

## **An Assessment of Strategic Dynamic Capabilities on the Performance of Selected Small and Medium Scale Enterprises (SMES) in North Central Nigeria A Case of Study of SMEDAN in Kano and Kaduna States**

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### **Abstract**

*This study examined the contributions of the growth and development of MSMEs in Kaduna and Kano States of Nigeria. Also, the performances of some of the functions were examined. Data were collected from three sets of respondents along with interviews with staff of SMEDAN and some beneficiaries. The respondents to the three sets of questionnaires were the beneficiaries who are entrepreneurs or business owners who have had contact with SMEDAN in Kaduna and Kano States respectively, the staff of SMEDAN and the customers of the beneficiaries. While secondary data are collected from documents sourced from SMEDAN, empirical studies, internet materials were used to support data collected from questionnaires administered on staff of SMEDAN, the beneficiaries of SMEDAN and the customers generally. The researcher finally recommends that Nigerian government should give SMEDAN adequate funds to enable her function effectively. The agency's activities have a high field work that required Finances to efficiently and effectively perform its functions like expansion which will consequently lead to employment of more workers and again the Finance needed to enable new entrepreneurs start.*

**Keywords:** SMEDAN, Growth and development, MSMEs, Kaduna and Kano States, Nigeria

## INTRODUCTION

The Small and Medium Enterprises Development Agency of Nigeria [SMEDAN] was created via the Small and Medium Scale Industries Development Agency (Establishment) Act 2003 and charged with the responsibility for promoting and facilitating the development programmes in the small and medium scale industries sub-sector. The Act enacted by the National Assembly came into force on 19th June, 2003. Mrs Modupe Adelaja was appointed in June 2003 as pioneer Director-General of SMEDAN. Her tenure ended on July 10, 2008. The second Director-General/CEO Muhammad Nadada Umar and he assumed duties on 4th December, 2008. The third Director-General is Alhaji Bature Masari. (SMEDAN head office, Abuja, 2011.)

The agency is to provide information on raw materials, machinery, equipment, market and the activities of agencies of governments such as Standard Organisation of Nigeria (SON), National Agency for Food and Drug Administration Control (NAFDAC), Corporate Affairs Commission (CAC). The organization is also to provide training and capacity building areas such as bookkeeping and accounts management, preparation of business plans, quality control, computer (or IT) appreciation. It is to help in accessing finance, improved work space, mentoring, advisory services and facilitation of linkages and or cooperation with other enterprises for improved production. SMEDAN also Partners with regulatory bodies such as the Standard Organisation of Nigeria (SON), National Agency for Food and Drug Administration Control (NAFDAC), Export Promotions Council and other regulatory Agencies for the benefit of MSMEs. SMEDAN is to provide the MSMEs all the needed information to enable them fulfill the requirements of the regulatory agencies.

**Vision:** The vision of the Agency is to establish a structured and efficient micro, small and medium enterprises sector that will enhance sustainable economic development of Nigeria.

**Mission:** To facilitate the access of micro, small and medium entrepreneurs to all the resources required for their development.

### **The Functions of SMEDAN**

The functions of the Agency as enunciated in the SMIDA Act, 2003 are listed below:

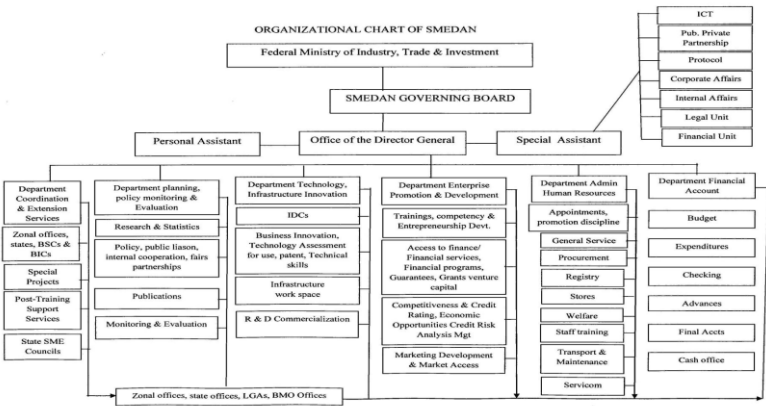
- 1) Initiating and articulating policy ideas for micro, small, and medium enterprises growth and development;
- 2) Stimulating, Monitoring and Coordinating the development of the MSMEs sector;
- 3) Promoting and facilitating development programmes, instruments and support services to accelerate the development and modernization of MSMEs;
- 4) Serving as a vanguard for rural industrialization, poverty reduction, and job creation and thus facilitating enhanced sustainable livelihoods;
- 5) Linking MSMEs to internal and external sources of finance, appropriate technology, technical skills as well as to large enterprises;
- 6) Overseeing monitoring and coordinating the development of the MSMEs sector;
- 7) Promoting and providing access to industrial infrastructure, such as layouts incubators and industrial parks;
- 8) Providing assistance to MSMEs in marketing their products. ix. Mobilizing internal and external resources, including technical assistance, for the development of MSMEs;
- 9) Promoting the familiarization, sub-contracting, networking, and crosscutting strategic linkages between MSMEs and other economic sub-sectors;
- 10) Creating beneficial linkages between MSMEs and research institutes/universities;
- 11) Providing extension services to MSMEs;
- 12) Monitoring implementation of government directives, incentives and facilities for MSMEs development;
- 13) Recommending to government required amendments to business regulatory frameworks for ease of enterprise development.

- 14) Working in concert with other institutions in both public and private sectors to create a good enabling environment of business in general, and MSMEs activities in particular. (www.smedan.gov.ng).

**The Target Beneficiaries:**

1. Micro, small and medium enterprises
2. Prospective entrepreneurs;
3. MSMEs support institutions;
4. Non-Governmental Organizations (NGOs), Faith-based Organizations (FBOs), Community-based organizations (CBOs) and Business Membership Organizations (BMOs) in the MSME sub-sector;
5. Federal government (through a functional feedback mechanism). (www.smedan.gov.ng)

**Organizational Structure**



Source: www.Smedan.gov.ng, 2015.

**SMEDAN has six major Departments/Groups under the supervision of the Director General/Chief Executive, as shown below:**

1. Planning, Research and Library (PR&L);

2. Enterprise Promotions Management and Extension Services (EPMES);
3. Engineering, Technology and Infrastructure (ET&I);
4. Monitoring and Evaluation (M&E);
5. Finance and Accounts;
6. Administration; and Corporate Affairs.

There are also Legal, Internal Audit, ICT/Data Processing Units and Corporate Affairs Units attached to the Office of the Director-General/Chief Executive. ([www.smedan.gov.ng](http://www.smedan.gov.ng))

### **Micro Small and Medium Enterprises (MSMEs)**

Micro Small and Medium Enterprises (MSMEs) plays a significant role in most economies, particularly in developing countries. Formal MSMEs contribute up to 60% of total employment and up to 40% of national income (GDP) in emerging economies. These figures are significantly higher when informal MSMEs are included. According to our estimates, 600 million jobs will be needed in the next 15 years to absorb the growing global workforce, mainly in Asia and Sub-Saharan Africa. In emerging markets, most regular jobs are generated by SMEs, which also create 4 out of 5 new positions. However, access to finance is a crucial constraint to MSMEs growth. Without access to capital, many SMEs languish and stagnate.

MSMEs are less likely to be able to obtain bank loans than large firms; instead, they rely on internal funds, or cash from friends and family, to launch and initially run their enterprises. About half of formal MSMEs don't have access to proper credit. The financing gap is even more substantial when micro and informal enterprises are taken into considerations. The overall, is approximately 70% of micro, small and medium enterprises (MSMEs) in emerging markets do not have access to credit facilities. While the gap varies region considerably to region, it's unusually extensive in Africa and Asia. The current credit gap for formal SMEs is estimated to be over \$1.2 trillion US Dollars; the total credit gap for both formal and informal SMEs is as high as US\$2.6 trillion. (World Bank September 1, 2015).

The Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) was established in 2003, to facilitate the promotion

and development of the Small and Medium Enterprises (SMEs) sector efficiently and sustainably. MSMEs occupy a central place in the economic growth of nations. They have a very important role to play in the development of an economy, and this cannot be overemphasized. MSMEs serve as a training arena for local skills and entrepreneurs and could become channels for mobilizing domestic savings, ensuring a more equitable distribution of income and reducing the migration of human resources from the rural to urban areas.

With the overall objective of reducing poverty through wealth and job creation and facilitating national economic development, the Micro, Small and Medium Enterprise are perceived as an engine of socio-economic transformation in both developed and developing countries. SMEDAN is striving to fill the gap of the dearth and scarcity of a credible and reliable database, which is one of the primary constraints in the development of this sub-sector.

Micro, Small and Medium Enterprises (MSMEs) as defined by the National Council of Industries refer to business enterprises whose total costs excluding land is not more than two hundred million naira (N200, 000,000.00) only. It has been argued that MSMEs are a useful instrument for economic growth and development in Developed and Less Developed Countries (Beyene, 2002; Nitani, 2005). This is because MSMEs contribute significantly to the Gross Domestic Product (GDP) and produce substantial amounts of locally consumed products (ECA, 2000; Wattana Pruttipaisan, 2003; Tagoe et al., 2005; Saleh and Ndubisi, 2006). According to Mojmir (2000), SMEs play an essential role in the economic growth of any country including industrialized countries because they account for more than half of a country's output and employment (Hussain et al., 2008).

In the same vein, Udechukwu (2003) asserts that the development of MSMEs is an essential element in the growth strategy of most economies, which holds particular significance for developing countries like Nigeria. MSMEs are a vital part of any market economy because they are represented in all major branches of manufacturing and service sectors (Obokoh, 2008c). This is in addition to their role in job creation for the unemployed, provision of goods and services within and across national boundaries of countries (Saleh and Ndubisi 2006; Woldie et al., 2008).

Micro, Small and Medium Enterprises (MSMEs) occupy a central place in the economic growth of nations. MSMEs have a fundamental role to play in the development of an economy, and this cannot be overemphasized. MSMEs serve as the training arena for local skills and entrepreneurs and could become channels for mobilizing domestic savings, ensuring a more equitable distribution of income and reducing the migration of human resources from the rural to urban areas. The reduction of rural-urban movement is desirable, and where the MSMEs are given the required support, this will lead to the development of the rural areas in the long run.

Furthermore, MSMEs provide employment opportunities, create wealth and lead to poverty reduction in the long run. According to the World Business Council for Sustainable Development (WBCSD, 2004: 2) in Organization for Economic Cooperation and Development (OECD) economies, Small Medium Enterprises and Micro enterprises account for over 95% of firms, 60-70% of employment, 55% of GDP and generate the lion share of new jobs. In developing countries, more than 90% of all firms outside the agricultural sector are MSMEs and microenterprises, creating a significant portion of Gross Domestic Product (GDP).

MSME in other developing countries is however confronted with several drawbacks and challenges they have to overcome to operate successfully. Major obstacles include for example access to finance (Arthur, 2003:14), competition (Murphy, 2007:45), market access (Mead and Liedholm, 1998), appropriate technology (UNIDO, 2002) and access to raw materials.

Assistance and support to strengthen these small “ informal and formal businesses can lead to higher profits, wages, and employment levels which in turn can contribute to a bottom-up transition out of poverty for entrepreneurs and workers” (Michalowski, 2008: (Sievers and Vandenberg, 2007: 134). The formalization of informal business activities can contribute to increasing tax-incomes for the government and enable the government, in the long run, to invest the money, for instance in health care and education systems. To strengthen the position of MSMEs, access to financial and non-financial services are important, as they are the necessary prerequisite to improved performance and expansion of these enterprises. Financial

services include the provision of microcredit and loans while non-financial services incorporate a wide range of Business Development Services (BDS). BDS activities refer to “group training, individual counseling, and advice, the development of new commercial entities, technological development, and transfer, information provision, business links, and policy advocacy. (Kapila and Mead, 2002: 1 in Michalowski: 2008; 2).

Therefore, the agency SMEDAN trained a total of 16,379 existing business owners and startups under its various Entrepreneurship Development Programmes (EDPs) such as general EDP, Youth EDP, Coppers EDP, Women EDP and other Enterprise support services. The EDP is necessary to encourage enterprise development in the country, which in turn is expected to trigger entrepreneurial activities among groups and individuals to improve and sharpen their business skills. This will ultimately employ the nation’s growing population

Finally, the Small and Medium Enterprise Development Agency of Nigeria (SMEDAN) is the first significant attempt to tackle the problems in the SMEs sector in a coordinated manner in the sense that it is not only concerned with the provision of financial services, it is also meant to take care of the non financial services required by MSMEs to enhance their development. Before this period, most government efforts in the SMEs sector have been on the financial aspect, but SMEDAN was formed intending to facilitate access to credit, technology, and the market for the SMEs. The agency is meant to support and develop the SME sector in the country.

## **LITERATURE REVIEW**

### **MICRO, SMALL AND MEDIUM ENTERPRISES**

Controversies always arise in defining small business. Small-Scale industry is described as one, which is independently owned and operated, and not dominant in its field of operation. (Tushabomwe-Kazooba 2006). The number of employees, it can also be defined regarding sales volume in the business. According to Ogunleye (2004), what might, therefore, be described as small and Medium Scale Enterprise (SME) in a developed country can be regarded as a large-

scale enterprise in a developing country, using such parameters as fixed investment and employment of the labor force. It is important also to recognize that definitions change over time and hence, even in a developing country, what was previously classified as SME could be regarded as a large-scale industry when the quantities of relevant parameters change during the production process.

The term “small business” covers a variety of firms (Hertz, 1982; Nguyen and Bellehumeur, 1983) and it is used loosely in most of the literature. According to Peterson, Albaum, and Kozmetsky (1986), a small business is one which is independently owned and operated and which is not dominant in its field of operation. Researchers and other interested parties have used specific criteria to operationalize the small business, from the perspective of value added, the cost of assets, annual sales, and many employees. Annual sales and number of employees are most often used to delimit the category. The problem of definition confronts all researchers as well as operators in the field.

A review of the literature on Micro, Small and Medium Enterprises (MSMEs) shows that the definition of MSMEs significantly varies from country to country depending on factors such as the country's state of economic development, the strength of the industrial and business sectors, the size of MSMEs and the particular problems experienced by MSMEs (Harabi, 2003). Hence, there is no uniform or universally accepted definition of MSMEs (Investment Climate Assessment (ICA), 2009). MSMEs can be divided into micro, small and medium enterprises. The Federal Ministry of Industries defines a medium-scale enterprise as any company with operating assets less than N200 million and employing less than 300 persons. A small-scale enterprise, on the other hand, is one that has total assets of less than N50 million, with less than 100 employees. Annual turnover is not considered in the definition of an SME. The National Economic Reconstruction Fund (NERFUND) defines an SSE as one whose total assets are less than N10 million but does not refer either to its annual turnover or the number of employees.

The World Bank Group prescribed the following definition based on many employees, total assets, and turnover. The body defined MSMEs as follows;

- Micro-enterprise: Employs 10 or less, with total assets of \$100,000 or less, and turnover of \$100,000 or less.
- Small enterprise: Employs between 11 – 50 people, with total assets of \$100,000.00 - \$3m, and turnover of \$100,000.00 - \$3m.
- Medium enterprise: Employs 51 – 300 staff, total assets of \$3m - \$15m, and turnover of \$3m - \$15m.

The Nigerian Industrial Policy (1989), defined MSMEs as those with total investment of between \$13,000 and \$260,000 (N100, 000 and N2m) excluding land and working capital, while micro enterprises and cottage industries were defined as those with investments not exceeding \$13,000 (N100, 000) excluding land but including working capital (Naira to Dollar exchange rate as at 1989 is N7.6 to \$1, CBN Statistical Bulletin, 2005).

The MSMEs of the World Bank Group proposed the following definitions:

- Micro Enterprises: Employment is from 10 or fewer staffs, with Total assets of \$100,000 or less, and Turnover of \$100,000 or less.
- Small Enterprises: Employment is from 10 – 50 staffs, Total Assets; \$100,000 - \$3m, and Turnover of \$100,000 - \$3m.
- Medium Enterprises: Employment is from 50 – 300 staffs, total assets; of \$3m - \$15m, and Turnover of \$3m - \$15m (World Bank, 2007).

Small and Medium Enterprise Equity Investment Scheme (SMEEIS), a private initiative by the Bankers' Committee defined MSME as enterprises with an asset base not exceeding \$3.85 million (N500 million) excluding land and working capital with staff strength of not less than 10 and not more than 300 (Sanusi, 2003).

A standard feature of these definitions is that MSMEs are usually small, owner or family managed businesses with essential goods and services. MSMEs also tend to lack the organizational and management structures, which characterize large-scale enterprise. Urban MSMEs tend to be more structured than their rural counterparts. The National Policy on MSMEs adopts a classification based on the dual criteria: of employment and assets (excluding land and buildings), as follows:

Microenterprises are those having less than ten employees with assets of less than N5 million.

Small enterprises are those having between 10 to 49 employees with assets of between 10m to less than N500m. Medium enterprises are those having between 50 to 199 employees with assets of between N50m to less than N500m (SMEDAN, 2007).

Where there exists a conflict in classification between employment and assets criteria (for example, if an enterprise has assets worth seven million Naira (N7m) but employs seven persons), the employment-based classification would take precedence, and the enterprise would be regarded as micro. Employment-based ranking tends to be relatively a more stable definition, given that inflationary pressures may compromise the asset-based definition. In choosing these definitions, cognizance was taken of all possible factors, including international comparisons and peculiarities of the various sub-sectors/enterprises (SMEDAN, 2007). It is evident that there is no universal definition of MSMEs. Some countries define MSMEs according to many employees; others identify them based on the level of assets or turnover or both. However, most definitions are based on a mix of the above parameters. This creates a definite problem for MSME operators. Lack of proper interpretation makes it difficult for them to take advantage of government-assisted programs meant for them. For the purpose of this study, the definition adopted is that contained in the National Policy on MSMEs as such is based on dual criteria; employment and assets (excluding land and buildings).

**Table 1: Classification adopted by National Policy on MSMEs**

S/N	Size Category	Employment Capacity	Assets (Naira In Million) Excluding Land And Building
1.	Micro enterprises	Less than 10	Less than N5m
2.	Small enterprises	10 - 49	From N5m to less than N50m
3.	Medium Enterprises	50 – 199	From N50m to less than N500

Source: National Policy on MSMEs.

## **1. Factors Determining the Performance of Small and Medium Enterprises**

**1.1 Financial:** Funds can be termed to be the bloodstream of any established enterprises (Akinruwa T. E., Awolusi O. D. and Ibojo B.O.,

2013). It determines a substantial part of the enterprise's performance. The practical and efficient utilization of fund brings into a manifestation of other determinant factors. According to Ogunjuiba, Ohuche, and Adenuga (2004), empirical research work indicates that finance contributes to the tune of 25% SMEs success among the determinant factors. Many SMEs failed in Nigeria because of their inability to gain access to credit facilities. Uduak (2009) in Banabo and Koroye (2011) shed more light on these by revealing that through lending activities, finance is injected into the economy which if utilized efficiently will improve less than 500 the standard of living, enhance enterprises performance and invariably add value to the bottom line of the economic development.

**1.2 Political:** Political factors affect the performance of small and medium enterprise according to Awe (2008) through a fundamental change in government policy. For instance where the government encourages private initiative, foreign investment and non-oil export will indeed yield various incentives that can enhance the performance of SME through the creation of a conducive environment. Continuity and stability in government that will ensure the consistent implementation of good policy is an area in which politics affect SME performance. Where there is constant change in government, this leads to unstable government policies, which can affect the performance of the SMEs.

**1.3 Infrastructure:** The critical role it plays in the performance of SME cannot be overemphasized. Support here includes a power supply, good road network, steady water supply, efficient communication system and market. The problem of an erratic power supply is a challenge to the performance of SMEs. It resulted in a decline in production and increased the cost of production; an alternative source of power has to be sourced. (Akinruwa T. E., Awolusi O.D. and Ibojo B. O., 2013). The power supply is very critical to the performance of SMEs as it is required for many production activities, the excellent road network is essential for transportation from the production site to the market, and steady water supply is also necessary for production.

**1.4 Government policies:** Akinruwa T. E., Awolusi O.D. and Ibojo B. O., (2013), government policies are tools in the hand of government to create enabling an environment for the SMEs to thrive. Government

creates rules and frameworks in which enterprises can compete against each other favorably from time to time. Favorable government policies assist in the development of SMEs.

Raw Materials are the input with which the firm works with to produce output. The absence or the low supply of these raw materials increases the cost of production. Manufacturers Association of Nigeria in Ibrahim (2008) observed that inadequate amounts of raw materials cause stagnation, low quality of products, and poor performance among others. This shows that adequate supplies of raw materials ensure the excellent performance of the enterprises (Akinruwa T.E., Awolusi O.D., and Ibojo B. O. (2013). Right quality materials where inadequate supply enhances the superb performance of the enterprises.

## **2. Development Programs and Small Medium Enterprises performance**

The level of investments in the upgrading of training and skills contributes to growth. According to the OECD study on high-growth SMEs proper management is vital for better performance. Available evidence shows that there is a relationship between the degrees of management training and the bottom-line performance of a firm. In some instances, this “bottom-line” performance is expressed regarding survival; in others, it is reflected in higher profits or sales (OECD 2002:7). Development programmes organized for SMEs assist in the growth of the MSMEs through bringing about informed decision making, better leadership skills, and goal setting.

The way SMEs are managed is vital and vital; therefore development programmes aimed at assisting SMEs cannot be overlooked or undermined. Managerial weaknesses may be at the heart of (Small) firm failure when combined with the observation that the individuals who own/manage many smaller businesses are generally less well educated than those working in managerial positions in large firms, and are less likely to be formally trained, the inference is that small-firm managers “need” training. This implies that, if training were provided, it would enhance managerial skills and so lead to improved firm performance as reflected in lower failure rates. (OECD 2002:7). Experience has shown that loan advancement cannot substitute knowledge or competence capability. Without technical and

management capacity, financial capacity or empowerment becomes parochial and self-serving. It will be erroneous to think that, once the financial position is given, managerial or technical capability automatically follows. While large-scale enterprise or cooperation may require skills specialization up to some level, small-scale enterprises automatically need all types of skills. In fact generalizations of skills without the entrepreneurial expertise necessary, substantial financial provisions are wasted. Entrepreneurial skills, therefore, should be adequately acquired in marketing, accounting, personnel and production management. The objectives must be to make them generalists instead of specialists (Ogechukwu and Latinwo, 2;2010).

This, therefore, calls for concerted efforts to build entrepreneur capacity in the SMEs sector as a way to integrate it into mainstream economic activities.

### **3. Micro Small and Medium Enterprises Financing**

Small and medium enterprises (SME) play a significant role in economic development in every country, including in African countries. Studies indicate that in both advanced economies and developing countries, SMEs contribute on average 60 percent of total formal employment in the manufacturing sector (Ayyagari et al., 2007). A crucial element in the development of the SME sector is access to finance, particularly to bank financing, given the relative importance of the banking sector in serving this segment. According to data collected by the World Bank, access to finance is perceived as one of the leading obstacles to doing business (World Bank, Various years).

A number of studies have shown that financing is a more significant obstacle for SMEs than it is for large firms, particularly in the developing world, and that access to finance adversely affect the growth of the SME sector more than that of large companies (SchifferWeder, 2001, Beck et al., 2005; Beck et al., 2006). It is, therefore, not surprising that the international development community has listed SME access to finance as an urgent policy priority. Financing MSMEs is critical and crucial to its survival.

It has been recognized that among the constraints to efficient development of MSMEs in Nigeria is the limited access of the investors to long-term credit and the general none availability of comprehensive

information which can guide potential investors and hence reduce the cost of pre-investment information gathering which may be very high and prohibitive (Inang and Ukpong1993, Essien 2001, Owualah, 5.1. 2002, Adenuga 2004, Akinyosoye 2006, Adelaja, 2007, Adam U, 2009 in EvbuomwanG.o et al, 2013,p85)

Different funding initiatives have been instituted in the past to improve the access of MSMEs to long-term funds to improve their performance and contribution to the economy. Funding consists of the financial resources required to transform the ideas of an entrepreneur into a viable project. It can take the form of loans, equity capital, venture capital, working capital or any other type (Raji, 2000 in EvbuomwanG.o et al. 2013 p85)

Government around the world want to help small and medium enterprise (SMEs) with between 10, and 250 employees get better access to finance so that they can grow and create jobs. The G20 estimates that SMEs contribute 49% of formal GDP in high-income countries and 29% in low-income countries. Moreover, across 99 countries, SMEs account for an average of 66% of employment (Ayyagari M.A.K., 2011). This move by the governments worldwide is in recognition of the vital role SMEs play in economic growth through employment creation, wealth generation and reduction in the level of poverty in the long run.

#### **4. Financing Options of Small Medium Enterprises in Nigeria**

It is accepted by both the practitioners and academicians that SMEs serve as catalysts for the economic growth of the economy of any nation. However, the SMEs are faced with many challenges. In Nigeria, one of the significant challenges faced by SMEs is that of capital to finance their operations (Fatai, 2009). Empirical evidence shows that finance contributes about 25% to the success of SMEs. (Ogujuiba Et. al.2004). A World Bank report showed that 39% of small-scale firms and 37% of medium scale firms in Nigeria are financially constrained. (World Bank report, 2001). Many SMEs in Nigeria lack the capital to continue their business, and they are forced to close shop because they are unable to access the required funds. What are, therefore, the financing options of SMEs in Nigeria? Every enterprise is financed either through debt or equity or a combination of both. Both types of financing are usually

sourced from either the informal finance sector (IFS) or the formal finance sector (FFS). The two fundamental financing concepts of SMEs, are formal and informal forms of financing, have been identified by previous researchers, scholars, and practitioners (Gelinass, 1998; Aruwa, 2004).

The researchers identified commercial banks and development banks in the formal sector as the most popular source of finance for enterprises. The natural area, which consists of borrowing from friends, relatives, and cooperatives, are also an essential source of financing SMEs. Another source of enterprise financing is through personal savings. The informal finance sector consists of informal finance institutions like moneylenders, landlords, friends, relations, credit and savings associations (co-operative societies), Esusu, also known as ayo among the Yorubas, Isusu or Atu among the Ibos, Osusu among the Edos, Adashi among the Hausas, dashi among the Nupes and Etibe among the Ibibios. (Okorie & Miller, 1976). The formal financial sector is made up of official finance institutions such as commercial banks, microfinance banks, international development agencies, etc.

Finance according to Muktar (2009) is a precondition to the growth of enterprises. The sources of finance available to SMEs were enumerated by Ewiwile, S. Azu, B. and Owa, F. (2011) as follows:

1. The owner-savings and his or her associates including family and friends who may or may not be partners or shareholders in the venture.
2. Partners and shareholders in the venture
3. Banks and lending institutions
4. The small business administration and financial assistance programme.
5. Small Business Administration licensed small business investment companies.
6. Members of the trade, including suppliers of materials such as manufacturers and wholesalers, and in some instances, customers who prepay their contracts.
7. Other businesses, local capitalist sales finance companies, factor and other sources.

Although, among the sources mentioned above, personal savings is the most convenient source of financing to quite some people. In a study

conducted by Aggarwa, S. Klapper, L., and Singer, D (2012) on financing businesses in Africa; the role of Microfinance, respondents were asked about the most important reason why people save money, 29 percent provide a precautionary motive behind their most important reason to keep, starting saving for either “a rainy day” or “in case we get sick”. The second most important reason that people report saving is “to start a business” (almost 20%). These numbers suggest that nearly half of the people surveyed are using savings for purposes that credit was either supposed to or is billed to, serve. Other sources of finance available to SMEs for example financial institutions loans are practically not accessible. Banerjee and Duflo (2007) have documented that a considerable proportion of the poor still lacks access to formal banking services. Gaul (2011) calculates the absolute difference between the population living below the poverty line and the population with access to financial services and finds that the numbers are as high as 80 million for Nigeria and 48 million for Congo. While this is a somewhat crude and imprecise way to measure financial inclusion, it does underline the fact that vast majorities of the very poor continue to be bypassed by financial institutions. Besley (1995) documents that moneylenders in Western Africa have been successfully charging significant withdrawal fees on deposits.

However, to provide the solution to unemployment problems and enhanced the growth and development of the nation, various efforts had been made by the Nigerian government to spur entrepreneurship activities in the country. Such efforts include the promulgation and establishment of the National Directorate for Employment (NDE), Nigerian Industrial Development Bank, (NIDB), Nigerian Enterprises Promotion Decree, Peoples Bank of Nigeria, Community Banks, Family Economic Advancement Programme (FEAP), and National Poverty Eradication Programme (NAPEP) to mention but a few (Olagunju, 2004; Muktar, 2009; Ojo, 2009, and Oni et.al 2012). Micro Finance Institutions (MFIs) in Nigeria were also established with the aim of assisting SMEs in providing capital for expansion, although distressed assets base and demand for collateral by banks, denies most SMEs access to capital (Oni, Paiko and Ormin, 2012).

### **Reasons why SMEs Do Not Seek External Finance**

- I. Lack of collateral: Few SMEs, especially in the early stages of growth, possess significant unencumbered assets on their balance sheet, this can be used as loan collateral. Consequently, banks often required SME owners to pledge personal assets as collateral or provide personal loan guarantees. This exposes the business owner to additional liability for business failure, which discourages SMEs from borrowing.
- II. Lack tangible equity to leverage by borrowing: Given their risk profile, SME balance sheets may not contain sufficient tangible equity to enable lending while maintaining a reasonable leverage ratio. Too much debt relative to equity results in over-leverage, increasing the risk of insolvency. This risk is heightened for SMEs, as their cash flow tends to be more volatile compared to larger companies.
- III. Unwillingness or inability to provide information: SMEs tend to have weaker accounting and management reporting than large firms for two reasons. The first reason is that the fixed cost element in preparing accounts, management reports, etc. are a more significant proportion of revenues for small firms, so they are likely to produce less information than larger firms. Secondly, SMEs are often controlled by family or a small group of insiders (La Porta, 1999), which many of whom may be directly involved in managing the firm.
- IV. Unwillingness to incur insolvency risk. Many SMEs end their life in insolvency, so the efficiency and transactions costs of the insolvency regime in distributing the remaining capital to creditor and shareholders are also important factors for their owners to consider. An efficient insolvency regime enables SME owners to terminate their liability of an unsuccessful enterprise- without such limits, launching an enterprise can be a once-in-a-lifetime gamble, which discourages entrepreneurs from borrowing and risking insolvency if they cannot repay.

### **Government Funding Schemes for Micro, Small and Medium Enterprises in Nigeria**

- a) The Nigerian industrial development Bank (NIDB). The NIDB was established in 1964 and charged with the function of harnessing local and foreign skills private capital in the development of new industries and the expansion of existing ones.
- b) Small-scale industries credit schemes (SSICS). The small-scale industries credit scheme was introduced in 1971, as a revolving grant by the federal and state governments to assist in meeting the credit needs of small-scale enterprise on liberal terms.
- c) Promotion of small-scale Enterprises: the CBN, from 1970, was instrumental in promoting wholly owned Nigerian enterprises. In its then policy guidelines, the Bank directed that with effect from April 30, 1970, credit to indigenous borrowers was to be at least 35% of Commercial and Merchant banks' total loan and advances. The proportion of loans to indigenous borrowers was raised in subsequent years with special emphasis on small-scale enterprises.
- d) Promotion of Agricultural and Manufacturing activities: Through its Monetary Policy circulars (before its abrogation in 1996), the CBN prescribed that not less than 15% of commercial and 10% of Merchant Banks "Credit be granted to agricultural activities. The banks were to allow grace periods on agricultural loans: one year for small-scale peasant farming, four years for cash crop farming, five years for medium and large-scale mechanized farming and seven years for ranching. To promote manufacturing activities, the Bank stipulated in its guidelines that not less than 35% of Commercial and 40% of merchant bank" credit be granted to manufacturing enterprises.
- e) Promotion of Rural Banking: To encourage banking habit nationwide and channel funds into rural development, the CBN introduced the rural banking scheme in June 1977 in three phases – 1977-1980, 1980-1985 and 1st August 1985 through 31st July 1989. As at the end of June 1992, 765 of the 766 branches stipulated by the CBN had been opened. The

Nigerian Bank for Commerce and Industry (NBCI) It was established by Decree 22 of May 1973 and charged with the function of providing equity capital funds by way of loans to small and medium scale industries.

- f) The National Economic Reconstruction Fund (NERFUND). NERFUND was set up by Decree No. 25 of 1988 as a funding mechanism aimed at bridging the gap in the provision of local and foreign funds to small and medium scale enterprises. The federal government set it up to provide relatively long-term loans (5-10 years) to small and medium scale enterprises at relatively concessionary rates of interest.
- g) People's Bank of Nigeria: the People's Bank of Nigeria (PBN) was established by the Federal government in 1988 with an initial takeoff grant of N30 million to meet the credit needs of small borrowers who cannot satisfy the stringent collateral requirements normally demanded by conventional banks. The bank was designed to cater for the credit needs of informal sector operators such as artisans and petty traders" in both the Urban and rural areas and thereby increase their self-reliance.
- h) Community Banks (CBS). They were established in 1990 with the objectives of providing effective financial services for the rural areas as well as micro-enterprises in the urban centers. Community banks in Nigeria were self-sustaining financial institutions owned and managed by local communities such as community development associations, town unions, cooperative society's farmers" groups, social clubs, etc. to provide financial services to the respective communities.
- i) The Nigerian agricultural, cooperative and Rural Development Bank (NACRBD) (Bank of Agriculture BOA). The bank was set up in October 2000 as an amalgam of the old peoples Bank of Nigeria (PBN). Nigerian Agricultural and Cooperative Bank (NACB) and Family Economic Advancement Programme (FEAP). The Federal Ministry of finance jointly owns it Incorporated (MOFI) and the Central Bank of Nigeria (CBN) with a shareholding ratio of 60 and 40 % respectively. The primary aim is to finance agriculture as well as small and

medium enterprises. While microcredit facilities account for 7%, the balance of 30% is for micro-credit facilities.

- j) The bank of industry (BOI): this is an amalgamation of the former Nigerian industrial development Bank (NIDB) the Nigerian Bank for commerce and industry (NBCI) and the National Economic Reconstruction Fund (NERFUND). It was set up in 2000 principally to provide credit to the industrial sector. The mandate of the BOI includes providing financial assistance for the establishment of large, medium, and small projects; as well as expansion, diversification, and modernization of existing enterprises, and rehabilitation of ailing industries. The percentage of its annual lending to MSMEs increased to 96% by December 2010 from 35% in 2005 (Bank of industry, 2011).
- k) FGN Special Intervention Fund for MSMEs (National Enterprise Development Programme), The Fund is a Federal Government of Nigeria initiative to provide subsidized loans to Micro, Small and Medium Enterprises (MSME) at single digit (9% per annum) all-inclusive interest rate. The Fund is also to cater for applications received from SMEDAN under the National Enterprise Development Programme (NEDEP) Scheme. This Fund is aimed at stimulating economic activity in the SME sub-sector being the major drivers of industrialization, wealth and job creation.

These various schemes, programmes, and institutions initiated to assist the SME sector were not very efficient. The vast majority of MSMEs have not been able to secure finance from these institutions. Finance and management skills are crucial to SMEs survival. The management skills could be learned through organized development programmes. SMEs indeed if well taken care of can assist in bringing about employment creation, which can lead to poverty reduction.

### **Empirical Studies on Small and Medium Scale Enterprises**

A number of empirical studies were conducted, for example, an attempt to evaluate the challenges and prospects of small and medium enterprises in Nigeria, Osotimehin, Charles, Babatunde, & Olajide (2012) used non-parametric simple percentages and Z-test statistical

technique for sample of 100 SMEs randomly selected from 10 local governments of Lagos state south Western Nigeria to examine the challenges and prospects of micro and small-scale enterprises. The findings showed that lack of finance and management skills affects the efficient performance of SMEs in Nigeria. Therefore, the authors recommend that both government and non-governmental organization should always organize seminars and educate them on how to plan, organize, direct as well as control their business. Similarly, Oluchukwu (2012) used simple percentage and chi-square for the sample of 150 questionnaires, out of which 120 were retrieved and analyzed to investigate the impact of small and medium enterprises in employment generation for Lagos state Nigeria. Findings from the study revealed that SMEs promotes sustainable development in Lagos state. Thus, the study recommends that government should encourage the youth to develop entrepreneurial skills to be self-employed.

Furthermore, Kadiri (2012) used binomial logistic regression for the sample of 650 SMEs consisting of 180 agro-allied and 470 non-agro allied SMEs in Nigeria to examine the contribution of SMEs in employment generation. The author revealed that SMEs were unable to generate much employment because of their inability to secure adequate finances. Also, the study showed that most of the SMEs sampled relied on informal sources of funding to start their business. However, in an attempt to determine the level of loan delinquency among small and medium enterprises in Ondo state Nigeria, Obamuyi (2007) used descriptive statistic on nine commercial banks and 115 SMEs from selected local governments in Ondo state. The results showed various factors responsible for not expanding SMEs loan portfolio with poor creditworthiness, lack of collateral security and constraints based on regulation topping the list. The study also showed that loans delinquency rate was low at 6.90% of total loan obligations among SMEs in Ondo state Nigeria.

In a study carried out by Afolabi B and Macheke R (2012) entitled "An Analysis of Entrepreneurial and Business Skills and Training needs in SMEs in the Plastic Manufacturing Industry (PMI) in the Eastern Cape Province, South Africa", they found out that the SMEs in the PMI depends on the entrepreneurial and business skills

for their success. The SMEs in the industry, therefore, need training in these skills to succeed.

## **THEORETICAL FRAMEWORK**

The theoretical framework adopted for this study is systems theory. General systems theory was initially proposed by biologist Ludwig Von Bertalanffy in 1928. Thomas Dye also used the approach in political science.

Source; Griffin, 1990, p 58 in Burton et al., 2007 p.56

A system is “an organized or complex whole; an assemblage or combination of things or parts forming a complex or unitary whole.” (Rosenzweig J.E. et al 1964; 367). SMEDAN as an organization could be seen as a system. It consists of four essential elements of a system. The inputs, transformation process, outputs, and feedback. The contributions required include the human resources, that is the staff of the organization, financial resources; that is the funds made available to the organization from the government and United Nations body, material such as vehicles and other working equipment and information resources. These include data on MSMEs operations in and outside the country. These inputs are put through the transformation process of administrative practices, and control techniques, to produce the output. The output here is the outreach and impact made on MSMEs in the larger society, which is also a system. These impacts could be informed of more and better access to finance, new and better methods of production resulting in improved products, the establishment of new MSMEs, accessibility to the better workspace and overall achievement of the organizational goal of SMEDAN.

Therefore, Systems theory is used for this study because of the input throughput and output components. SMEDAN as an organization was established and given resources to act and produce the result in the MSMEs sector. Through the application of the Systems theory, we shall see the output regarding changes in the MSMEs industry and feedback accordingly.

SMEDAN is to facilitate MSMEs access to all they need regarding financial and non- financial needs to be able to achieve this,

and the system must function effectively. There must be synergy among the various component units.

The input into SMEDAN include the staff, the consultants SMEDAN involve in carrying out its development programmes, the vehicles, and equipment such as computer systems. These things are provided to aid SMEDAN in carrying out its functions, funds allocated to SMEDAN and data it collects on MSMEs.

**Conversion process;** the identifiable variables here include the training given to the staff, the Bank of industry and other financial institutions, the contacts made by a team of SMEDAN to the beneficiaries contacts made by SMEDAN to other organizations to boost their activities could also be seen as a process.

**Output:** This relates to the actual impact that is formed on the beneficiaries. This we look regarding development programmes organized for beneficiaries, the access to both financial and nonfinancial assistance needed by the recipients. This could be regarding better infrastructure, expanded production and market among others.

**Environment:** The immediate contexts here are the MSMEs which expects SMEDAN to influence its activities so that it can experience growth and development which in turn will affect the broader society economically.

**Feedback;** through the feedback mechanism, SMEDAN can know whether or not it's making an impact on the MSME. When the outputs are sent into the environment, a feedback is sent to SMEDAN as par its performance. This reveals whether or not the intended effect is being achieved.

## **METHODOLOGY**

In this study, the survey research method as an investigative technique of generating relevant data from the field was used, and the views of respondents on the contribution of SMEDAN to the growth and development of MSMES in Kaduna and Kano were captured using the survey method. The population for this study is four hundred and ninety seven (497) drawn from the beneficiaries of SMEDAN programmes, staff of SMEDAN and the consumers of the products of

the beneficiaries of SMEDAN: the first category are the staff of SMEDAN headquarters Abuja which are one hundred and thirty eight (138), while twenty six (26) are junior staff and one hundred and twelve (112) are senior staff (2009 SMEDAN annual report).

The second categories of the population are those who have benefited from SMEDAN’s activities. Bearing in mind that not all micro, small and medium enterprises might have benefited from SMEDAN’s activities, the target populations therefore are those who came in contact with and benefited from SMEDAN in one way or the other. For this purpose, the researcher got a list of those SMEDAN had contact with. SMEDAN made contact with 221 entrepreneurs belonging to cooperatives and clusters both in Kaduna and Kano. (SMEDAN Headquarters, Abuja).

The third categories of the population are the general public that is the consumers. This population is an unknown population. We took a sample of 200, which are 100 from each state. Five (5) people were interviewed. One from SMEDAN head office at Abuja, the other four were from the enterprises involved in the study.

**Table 2: Summary of Population and Sample Size**

Group/Cluster	Population size	Sample size
Staff of SMEDAN	112	20
Kano Waste recycling, oil mill, leather processing	178	108
Kaduna Kasuwar barchi tailoring cluster wood/metal panteka	207	113
Consumers	Unknown	200
Total	496	441

**Sampling Technique**

Using the purposeful sampling techniques, we used 20 out of the 112 senior staff population of SMEDAN headquarters Abuja. We sampled only the senior staff because they are the ones that actually go to field for work. The purposeful sampling technique is a strategy in which particular settings, persons or activities are selected deliberately in order to provide information that cannot be gotten from other sources.

The second category of the population which are the beneficiaries of SMEDAN are 385. This is, 240 males + 145 females. Using the formula of paler – calmorin and calmorin, (2006) we arrived at a sample size as shown below:

$$PPZ NSe P Se NZ n 11 2 2$$

Where n = Sample size

N = Total number of population

Z = The standard value (2.58) of 1% level of probability with 0.99 reliability

Se = Sampling error (0.01)

P = The population proportion

5.01 5 .058 .201 .0885 5 .01 01 .058 .2385 2 n

645 .085 .35 .00001 .03 .993

221 97 .220495 .430005 .993495.400005 .03 .993

For the beneficiaries, the sample size is 221.

Therefore the sample for this study shall be 441. The justification for this sample is based on Asika (2006). According to Asika (2006), the manner of selecting the sample is as important as the size of the sample. A sample of 100 elements selected randomly from a population of 1,000 elements is to a great extent representative of the population, and the findings from a study of 49 of the sample can be generalized for the population. According to him, in the United States of America, most survey organizations consider a sample size of 1200- 1300 randomly selected from the entire USA as being „adequate“ for generalization for the country. For this study, though we have a total known population of 496, we shall use a sample size of 441 because of the differences in the size of the different clusters that make up the entire study population. Also considering we have an unknown population.

### **Presentation of Data Analysis**

For this study, tables, percentages were used to present data. Statistical package for social sciences (SPSS) was used for analysis. The Chi – square according to Leven and Rubin 50 (2007:586) is used to measure the level of discrepancy between observed and expected frequencies and is given as follows:

Where  $X^2$  = Chi – square

O = observed frequencies

E = expected frequencies

$\Sigma$  = sigma or summation

The expected frequency is usually calculated by multiplying the column total by the row total and dividing the result by the grand total for each cell. The level of significance refers to the maximum probability with which we could be willing to risk: for the purpose of this study, our level of significance is 0.05 because it agrees with the Yamane’s formula for sampling adopted by the study. This means that the maximum probability we are willing to risk is 5%. Also, secondary data collected from documents sourced from SMEDAN, empirical studies, internet materials were used to support data collected from questionnaires administered on staff of SMEDAN, the beneficiaries of SMEDAN and the customers generally. Frequency tables and percentages were the instruments used to present and analyze the data. The three hypotheses stated in chapter one were tested using Chi-square goodness of fit. Out of the four hundred and forty one (441) questionnaires administered among all the clusters involved in the study, four hundred and nine (409) were returned. The 409 constitutes 93% of the total. Below is a tabular presentation of the questionnaires administered and returned.

**Table 3: Questionnaires Administered and Returned**

Group or Cluster	No administered	No returned	Percentage response (%)
Staff of SMEDAN	20	18	90
Beneficiaries (Entrepreneurs)	221	209	95
Consumers	200	182	91
Total	441	409	93

Source; Field Survey, 2014

From the table above, we see the rate of return of the questionnaires administered to the various clusters that constituted the sample size for the study. For the staff of SMEDAN, the rate of return was 90 percent, while for the beneficiaries, the rate of return was 95% and the rate of return from the consumers was 91%. The total response rate was 93%. Results derived from analysis of these responses are considered sufficient for valid conclusions.

**Test of Hypotheses**

**Test of Hypothesis ONE:**

The hypothesis was stated in null (Ho) form as follows;

Ho; There is no significant relationship between SMEDAN’S development programmes, support services provided and the growth and development of MSMEs entrepreneurs in Kaduna and Kano States.

Variables: Independent,: SMEDAN’s development programmes and support services

Dependent: growth and development of MSMEs

**Table 4: Chi-Square Tests**

Value	Df	Asymp.Sig. (2-sided)	
Pearson Chi-Square	36.563a	9	.0054
Likelihood Ratio	34.838	9	.0052
Linear-by-Linear Association	0.887	1	.000
N of Valid Cases	209		

Source; Field Survey, 2014

Decision rule: If the calculated chi-square value (X2) is greater than the critical chi-square value  $\chi^2_{(9)}$ , we reject the null hypothesis and accept the alternate hypothesis. At a significant level of 0.05%. The Pearson Chi-square (X2) value calculated is 36.563 with a degree of freedom of 9.

The critical Chi-square (X2) value is 16.919 at 0.05% level of significance. Since the calculated 36.563 is greater than the critical 16.919, we reject the null and accept the alternate. Therefore, the Ho which states that there is no significant relationship between SMEDAN’s development programmes and support services provided and the growth and development of MSMEs in Kaduna and Kano states is rejected.

**Test of Hypothesis Two:**

The hypothesis was stated in the null form

Ho: there is no significant relationship between SMEDAN’s provision of industrial infrastructure and the growth and development of MSMEs in Kaduna and Kano States.

Variables: Independent: SMEDAN’s provision of industrial infrastructure

Dependent: growth and development of MSMEs

**Table 5: Chi-Square Tests**

Value	Df	Asymp. Sig. (2-sided)	
Pearson Chi-Square	21.524a	16	.027
Likelihood Ratio	21.754	16	.026
Linear-by-Linear Association	2.963	1	.085
N of Valid Cases	209		

Source: Field Survey, 2014

Decision rule: If the calculated Chi-square value (X2) is greater than the critical chi-square (x2), we reject the null hypothesis and accept the alternate hypothesis at a significant level of 0.05%, and if the calculated chi-square value (X2) is less than the critical value, we accept the null hypothesis at a significant level of 0.05%.

The Pearson Chi-square (X2) calculated value is 21.524 with a degree of freedom of 16. The critical value is 29.296, we accept the null and reject the alternate.

**Test of hypothesis Three:**

The hypothesis was stated in null form

Ho: there is no significant relationship between SMEDAN’s linkage to internal and external sources of finance and the growth and development of MSMEs in Kaduna and Kano States.

Variables: Independent: SMEDAN’s linkage to internal and external sources of finance

Dependent: growth and development (expansion)

**Table 6: Chi-Square Tests**

Value	Df	Asymp. Sig.(2-sided)	
Pearson Chi-Square	20.491a	16	.199
Likelihood Ratio	20.135	16	.214
Linear-by-Linear Association	4.075	1	.044
N of Valid Cases	209		
Source: Field Survey, 2014			

Source: Field Survey, 2014

Decision rule: If the calculated Chi-square value  $X^2$  is greater than the critical Chi-square ( $X^2$ ), we reject the null hypothesis and accept the alternate hypothesis at a significant level of 0.05%. The Pearson Chi-Square ( $X^2$ ) calculated value is 20.491 with a degree of freedom of 16. The critical value is 29.296 at 0.05% level of significance. Since the calculated 20.491 is less than the critical 29.296 we accept the null.

## **Discussion of Results**

For hypothesis one the null which states that there is no significant relationship between SMEDAN's development programmes and support services and the growth and development of MSMEs in Kaduna and Kano States was rejected because the findings revealed that there was growth and development through implementation of knowledge derived from the development programmes. This may probably be because the development programme was easy to organize as all SMEDAN needed to do was to make contact with the consultants that handled the development programmes. These consultants are part of the input into SMEDAN. Secondly, there were no requirements to be met. This accounted for the success recorded as relates to the training of beneficiaries. According to the collaborative survey conducted by SMEDAN and NBS, in the ranking of services respondents benefited, entrepreneurship training and vocational skill upgrading were ranked as most important. This goes to buttress the importance of the development programme. The development programme is linked with the third function of SMEDAN as contained in its enabling act. The function is to promote and facilitate development programmes, instruments and support services to accelerate the development and modernization of MSMEs. Improvement in managerial skills of entrepreneurs is qualitative and not quantitative. Improvement in managerial skills is an output which is seen as an impact on the entrepreneurs.

The second hypothesis which relates to the issue of industrial infrastructure is directly linked with the seventh (7th) function which is promoting and providing access to industrial infrastructure, such as

layouts, incubators and industrial parks. Here, the null hypothesis which states that there is no significant relationship between SMEDAN's provision of industrial infrastructure and the growth and development of MSMEs entrepreneurs in Kaduna and Kano States was accepted. This situation is explained by the fact that the beneficiaries are yet to obtain infrastructural facilities from SMEDAN. For example, one of the clusters used for the study, that is the Majemar Kofar Wambai leather processing in Kano occupy a land which is too small for their operations. The site is located within a residential area. There is no accessible road there is insufficient water for their production activities and the drainage system is very poor. Infact the place is choked up. In an interview conducted with Ado Bello on the 17th of July 2012, at SMEDAN head office Abuja, he disclosed that SMEDAN in an attempt to help the situation wrote to the Kano State government to give the Leather Cluster a land. A land close to the modern tanneries at chalawa was given to them. But the people said they could not develop it. MEDAN made contact with UNIDO who donated modern tanneries equipment.

Also, the members of the tailoring cluster in Kasuwar Barchi from discussions that ensued in the course of questionnaire administration, disclosed their space for work is tight. In fact in some instances, four (4) to five (5) of them shared a single shop and share the rentage. In addition to this, the collaborative survey revealed that majority of the enterprises made daily use of alternative source of power.

The third hypothesis which relates to the issue of entrepreneurs linkage to finance, is linked with the fifth (5th) function of SMEDAN which is linking MSMEs to internal and external sources of finance, appropriate technology, technical skills as well as to large enterprises. Here the null hypothesis which states that there is no significant relationship between SMEDAN's linkage to finance and the growth and development of MSMEs in Kaduna and Kano States was accepted. This situation is explained by an interview conducted with the desk officer, Ado Bello on the 18th of July, 2012 at SMEDAN head office in the Enterprises Promotion department. The interview revealed that SMEDAN had not been able to help enterprises access finance because of the stringent conditionalities attached to such loans from

Bank of Industry. He mentioned the Dangote's fund which is under the control of Bank of Industry.

### **Major Findings**

The following were the major findings of the study:

- 1) SMEDAN organizes development programmes which has resulted in improved managerial skills of MSMEs entrepreneurs. The training exposed the entrepreneurs to the need to register with CAC, the importance of record keeping, efficient financial management, good customer relationship and the importance of having fine finishing on products. From SMEDAN's 2010 annual report, the agency trained a total of 16379 existing business owners and start ups under its various Entrepreneurship Development Programmes ( EDPs) such as general EDP, Youth EDP, Corper's EDP, Women EDP and other Enterprise support services. The EDP is necessary to encourage enterprise development in the country which in turn is expected to trigger entrepreneurial activities among groups and individuals to improve and sharpen their business skills. This will ultimately provide employment for the nation's growing population.
- 2) The Study revealed that SMEDAN did not assist the MSMEs entrepreneurs in securing infrastructure because of the uncooperative attitude of some State governments. Majority of the respondents' workspaces are not convenient because, for some, it is tight, like the tailors in Kasuwar Barchi Kaduna, the leather processing cluster at Kofar Wambai Kano. The leather cluster has no access roads, no good water supply and no drainage system. The tailoring cluster also has need of light and with constant power outages in the society, they need to get generating system. For the Oil mill, most of them said it was convenient, but they need electricity. Same applied to the waste recyclers in Kano. The welders and fabricators at Panteka in Kaduna also needed certain equipments and machines. From the 2011 annual report, the attitude of some state government has made it difficult for SMEDAN to assist the MSMEs infrastructurally.
- 3) The study revealed that the enterprises were unable to access funds through the assistance of SMEDAN .The major source of capital for the entrepreneurs is their ploughed back profit. This is because the conditionalities attached to borrowing from the bank of industry are too

stringent.

4) According to the study, the organization SMEDAN is not being adequately funded by the government. The issue of funding is the major challenge confronting the organization. According to the 2011 annual report, the agency's major challenge is in the area of diminishing budgetary allocation. The agency witnessed a steady decline of its statutory allocation while activities, awareness and demands are increasing, and this significantly affected its programmes. In view of a large population of enterprises requiring different forms of assistance coupled with the challenge of covering a large country like Nigeria.

### **Summary**

Small Medium Enterprises Development Agency of Nigeria (SMEDAN) was established in 2003. This agency was established to adequately cater for the needs of the Micro Small and Medium Enterprises Sector (MSMES) of the economy. The MSMES is a very vital sector of the economy. If there is going to be economic growth and industrialization, this sector cannot be neglected in any nation, and particularly in Nigeria.

From literatures, we see that many economies such as India, Malaysia, Japan and Taiwan amongst others have been transformed through this vital sector of the economy. They were able to transform their economies because of the priority given to it. For Nigeria to experience economic growth, the development of the MSME sector should and must form one of the country's development objectives. The MSMES are training grounds for local skills and entrepreneurs, and could become channels for mobilizing local savings and ensuring a more equitable distribution of income and reduction of rural-urban migration.

SMEDAN as a government agency which is expected to tackle the problems in the MSMEs sector in a coordinated manner has only been able to provide non-financial support to the MSMEs. The services needed to boost the MSMES sector are both financial and non-financial. The financial services include the provision of micro credit and loans, while non-financial services incorporate a wide range of Business Development services (BDS). BDS activities refer to group training, individual counseling and advice, the development of new commercial

entities, technological development and transfer, information provision, business links and policy advocacy.

SMEDAN has only been able to provide non-financial support to the MSMES sector. This non-financial support has been mainly training provided to selected clusters at some intervals and advisory services given to these entrepreneurs. Even some aspects of the non-financial services such as the development of new commercial entities, technological development and transfer and business links have not been carried out.

## **CONCLUSION**

In conclusion, we see that SMEDAN has not been able to effectively perform some of its functions because of certain challenges confronting the agency. The agency's funding is inadequate, the trained entrepreneurs are unable to access finance to start or expand their operations. The provision of entrepreneurial education is not an end in itself but a means to an end. Finance is needed for them to expand and employ other people.

If there is going to be economic growth, poverty reduction and wealth creation in the Nigerian economy, the MSMEs sector must and should be given utmost priority. SMEDAN should be given all the support it needs and also monitored regularly to ensure that it is performing the functions it was established to perform so as to ensure the strengthening of the MSMEs sector in Nigeria.

## **Recommendations**

SMEDAN as an organisation is very much relevant and important as the coordinating body for the MSMES sector in Nigeria. In line with the importance and relevance of SMEDAN, we recommend the following

- 1) SMEDAN should keep organizing the development programmes from time to time and also reach out to others who are yet to benefit from such trainings. Also, SMEDAN should go beyond training programmes, advisory services, it should also engage in technological development and transfer through liaising with research intuitions to develop technology and transfer it to the entrepreneurs. According to the interview held with Ado Bello on the 17th of July 2012 at SMEDAN

head office Abuja, the Department of Finance and International Development (DFID) gave one professor in Bayero University Kano money for research on an equipment to assist the processing of the leather product, but there was nothing to show. We recommend that such projects should not be solely handled by an individual, it should be given to a research institute and properly monitored to ensure results.

2) State governments should come in to assist in the area of work space. The state governments should make available land areas which should be developed, and given to different clusters. The entrepreneurs could then be asked to make gradual payment back to the government. For instance, from interviews conducted with Ado Bello on the 17th of July 2012, at the SMEDAN's head office Abuja, he revealed that SMEDAN wrote to the Kano State government to give Leather Cluster a land. A land close to the modern tanneries at Chalawa was given without development, and the people said they could not develop it. SMEDAN made contact with UNIDO who donated modern tanneries equipment. SMEDAN asked the state government to help pay the port charges to move them to Kano. If such efforts can be made by the various state governments, it will go a long way in assisting SMEDAN to effectively carry out its functions.

3) The government should step in to assist SMEDAN in enabling it to facilitate entrepreneurs access to finance. This means something has to be done about the conditionalities of Bank of industry and other financial institutions. Finance is necessary to enable the entrepreneurs transfer the knowledge they received through training into practice. Finance is needed for expansion which will consequently lead to employment of more workers. Finance is also needed to enable new entrepreneurs start. Finance is a critical issue.

4) The Nigerian government should give SMEDAN adequate funds to enable her function effectively. The agency's activities have a high field work, a lot of finance is required to efficiently and effectively perform its functions.

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