subsequent tests do not account for model selection.

$$LNGDP = 6.615304 + 0.647110 + 0.080390 - 0.115138$$

The autoregressive distributed lag result model employed a single lag period for both the dependent and independent variables according to AIC criterion. The coefficient value of LNGDP (-1) of 0.647110 with an associated probability value of 0.0053 shows a positive link between the variable and economic activity (GDP), although at the 5% level of significance, this relationship is not statistically significant. The following statement says that a percentage increase in LNGDP over a period lag will

lead to a 65% increase in real GDP over the short term. The aggregate asset base of small and medium-sized firms' (LNAABSMES) coefficient value of 0.080390 with an associated probability value of 0.7607, indicating a positive connection between the variable and economic activity (GDP), is statistically insignificant at the 5% level of significance.

This suggests that a short-term increase in the total asset base of small and medium-sized businesses (AABSMES) will result in an increase in real GDP of 8%, while the aggregate capitalization of small and medium-sized businesses (LNACSMES), with a coefficient value of -0.115138 and a probability value of 0.6920, shows a statistically significant negative correlation between the variable and the economic activity (GDP).

The model is fit and statistically significant at the 5% level of significance according to the F-statistics value of 4.195025 and the associated probability value of 0.025878, and the explanatory variables (LNAABSMES and AABSMES) account for 47% of the total variance in real GDP. With a value of 2.563722, the Durbin-Watson further validates the model's lack of serial correlation.

**Table 5: Error Correction Model (Long Run Relationship)**
Dependent Variable: D(LNGDP)
Method: Least Squares
Date: 10/08/22 Time: 21:05
Sample (adjusted): 2002 2018
Included observations: 17 after adjustments

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| C | 0.111757 | 0.183509 | 0.609001 | 0.5539 |
| D(LNGDP(-1)) | -0.233902 | 0.244698 | -0.955880 | 0.3580 |
| D(LNAABSMES(-1)) | 0.250166 | 0.204272 | 1.224668 | 0.2442 |
| D(LNACSMES(-1)) | 0.120670 | 0.190967 | 0.631890 | 0.5393 |
| ECM(-1) | -0.446517 | 0.236791 | -1.885702 | 0.0838 |

| | | | |
|---|---|---|---|
| R-squared | 0.468183 | Mean dependent var | 0.162006 |
| Adjusted R-squared | 0.290911 | S.D. dependent var | 0.832632 |
| S.E. of regression | 0.701138 | Akaike info criterion | 2.367705 |
| Sum squared resid | 5.899139 | Schwarz criterion | 2.612768 |
| Log likelihood | -15.12550 | Hannan-Quinn criter. | 2.392065 |
| F-statistic | 2.641040 | Durbin-Watson stat | 1.872472 |
| Prob(F-statistic) | 0.086178 | | |

$$LNGDP = 0.111757 - 0.233902 + 0.250166 + 0.120670 - 0.446517$$

The real gross domestic product coefficient value, D(LNGDP(-1)), is -0.233902 with an associated probability value of 0.3580, indicating a negative association between the variable and economic growth. However, this relationship is statistically negligible at the 5% level of significance. As a result, a decline in the period lag of the LNGDP implies a 23% reduction in the year's economic growth. The coefficient value of D (LNAABSMES (-1)), which is 0.250166 with an associated probability value of 0.2442 and is statistically insignificant at the 5% level of significance, suggests a positive relationship between the variable and economic growth in Nigeria. As a result, it implies that a gradual rise in the total asset base of small and medium-sized enterprises (AABSMES) will lead to an increase in economic growth of 25%. The coefficient value of D(LNACSMES(-1)), which is 0.120670 with an

associated probability value of 0.5393, indicates the positive relationship between the variable and economic growth, but it is statistically insignificant at the 5% level of significance. It asserts that an increase in the overall capitalization of small and medium-sized firms will lead to a long-term gain of 12% in Nigeria's economic growth (ACSMES).

The coefficient of the error correction term ECM (-1) -0.446517 has the predicted negative sign and is statistically insignificant at the 5% level of significance with an associated probability value of 0.0838 and the expected negative sign. Co-integration is supported by the importance of the error correction mechanism, which demonstrates that the real GDP level and the explanatory variables are in a long-term steady-state equilibrium (AABSMES and LNACSMES). The coefficient of the error correction term ECM (-1) -0.446517 has the predicted negative sign and is statistically insignificant at the 5% level of significance with an associated probability value of 0.0838 and the expected negative sign. Co-integration is supported by the importance of the error correction mechanism, which demonstrates that the real GDP level and the explanatory variables are in a long-term steady-state equilibrium (AABSMES and LNACSMES).

The R-Squared value of 0.468183 indicates that the explanatory variables (AABSMES and LNACSMES) explain 47% of the variations in the LNGDP. The durbin-Watson statistic value of 1.872472, which indicates that there is no serial correlation in the model, and the F-statistics value of 2.641040, which is statistically insignificant at the level of significance of 5%, both demonstrate the model's fitness.

The equation also shows that the total asset base of small and medium-sized firms (LNAABSMES) and economic activity are negatively correlated (GDP). Contrary to popular belief, this suggests that over time, the size of small and medium-sized businesses' total asset base will have a negative impact on how much economic activity there is. In contrast, the amount of economic activity has a positive relationship with the total capitalization of small and medium-sized businesses (LNACSMES) (GDP). This suggests that over time, the sizes of small and medium-sized firms' total capitalization have a beneficial impact on the amount of economic activity, together with a priori expectations.

**Table 6: Diagnostics Tests**

Heteroskedasticity Test: Breusch-Pagan-Godfrey

| | | | |
|---|---|---|---|
| F-statistic | 0.811480 | Prob. F(4,12) | 0.5415 |
| Obs*R-squared | 3.619371 | Prob. Chi-Square(4) | 0.4600 |
| Scaled explained SS | 3.895581 | Prob. Chi-Square(4) | 0.4203 |

Breusch-Pagan-Godfrey has a probability value that is greater than 5 percent (p> 0.05) level of significance (0.5415). It implies that the null hypothesis (Ho) is hereby accepted and concludes that the model is free from heteroscedasticity, that the model is normally distributed.

Breusch-Godfrey Serial Correlation LM Test:

| | | | |
|---|---|---|---|
| F-statistic | 0.085494 | Prob. F(1,11) | 0.7754 |
| Obs*R-squared | 0.131109 | Prob. Chi-Square(1) | 0.7173 |

Breusch-Godfrey Serial Correlation LM Test result 0.7754 is greater than 5% level of significance (p> 0.05. Therefore, the null hypothesis ((Ho) is hereby accepted and concludes that the model is free from serial correlation.

## Conclusion

The study examined the relationship between the total asset base and total capitalization of Small and Medium-Sized Enterprises in Nigeria and economic growth. The findings showed that aggregate capitalization has a negative impact on economic growth in the near term over the studied period, whereas aggregate asset base has a positive impact with statistically negligible probability value. The explanatory factors are responsible for 47% of the total variation in economic growth, according to the R squared (i.e. AABSMSEs and ACSMSEs). The ARDL bound test established the long run relationship, and the ECM result showed that a period lag of GDP will have a negative, statistically insignificant effect in the long run. Approximately 45% of the disequilibrium between short run and long run dynamics would be corrected each year in the variables of interest (AABSMSEs and ACSMSEs), and this would be statistically significant at 10% level of significance. According to the R squared, the explanatory factors account for 47% of the variation in economic growth (GDP) over the long term (AABSMSEs and ACSMSEs).

However, the study found that aggregate capitalization of small and medium-sized enterprises (ACSMSEs) has a negative effect with no statistically significant impact on economic growth (GDP) in the short run, while aggregate asset base of small and medium-sized enterprises (AABSMSEs) and aggregate asset base of small and medium-sized enterprises (AABSMSEs) both have positive effects in the long run.

## Recommendations

Previous studies had established the importance of SMEs development as a crucial strategy for economic growth. To that effect Nigeria government has been making frantic effort to develop this sector but the outcome of all the efforts has not been encouraging. The study therefore recommends that:

- The government should put up proper monitoring strategies for all initiated SMEs development programmes.
- Infrastructural facilities should be provided to ensure conducive atmosphere for SMEs to thrive.
- Government should restructure all relevant agencies through which SMEs are funded to ensure that all funds provided get to the targeted SMEs.
- Government should partner with NGO to intensity efforts towards provision of adequate funding for SMEs.

## References

Aruwa S.A.S. (2004). Financing options for small and medium-scale enterprises in Nigeria. *Nigeria Journal of Accounting Research*, *1*(2).

Boniface, C. U. (2006). Small and medium industries equity investment scheme (SMIEIS) headache for banks. *Business Times Magazine*, *37*(36), 35.

Canetti, E. (2003). *Innovation, specialization and e – finance for small and medium enterprises*. Cache Magazine, Kaduna, Nigeria.

Cosson, M. (2003). *The entrepreneur: An economic theory* (2nd ed.). Edward Elgar Publishers.

Deen, M. H. (2003). *Stakeholders role and the development benefits in a virile SME sector.* A Lecture paper delivered at the Manufacturing Association of Nigeria.

Gelinas, J.B. (1998). *Freedom from debt: The re-appropriation of development through financial self-reliance.* Dhaka-Ottawa: University Press.

Gunu, U. (2004). Small scale enterprises in Nigeria: Their start up, characteristics, sources of finance and importance. *Ilorin Journal of Business and Social Sciences*, *9*(1&2), 6-43.

Ilegbinosa, I.A., & Jumbo, E. (2015). Small and medium scale enterprises and economic growth in Nigeria: 1975-2012. *International Journal of Business and Management, 10*(3), 203-216.

Mambula, C. (2002). Perceptions of SME growth constraints in Nigeria. *Journal Small Business Management*, *40*(1), 58-65.

Ogechukwu, D. (2006). Entrepreneurial developments and small scale industry contribution to Nigerian national

development. *Marketing Interface*, *1*(2), 51-68.

Ogujiuba, K. K., Ohuche, F. K., & Adenuga, A. O. (2004). *Credit availability to small and medium scale enterprises in Nigeria: Importance of new capital base for banks – background and issues.* Department of Economics, Ebonyi State University Abakaliki-Nigeria.

Onugu, B. (2005). *Small and medium enterprises in Nigeria (SMEs): Problem and prospect*. A dissertation submitted to St. Clement University in partial fulfilment of the award of the degree of Doctor of Philosophy in Management.

Schneider-Barthold F. (2002), Africa's aborted industrialization, modernisation strategies impede organic industrial growth. *D+C development and cooperation (No. 1, January/February, pp. 15-17)*, Deutsche stiftung fur internationale entwicklung (DSE), Germany.