

Impact of Small and Medium Scale Enterprises (SMES) on the Nigerian Economy

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ABSTRACT

This study was an attempt to access the performance and the contribution of the Small and Medium Scale Enterprises (SMEs) in the Nigerian Economy. Time series data spanning from 1986 - 2018 obtained from the CBN Statistical bulletin was used for the study. The econometric technique adopted for the study was Multiple Regression method based on Ordinary Least Squared (OLS) technique. Various tests were conducted to determine the status of the variables of the study in terms of stationary and long-run relationship. The tests include Normality, Unit Root and Johansenco-integration test. The variables used in the study were Real Gross Domestic Product (RGDP), SMEs Outputs, SMEs Investments, SMEs Savings and Commercial Bank Credit to SMEs. The model of the study was estimated and from the analysis, all the parameters of the independent variables were positive and significant expect that of Bank Credits to SMEs which was insignificant. The study made recommendations which include that government should declare a state of emergency on SMEs sub sector of the economy, government should stem the tide of sentiments on ideology and extremism ravaging the SMEs business environments and setting up SMEs banks to take care of SMEs financial needs.

Keywords: SMEs, Nigeria Economy, SMEs Outputs, SMEs Investments, SMEs Saving

INTRODUCTION

Small and Medium Scale Enterprises (SMEs) are known all over the world as the drivers of economic growth. They are the economic growth model used in many nations to create employment, re-distribute income and reduce poverty [1]. It is obvious that most countries of the world do not benefit from the benevolence of nature in natural resources like crude oil and mineral deposits in the ground like the way Nigeria is favored by nature, hence, these countries make use of SMEs economic models, good economic policies and adequate budgetary provisions to sustain the operations of SMEs in their countries. Some countries like Thailand, China, Taiwan, Indonesia, Malaysia, South Korea, Singapore and many others have recorded high GDP growth rates through the efforts of SMEs.

SMEs in developed nations create great impact in the economy through government intervened programs and structures that sustain SMEs Outputs, Investments, Savings and guaranteed SMEs borrowing from banks. For SMEs to drive any economy, things must be on their right positions. Infrastructure and Investment climate must operate in harmony. Government in power must have a developmental blue print and sustainable economic policies that will enable SMEs operate fully without inhibitions.

The growth of output of any economy depends also on capital accumulation, and capital accumulation requires investment and an equivalent amount of saving to match it. Two of the most important issues in developing economies and for developing countries, are how to

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stimulate investment, and how to bring about an increase in the level of saving to fund increase investment [2].

Globally, there is an agreement that SMEs hold the key to economic growth based on the fast growth of enterprises and in generation of employment. According to [3], the concentration of SMEs has a close relationship with the dominant economic activities. SMEs dominate the world economies in terms of employment and number of companies yet their full potential remains remarkably untapped [4], [5]. This is due to a number of reasons (Legal, Institutional, Cultural, Societal, etc) which make the role of SMEs on economic development different across countries.

In Nigeria economy, SMEs sub sector has not been given adequate attention by the Nigerian government to drive the economy. Over dependence on oil sector and other natural resources has created poor attention in developing SMEs structures in Nigeria. Unarguably, of late, the Nigerian government has started to diversify its resources based on the experienced shocks in the oil sector. However, the level of investments and government budgetary provisions towards SMEs growth are still on the threshold. This explains why the Nigerian economy has been derogated by great nations as an economy with high rate of poverty index.

The high unemployment rate among the youths with its attendant crime waves and social vices are the indices of an economy where SMEs have weak operational capacities. SMEs globally face some challenges that are generic. Their challenges are similar across the globe. Such challenges include poor infrastructure, multiple taxation, difficulty in accessing finance, legal, institutional, cultural, poor management and so on. However, in the Nigerian context, SMEs suffer two types of problems namely the generic and the country specific problems. The country's specific problems are the ones affecting SMEs badly in Nigeria. They include ideology, extremism, ethnic hatred and

cleansing, various ethnic prejudices, parochialism and massive corruption from office holders and government officials. These problems affect the growth and development of SMEs in Nigeria because the people of the Northern part of Nigeria because of ideological bias will not tolerate or support the business of the Southern or Eastern part of Nigeria and vice-versa. The person in the leadership of the country because of ideology and ethnic prejudices and parochialism will not support SMEs growth in other region or at best he may set up a policy or law to clamp down the operation of businesses in some regions or ethnic groups he hated. Prejudices and ideological inclination have forced some ethnic groups to believe that the closure of the Nigerian borders is a calculated attempt to deal with the Igbo people who are in the business of buying and selling and importation. If such allegations are true, it means that ethnic hatred can destroy Nigeria SMEs and keep the economy in perpetual recession. The intention of the Federal government to invest in cattle business through the "RUGA" program was ideologically resisted in many states and this affects revenue and the growth of SMEs in Nigeria.

Corruption on the other side has affected the growth of SMEs in Nigeria. Leaders in authority that handle SMEs and Youth entrepreneurship programmes for the development of the economy lack integrity and character to be in that position. They organize workshops, seminars and various programmes that will enable youths acquire skills and secure loans after such programmes. However, on the expiration of the programmes, the organisers abandon these vulnerable youths after collecting registration fees of about five thousand naira (₦5,000) from them without granting them the loan facilities to start entrepreneurship business as they promised.

Recently in Enugu State, the Enugu State Capital Development Authority demolished about 30% of SMEs structures

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and businesses in what the Authority called “illegal structures.” Although, these structures were initially marked ‘X’ or ‘stop work’ by the authorities concerned but later some corrupt officials among the authorities received bribes and approved the structures again only to be demolished later with great loss to the owners. The demolition of these structures and businesses is economic waste to SMEs, families and the GDP of the country. The demolition exposed the families and their youths to crime and social vices since their livelihood and future are jeopardized.

The growth and development of SMEs in Nigeria depends on how the SMEs sub sector of the economy is being handled by those in leadership positions and the Nigerian economic planners and managers. This paper is an attempt to access the Nigerian economy and the relevance of the SMEs sub sector in driving the economy in the presence of their prevailing challenges.

Research Objectives

In determining the contribution of SMEs, the broad objective of this study is to access the impact of SMEs on the Nigerian economy while the specific objectives are to:

- i. Determine the extent SMEs outputs have contributed to the Nigerian Economy (GDP)
- ii. Examine the extent the SMEs investments in the economy have contributed to the growth of the Nigerian Economy (GDP).
- iii. Find out to what extent SMEs savings in the economy have contributed to the Nigerian GDP.
- iv. Analyze the effect of the Commercial Bank Credits (Loans and Advances) to SMEs in contributing to the Nigerian GDP.

Research Questions

Based on the objectives of this study, the following were the research questions:

- i. To what extent has the contribution of SMEs Output impacted on the Nigerian GDP?
- ii. How far has the SMEs Investments contributed to the Nigerian GDP?
- iii. To what degree has the SMEs Savings contributed to the Nigerian GDP?
- iv. To what extent have the Commercial Bank Credits to SMEs boosted SMEs Outputs and the Nigerian GDP?

Research Hypotheses

The hypotheses of this study were presented in null form

HO1: There is no positive and significant impact of SMEs Outputs on GDP

HO2: SMEs Investments have no positive and significant impact on SMEs Outputs and GDP

HO3: SMEs Savings have no positive and significant impact on SMEs Output and GDP

HO4: Commercial Bank Credits to SMEs have no positive and significant impact on SMEs Outputs and GDP

Scope of the Study

This study covered the operations of Small and Medium Scale Enterprises (SMEs) in Nigeria. The sample range for this study is from 1986 to 2018. The year 1986 was eventful in Nigeria in that it was the SAP era when the Nigerian Government deregulated the economy by adopting the 2nd Tier Foreign Exchange Market (SFEM).

Significance of the Study

The study will be of great importance to all the stake holders in the growth of the Nigerian economy. These groups will benefit from the study namely: The Nigerian government, the SMEs, the Economic Agents (Bankers), the Academia and the general public. These various groups have some inputs in the growth of Nigerian economy through synergy of efforts.

Conceptual Review

The Concept and Definitions of Small and Medium Scale Enterprises (SMEs)

The notion of SMEs was introduced into the development landscape as early as the late 1940s, and the primary aim was to improve trade and industrialization in the present developed nations (OECD, 2004).

The definition of Small and Medium Scale Enterprises (SMEs) varies from country to country, region to region and from agencies to agencies in today's world. The definitions of SMEs are usually derived in each country based on the role of SMEs in the economy, policies and programs designed by particular agencies or institutions empowered to develop SMEs.

SMEs can be defined based on certain criteria including turnover, number of employees, profit, capital employed, available finance, market share and relative size within the industry. The definition can be based on either some quantitative or qualitative variables. Quantitative definitions mainly express the size of enterprises, mainly in monetary terms such as turnover, asset value, profit, as well as quantitative index like number of employees.

In Nigeria, the National Council of Industry in 2003 categorised enterprises based on three criteria: size, number of employees and total cost including working capital but excluding land.

Size	Number of employees	Total cost including working capital but excluding land
Micro	1 - 10	Less than 1 million
Small	11 - 35	1 million less than 40 million
Medium	36 - 100	40 million less than 200 million
Large	101 and above	200 million and above

Source: National Council of Industry, 2003.

The concept of "Small enterprises" and "Small and Medium Enterprises" has raised some controversies among people, organisations and agencies on what should be the bases for the definition of SMEs. The unresolved arguments and controversies gave a leeway to proponents for their own definitions based on variables appealing to them. Among these proponents or agencies that defined SMEs differently were the CBN, SMEEIS and the National Council of Industry (NCI).

SMEs Outputs and Economic Growth (GDP)

Two of the most important issues in developing economies and for developing countries, are how to stimulate investment and how to bring about an increase in the level of saving to fund increase investment [6].

The growth of output of any economy depends on capital accumulation and capital accumulation requires investment and an equivalent amount of saving to match it. For output to grow, SMEs Investments must be equal to savings. Mathematically, the growth of Output ($\Delta Y/Y$) can be expressed as the product of the ratio of investment to national output ($1/Y$) and the productivity of Investment ($\Delta Y/1$) i.e ($\Delta Y/Y$) = ($1/Y$) ($\Delta Y/1$).

This explanation is in line with Harrod's Famous Growth formula for the actual rate growth [7] of $g = s/c$, where g is the rate ($\Delta Y/Y$); s is the saving ration (S/Y), and c is the increments capital -output ratio ($1/\Delta Y$), i.e the amount of investment or increase in the capital stock required to increase the flow of output by one unit (which is the reciprocal of the productivity of investment, $\Delta Y/1$).

Table 1: Contribution of SMEs to Economic Development (Developed Countries)

COUNTRY	ECONOMIC OUTPUT	EMPLOYMENT
USA	65%	80%
Japan	45%	80%
Western Europe	45%	55%

Source: Sabah Almqoged (2003)

Table 2: Contribution of SMEs to Export, Gross Value Added and GDP (Developed Countries)

COUNTRY	EXPORT	GROSS VALUE ADDED	GDP
Pakistan	18%	29%	5%
India	34%	40%	7%

Source: Sabah Almqoged (2003)

SMEs Contribution in Investments

In Keynesian terminology, investment refers to Real investment which adds to capital equipment. It leads to increase in the levels of income and production and purchase of capital goods. Investment includes new plant and equipment, construction of public works like dam, roads, buildings, etc. These projects are created through the activities of SMEs and they enhance the growth and development of the economy.

SMEs Contribution in Savings

Saving is a function of income and it is an excess of income over consumption.

$S = f(Y)$; $S = Y - C$. Savings constitute the supply of credit (loan-able funds) while investments are the demand for credit. Movement in these demand and supply of credit represented by savings and investment influences interest rate, which is the price of credit.

A decrease in the amount of savings by households, businesses and the government reduces the supply of loan-able funds and is bound to force interest rates to rise, while an increase in savings will cause interest rate to fall. SMEs contribute so much in savings to raise the supply of credits for investment

THEORETICAL FRAMEWORK

Under the theoretical framework, the following theories were briefly discussed: Harrod-Domar Model (1939), Loan Pricing Theory and The Keynesian Theory.

Harrod-Domar Model (1939)

Harrod-Domar Model explained that countries with higher savings ratio are expected to grow faster than those with lower rates. The main obstacle or constraint on development is the

purposes. Since SMEs do not have easy access to the formal financial structure in the economy for their activities, they save enormously through informal finance arrangements like thrifts, cooperatives and various loan associations. These savings from the informal financial arrangements enable SMEs get into capital formation with the savings they generate.

SMEs Finance and Bank Credits

The importance of adequate financial services to families, business units, government and other organisations cannot be over emphasized because finance is power and a major force in achieving success in human activities. As it concerns SMEs, access to financial services is one of the keys to alleviating poverty and achieving sustainable economic growth. Access to financial services for the poor (CGAP, 2002), will contribute to achieving the Millennium Development Goals (MDGs) in many ways. Financial services enable the poor to increase and diversify incomes, build human capacity, provide social and economic assets and improve their lives in ways that reflect the multi-dimensional aspects of poverty.

relatively low level of new capital formation in most developing countries. Savings and investment will propel growth with other conditions as integrated commodity and developed financial (money and capital) markets, highly developed infrastructure, well-trained motivation to succeed, and an efficient government bureaucracy/institutions.

Loan Pricing Theory

The theory is against banks setting high interest rates by trying to earn maximum interest income. Banks should consider the problems of adverse selection and moral hazard since it is very difficult to forecast the borrower type at the start of the banking relationship [8]. If banks set interest rates too high, they may induce adverse selection problems because high-risk borrowers are willing to accept these high rates. Once these borrowers receive the loans, they may develop moral hazard behaviour or so called borrower moral hazard since they are likely to take on highly risky projects or investments [9].

The Keynesian Theory

The Keynesian Theory is considered to be more appropriate in this work, hence, the theoretical underpinning of this study. This theory offers useful insight to the understanding of the effect of

EMPIRICAL REVIEW

[10] investigated the impact of SMEs financing on the dynamics of Gross Fixed Capital Formation (GFCF) in Nigeria in both short run and long run between 1984 and 2014 using OLS and Error Correction Model (ECM). They found that there exist a positive relationship between SME financing and dynamics of GFCF.

[11] examined the effect of SMEs financing in economic growth through investment. They used quarterly time series data between the period of 1996 and 2006. They found out that there is a direct relationship between SME financing and economic growth through investment generation.

[12] examined the role of the SMEs in Indian economy and found that these enterprises contribute 40% of the entire output of the country, over eleven million SME units in India produce more than 800 products, 90% of the industrial units in India belong to the SMEs sector, and that the SMEs contribute 35% to the Indian industrial export.

[13] employed quarterly time series data from 1992 to 2009 to examine the impact of financing SMEs and economic growth of Nigeria. Their results showed that loan

government interventions on small scale enterprises. The major advantage of this theory is its ability to provide the importance of government involvement in economic activities. The Keynesian economics argues that private sector decisions sometimes lead to inefficient macroeconomic outcomes and therefore advocates active policy responses by the public sector. Keynesian economics advocates a mixed economy, predominantly private sector, but with a large role of government and public sector.

Therefore, in countries like Nigeria where both private and public sectors are highly complementary, the lack of government in economic activities will always constitute an impediment to growth. In other words, government intervention is a crucial determinant factor in the growth of small scale enterprises in Nigeria.

to small scale entrepreneurs enhanced economic growth.

[14] employed descriptive approach to examine job creation and employment capacities of SMEs in relation to the Lagos State business environment. Considering ten elements of the business environment and two indices of SMEs relevance, the study found that inadequate access to finance, competitive pressures, multiple taxes and other fees and corrupt practices were among the factors militating against the SMEs. While socio-cultural elements availability and cost of Labour services did not constrain the enterprises.

[15], in International monetary fund, did a thorough study in 85 developing countries using the panel data method. Their findings suggested that the rate of national net saving has a positive correlation with GDP, and has a negative correlation with inflation rate.

[16] studied the determining factors of saving on Colombia between 1925 and 1994, using causality and cointegration tests. They confirmed the positive relationship between income and saving.

[17] investigated the relationship between savings and economic growth using the Granger Causality test. The results

obtained in this study are in accordance with the findings of the Solow model, which indicated that high rate of savings lead to high rate of economic growth. Moreso, there was a direct relationship between savings and income.

[18] assesses the impact of bank credit on economic growth in Nigeria using deposit money banks as a case study. The study covered 1992-2008. The proxies used are GDP and domestic credit to the economy. The result indicated that bank credit has not impacted significantly on the growth of the Nigerian economy. This is attributed to the fact that banks exhibits apathy in lending to the private sector for productive purposes example, agricultural

This study made use of Ex-Post-Facto research design. The data used in this study were all collected from secondary sources including annual time series data for Nigeria on Real Gross Domestic Products, SMEs Outputs, Investments, Savings and Commercial Bank Credits to SMEs collected for the period spanning between 1986 and 2018. The data were obtained from the Statistical Bulletin of the Central Bank of Nigeria (CBN) and Federal Bureau of Statistics (FBS).

Model Specification

The models for this study were specified after examining a sample of some studies. However, it was observed that many of the past studies adopted the Standard Neoclassical model that attempted to relate factors of production to output.

$$Y_t = A(t) f[k(t), L(t)]$$

Where Y(t) represents output in time (t), k(t) represents capital inputs in time (t) and L(t) represents labour inputs in time(t). A(t)denotes the technology level in the economy or its stock of knowledge and total factor productivity.

This present study also adopted this model with some modifications to accommodate the variables of this study. The functional relationship is as follows:

$$RGDP = f(SMEO, SMEINV, SMESAV, SMEBC, Z) \quad (1)$$

$$SMEO = f(SMEINV, SMESAV, SMEBC, Z) \quad (2)$$

sector, as they prefer to lend to the short term end of the market.

[19] examines the significance of Bank Credit in stimulating output within the Real Sector and the factors that prompt financial intermediation within the Nigerian economy. The variables used were Real GDP and Real Private sector credit growth. It was observed that there exists a reserved causation between real output and financial development.

It is therefore recommended for the government to ensure proper integration of the financial sector to be capable of substantially intermediating in the financial processes for the real sector of the economy [20].

METHODOLOGY

Econometric Models

$$RGDP = a_0 + a_1 SMEO + a_2 SMEINV + a_3 SMESAV + a_4 SMEBC + \mu$$

$$SMEO = b_0 + b_1 SMEINV + b_2 SMESAV + b_3 SMEBC + e$$

The symbols for the two models were explained as follows:

Where

RGDP - Real Gross Domestic Product

SMEO - SMEs Output

SMEINV - SMEs Investments

SMESAV - SMEs Savings

SMEBC - SMEs Bank Credits

Z - Other variables not explicitly included in the model

U - Error term for model 1

e - Error term for model 2

a_0 - Intercept of the regression line for model 1

b_0 - Intercept of the regression line for model 2

$a_1 - a_4$ - Coefficients of each independent variable in model 1

$b_1 - b_3$ - Coefficients of each independent variable in model 2

The two models were logged as follows:

Model I

$$\log RGDP_t = a_0 + a_1 \log SMEO_t + a_2 \log SMEINV_t + a_3 \log SMESAV_t + a_4 \log SMEBC_t + \mu \quad (1)$$

Model II

$$\log SMEO_t = b_0 + b_1 \log SMEINV_t + b_2 \log SMESAV_t + b_3 \log SMEBC_t + e \dots \quad (2)$$

apriori expectation

Based on the underlying theories from where the variables of this study were derived and the empirical evidence from the literature reviews, the expected coefficients of the variables are as follows:

Model 1 : $a_1 - a_4 > 0$

Model 2 : $b_1 - b_3 > 0$

Techniques of Analysis

The study adopted many techniques in analyzing the data collected. The technique includes t-test, F-test, Analysis of Variance (ANOVA) and regression analysis.

In analyzing secondary data, especially of time series, care is taken to avoid using variables that are non-stationary that can lead to spurious regression. Such negative outcomes from spurious regressions affect the quality of parameter estimates in forecasting, prediction and general economic planning.

This study avoided the problem of spurious regression by going through preliminary and diagnostic tests. By

Preliminary test, we employed the Augmented Dickey Fuller test in order to ascertain the stationary state of the time series variables. In order to ascertain if a common stochastic drift exist among the variables, we employed the Johansen Cointegration test.

Diagnostic tests were carried out on each of the variables for stationary to ensure that the model finally chosen is a “good” model in the sense that all the estimated coefficient have the ‘right’ signs. That they are statistically significant on the basis of the t and F- tests, the value is reasonably high, and the Durbin Watson (DW) statistic has acceptable value (around 2) etc.

Data Analysis

The data for this study were analysed. The results of Augmented Dickey Fuller (ADF) and Philips Unit Root tests of individual series were given both at level and at First difference. Regression models were estimated using Ordinary Least Square (OLS) while hypotheses of the study were tested.

Table 3: Augmented Dickey Fuller (ADF) Unit Root Test at Level

Variables	ADF Test Statistic Value	Mackinnon Critical Value at 5%	Remarks
RGDP	- 0.6768	- 2.9798	Non Stationary
SMEO	- 0.1389	- 2.9798	Non Stationary
SMEINV	- 0.4797	- 2.9798	Non Stationary
SMESAV	-0.0049	- 2.9798	Non Stationary
SMEBC	-2.4315	- 2.9798	Non Stationary

Source: Authors Computation using E-View 6.0

The table above shows the summary of Unit root test on the series at level. From the table, it could be deduced that all the variables were non-stationary because they had their ADF statistic less than Mackinnon Critical Value at 5%. This led to the testing for stationary at first difference.

Table 4: Unit Root Test at First Difference

Variables	ADF Test Statistic Value	Mackinnon Critical Value at 5%	Remarks
GDP	- 3.2977	- 2.9798	Stationary
SMEO	- 0.1389	- 2.9798	Stationary
SMEINV	- 0.4797	- 2.9798	Stationary
SMESAV	-0.0049	- 2.9798	Stationary
SMEBC	-2.4315	- 2.9798	Stationary

Source: Author’s Computation Using E-View 6.0

Table 4.2 showed that all the variables were stationary at first difference because they had their respective ADF statistic greater than Mackinnon Critical Values at 5%. It also showed that the variables were co- integrated in the same order.

Table 5: Ordinary Least Squares (OLS) Regression Results of Model 1 (Main Model)

Variable	Coefficient	Std Error	t-statistic	Prob
C	13.55109	0.472509	43.493542	0.0009
Log (SMEO)	20.69205	4.888665	4.232658	0.0015
Log (SMEINV)	6.551412	1.029721	6.362318	0.0002
Log (SMESAV)	6.427984	0.849191	7.569539	0.0000
Log (SMEBC)	0.072557	0.128456	0.564835	0.5767

R-Squared 0.884772

Adjusted R-Squared 0.870368

S.E of Regression 0.322974

F-statistic 492-7898

Prob (F-statistic) 0.000000

Durbin-watson stat. 2.583841

Source: Author's Computation using E-View 6.0

RESULTS

SMEs Saving (SMESAV) has a positive (6.427984) and significant (0.0000) effect on GDP. It is in line with the apriori expectation.

SMEs Bank Credit (SMEBC) has a positive (0.072557) and insignificant (0.5767) effect on GDP. It is in line with the apriori expectation.

SMEs Output (SMEO) has a positive (20.69205) and significant (0.0015) effect on GDP. It is in line with the apriori expectation.

SMEs Investments (SMEINV) has a positive (6.551412) and significant (0.0002) effect on GDP. It is in line with the apriori expectation.

The Constant parameter (C) has a coefficient of 13.55109 implying that if all the independent variables are held constant, GDP will increase by 13.55109 units.

The outcome of the diagnostic tests from the analysis is quite revealing. The coefficient of determination (R^2) is 0.884772 which shows that 88.5% of the total variation in GDP is explained by the variation in SMEO, SMEINV, SMESAV and SMEBC while 11.5% variation in GDP is attributed to influence of other factors not included in the regression function.

The value of the adjusted R^2 is 0.8760368 which is over 87.04% re-affirms the goodness of fit of the model. It is presumed that the model has been able to determine the variation in GDP to 87%. There is a significant relationship

between dependent variable (GDP) and the independent variables.

The F-statistic was used to test for a simultaneous significance of all the estimated parameters and the result showed that they were all simultaneously significant.

The overall significance of the model is very good as the probability of the F-statistic is as low as 0.000000.

The Durbin- Watson statistic has a value of 2.583841. The value indicated that there is no autocorrelation in the sample.

Test of Hypotheses

The hypotheses of this study were tested based on the values of the parameter coefficients, t-statistic and their p-values. The hypotheses were stated in the null form.

Ho1: There is no positive and significant effect of the SMEs Output on GDP. Based on the result of the analysis (table 4.3), the coefficient of SMEO is positive (20.69205) and its p-value is significant (0.0015) hence, the null hypothesis was rejected and the alternate hypothesis accepted showing that SMEs Output had an effect on the Nigeria GDP in relation to the period of this study.

Ho2: SMEs Investments (SMEINV) have no positive and significant effect on SMEs Outputs and GDP. Based on the result of the analysis, the coefficient of SMEINV is positive (6.551412) and has a p-value that

is significant (0.0002). Hence, the null hypothesis was rejected and the alternate hypothesis accepted showing that SMEs Investment had an effect on the SMEs Outputs and GDP.

Ho3: SMEs Savings (SMESAV) has no positive and significant effect on SMEs Outputs and GDP. Based on the result of the analysis, the coefficient of SMESAV is positive (6.427984) and has a p-value that is significant (0.0000). Hence, the null hypothesis was rejected and the alternate hypothesis accepted showing that SMEs Savings had an effect on the SMEs Output and GDP in relation to the period of this study.

Ho4: Commercial Bank Credits to SMEs have no positive and significant effect on SMEs Output and GDP. Based on the result of the analysis, the coefficient of SMEBC is positive (0.072557) while its p-value is insignificant with a value of 0.5767. Hence, the null hypothesis was rejected and the alternate hypothesis accepted. However, it was observed that SMEBC was positive but its effect on SMEs Outputs and GDP was insignificant. Commercial banks find it difficult to assist SMEs in loans and overdrafts. However, commercial banks have their reasons for not willing to attend to SMEs request for credit facilities.

FINDINGS

Based on this study and the analysis of the data, the findings are as follows:

- i) There is a positive and significant effect of SMEs Outputs on the Nigeria economy (GDP) during the period under review.
- ii) SMEs Investments have positives and significant effect on the Nigeria economy (GDP) during the period under review.
- iii) SMEs Savings have both positive and significant effect on SMEs Output and GDP during the period under review.
- iv) Commercial Bank Credits to SMEs have positive and insignificant effect on SMEs outputs and GDP during the period of the study.

Policy Issues

SMEs from all indications are the hub of every enterprising economy. Most countries that have not been benefiting from the benevolence of nature in the areas of natural resources like crude oil and other mineral resources have placed emphasis on the ability and capacity of SMEs to drive their economies. For this reason, these countries structure their SMEs and their economies into the

mainstream of their Budgets and policy frame works.

In today's business and modern economy, SMEs provide veritable models for economic growth and development. Economic activities are now digitalized and ICT driven in most countries of the world like Thailand, China, Indonesia, Malaysia, South Korea, Singapore and many others. Undoubtedly, SMEs all over the world pass through some generic problems like financial, technological, infrastructural, multiple taxation and many others. However, in Nigeria context, SMEs suffer both generic and country specific problems. The country specific problems in Nigeria include ideology, extremism, ethnic hatred and crises, un-restructured political structure and governance, massive corruption from the government circle and other ethnic parochialism.

The problem of ideology, extremism and other parochial sentiments as observed for example, an Igbo businessman can no longer Invest or set up his business in the North or the Southern part of Nigeria. Such businesses or Investments will be attacked by the Youths in that area and the Security Officials and the government in power will watch Investments being destroyed on the altar of Ideology and other ethnic sentiments. Sometimes the

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government in power that is ethnic biased will raise a policy that will affect badly the businesses of SMEs in a particular region or ethnic group that is being targeted for destruction. Some years ago, hatred and hate speeches propelled by prejudices caused serious crises in the North and some ethnic groups were forced to leave the North with their businesses within one month. Again, the Federal Government Herdsmen "RUGA" programme was attacked by some ethnic groups based on ideology and prejudices not considering that revenues from cattle will raise GDP level significantly and improve the economy.

Corruption has dealt badly on the psychic of our political leaders. There were many cases where these office holders organized seminars, workshops and entrepreneurship training that would enable youths secure loans between ₦3million to ₦10 million. These youths were told to pay participation fees of ₦ 5,000 each for a three month programme. Unfortunately, after the programme, the participants would complete loan documentations but they will not get the

loan and nobody is held accountable for the deceit and for defrauding the vulnerable participants.

Insensitive and reactionary leadership characteristics of those in positions of authority in this country have created colossal losses to SMEs sub sector through their negligence and lack of proactive decisions to forestall periodic or yearly fire outbreaks in SMEs Clusters, shops, markets and businesses. Government find it difficult to provide adequate fire- fighting equipments to safeguard the investments of the SMEs from the yearly inferno like Onitsha fuel tankers incidents that consumed lives and properties in Onitsha and at main market. Each time of the incident, government would be reactive instead of being proactive. Major markets in different States have suffered terribly from fire disaster and great losses have been sustained which affected the GDP of the country negatively. The above cases are few examples of Nigeria specific problems that hinder the growth of SMEs in the country that needs urgent policy attention for the growth of the economy.

RECOMMENDATIONS

1. Destructions of SMEs businesses across the country by some groups of people are derivatives of agitations, ideology, extremism and prejudices. Nigeria cannot move forward with these sentiments and the centre cannot hold again. Nigeria needs to be re-structured so that regions or ethnic groups can start their own SMEs so that we shall have a united Nigeria with a strong economic base where peace, love, trust and respect for one another will exist.
2. War against corruption should be genuinely pursued with strong evidence that those claiming to be pursuing corruption are not enriching themselves from corruption proceeds. The recovered loots should be used to empower SMEs and unemployed youths. The National Orientation Agency needs to be resuscitated to educate the masses on the positive virtues and ideals that will help unite the country to overcome its challenges.
3. Nigeria government needs to give SMEs focus and direction. Government should declare a state of emergency to SMEs subsector because of its vital role in the economy. SMEs should have a special bank from government for their financial needs instead of going to commercial banks that will not assist them.
4. Government should adequately provide fire fighting equipments in various SMEs Clusters and large markets to safeguard SMEs investments from regular fire outbreaks that consume their resources to the detriment of the Nigerian economy.

CONCLUSION

This study has evaluated the position of SMEs in Nigerian economy and found out that SMEs have the capacity to grow and sustain the Nigerian economy even in the face of threatening challenges. The level of hardship and suffering in the country is caused by wrong attitude of government towards SMEs subsector. The existence and operations of SMEs in Nigeria are being threatened by Ideology, extremism and other ethnic sentiments. Spontaneous crises and violence of all types have affected the business environment of SMEs in Nigeria and

something must be done before anarchy takes over. From our study, our analysis of the model indicated that our variables are positive and significant; hence, SMEs subsector has the capacity to make positive contributions to Nigerian GDP if those in leadership positions should think more on the growth of the economy and less on ethnic Ideology and extremism.

Suggestion for further studies

It will be interesting if further research should be carried out on the effect of Ideology and extremism on the performance of SMEs in an economy.

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