

A Review of the Impact of the National Micro Small and Medium Enterprise Policy on Youth Employment and Enterprise Development: A Case of the Small Medium Enterprises Development Agency of Nigeria

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Abstract: This research-based paper examines the impact that the national small enterprise development agency, established in line with policy, has had on employment creation and on the uptake of entrepreneurial pursuits amongst the youth in Nigeria. The potential extensive impact of the small, micro, medium enterprises (SMMEs sometimes also referred to as SME or MSME) sector in nation building cannot be over emphasised. SMMEs' contributions include job creation, expanding the means of sustainable livelihoods and ensuring impartial distribution of wealth amongst citizens. The implementation of impactful SMME policies also allow increased savings for future investments and for the effective utilization of the nation's raw materials. Furthermore, proper implementation of SMME policy also boosts the sources of income to government through tax income and contributes significantly to nations Gross Domestic Products (GDP). The locus of the present research is the Small Medium Enterprises Development Agency of Nigeria (SMEDAN) which has been mandated and empowered by legislation as a principal agency to stimulate the development and transformation of the small enterprise and informal sector of the economy. The specific site studied was that of its operations in Akure and environs, Ondo State, Nigeria. The research relied extensively on the meta-analytic technique in examining the official and unofficial reported impact of the policy as overseen by the agency towards achieving the stated aims for its establishment. The core dimensions of the investigation included (a) the extent to which the guiding policy is implemented as intended from a monitoring and evaluation point of view, (b) the impact of the policy on employment creation that benefits the teeming youth of the country and (c) ultimately, the extent to which the policy and the agency have been effective in overall enterprise development. By adopting a monitoring and evaluation approach, the preliminary findings appear to be pointing to a number of unforeseen, and in some instances, self-inflicted negating factors that appear to be inimical to the achievement of the desired objectives. Since the goal(s) of enterprise development are always on-going, this paper proposes the adoption of a longitudinal monitoring and evaluation (M & E) framework in order to ensure that what is planned for or intended is actually what is achieved as far as the impact of SMME on youth employment and enterprise development in Nigeria is concerned. In order to accomplish its core objectives, this research, collected limited primary data while relying extensively on available secondary data and records. In addition, a structured, personal in-depth interview guide was drafted to collect additional, corroborating data from officials of the small business development agency.

Keywords: Small, Micro and Medium Enterprises, Nigerian National Policy, Youth Employment, Small Enterprise / Business Development.

INTRODUCTION

Nigeria's over dependence on oil and gas in the past has often exposed the nation's economy to macro-economic instability resulting from the effects of external shocks of oil prices at the global market. The recent global economic recession which led to fall in oil prices have placed a big toll on the nation's accounts and resources. The effects diminished the country's capability to finance projects and infrastructural development needs that would have enhanced the standard of living of Nigerians. The drop in the price of oil forced the Nigerian government recently to seek a

bailout from her reserve funds and other international credit institutions to run government businesses and pay for capital, and even recurrent, expenditures across the three tiers (federal, state and local) of government. With the present economic challenges in Nigeria, many of her youth with university education are unemployed. The 2013 World Bank Report indicated that unemployment rate in Nigeria has progressively increased from 12% to 24% within the working population since 2006. The 'Vision 2020 Report' (2008) indicated that 65% of the Nigerian population is made up of the youth. Furthermore, the May 2017 report of the National Bureau of Statistics (NBS) indicated that youth unemployment stood at 47.40%. Nearly half of the population of the youth in the country are unemployed! These figures are alarming, hence the government of Nigeria decided to

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introduce a series of entrepreneurial development policies to develop and transform the SMEs sector with the aim of empowering the youth. This decision was predicated on the realization of the significant role that the youth can play and the impact they can have in nation building. The youth of a country are trustees of its future fortune.

In recognition of the importance of the youth in nation building and to considerably reduce the high rate of youth unemployment in Nigeria, the federal government, over the years, took a bold step through the establishment of various youth capacity building initiatives such as Youth Empowerment Scheme (YES), Capacity Acquisition Programme (CAP), to mention a few, in addition to maintaining the pre-existing National Youth Service Corps (NYSC). These programmes are interrelated in that they aim to empower the youth through vocational and entrepreneurial skills acquisition and to prepare them with general work readiness. Going forward, to compliment these youth empowerment initiatives, government through its agencies provided policy that will support and sustain vocational and entrepreneurial development amongst youths in Nigeria. Furthermore, since government is unable to create sufficient employment opportunities for the youth, most young persons have resorted to the informal sector of the economy for by venturing into entrepreneurial activities for survival and to earn a living. This has been a fortuitous and an interesting development as explosion in entrepreneurial youth participation in sectors such as entertainment and the arts have provided them with avenues out of poverty. According to the 2013 annual report of the Small Medium Enterprises Development Agency of Nigeria (SMEDAN), about 18 million Nigerian youths are actively engaged in small medium enterprises activities. It is evident that the Federal Government of Nigeria alone cannot provide employment opportunities for the increasing youth population in Nigeria, hence in 2008; the Federal Ministry of Education introduced a policy of compulsory entrepreneurship education for all students in tertiary institutions in the nation. This initiative is intended to empower the youth with entrepreneurial skills and the mind-set of establishing small business enterprises after the completion of their studies. Entrepreneurship development according to Gundal (2014) has been attested to be basically present in any innovative process. Therefore, small and medium enterprises are seen as the means by which economic growth is guaranteed hence, it is important to formulate policies

that are efficiently geared towards the development of small businesses (Ogujiuba, Ohuche & Adenuga, 2004: 06). Small and medium enterprises have been acknowledged as critical breeding and nurturing grounds for domestic entrepreneurial capacities, technical skills, technological innovativeness and managerial competencies for private sector development. The small and medium enterprises sector boosts job creation and thus industrial development. According to the National Policy Framework on Small and Medium Enterprises (2003:17) there are well over 17.2 million SMEs operating in Nigeria and 15 million are micro enterprises. Hence, the growth in this sector is directly correlated with growth in the economy.

CONCEPTUAL FRAMEWORK AND LITREARURE REVIEW

Landscape of Small Medium Enterprises in Nigeria

The development of small and medium enterprises sector in Nigeria is as old as the nation itself and can be traced back to the industrial revolution of the 18th and 19th centuries in Britain. This dates back to the amalgamation of both the southern and northern parts of the country in 1914 to the geographical land mass called Nigeria today by Lord F. Lugard, representative of British colonial administration. Prior to the independence of Nigeria in 1960, British industries dominated the business environment and were actively engaged in trade and commerce in Nigeria. Some of the major British multinational companies that operated in Nigeria during and after the colonial administration era included GB Olivant, AG Leventis, Cadbury, United African Company (UAC) and Lever Brothers, to mention a few. They were primarily involved in importing finished goods from their parent companies in the United Kingdom and other part of Europe. The national development plans of 1962-1968, 1970-1975, 1976-1980 and 1981-1985 were government led initiatives towards industrialisation aimed to achieve an import replacement strategy and to increase local equity involvement in foreign owned businesses. The enactments of the indigenization Decree of 1972, and later the passage of the Nigeria Enterprise Promotion Act of 1977, were incredible and major revolutions in the small medium enterprises sector in Nigeria. They were genuine attempts by the then Federal Government of Nigeria in acknowledging the roles of small and medium enterprises as the seedbeds and preparatory grounds for entrepreneurship. The legislation ensured that many Nigerians were involved

Table 1: Structure of Small and Medium Enterprises Sub – Sector in Nigeria

S/N	Size Category	No of employee	Assets (in millions of Naira) (Excluding land and buildings)
1	Micro enterprises	Less than 10	Less than 5
2	Small enterprises	10 to 49	5 to less than 50
3	Medium enterprises	50 to 199	50 to less than 500

Source: National Policy on Micro, Small and Medium Enterprises Report 2014.

and played crucial roles in the development of the small medium enterprise sector, especially in the rural areas. In Nigeria, small and medium enterprises have different definitions. Fatai (2012) observed that various scholars, authors, institutions, government departments and policies provide different definitions of small and medium enterprises. Ogochukwu (2011) concurs but adds that numerous scholars use or consider variables, factors, features or concepts such as similarities in income, sales, and the number of employees, capital requirements, investments, market share as well as level of business development. Therefore, the ways small and medium enterprises are defined reflect these features or variables. Generally, however, these groups of businesses fall on a continuum from micro, small to medium enterprises. An attempt was made by the National Policy on Micro, Small and Medium Enterprises (MSME) in Nigeria to address these arguments about their definition. The policy proposed a dual classification criteria based on (1) assets (i.e., monetary assets, excluding physical, immovable property) and (2) number of employees or people engaged in the enterprise. It however concedes that where a conflict in definition arises between these two factors or classifications, a definition based on the number of people employed would take precedence (National Enterprises Development Programme Report 2014:10).

Ekpenyong and Nyong (1992:25) state that the grouping of businesses into small or large enterprises in Nigeria, therefore, generally remain subject to both qualitative and quantitative judgements as the distinguishing features continue to be fluid in nature. This situation was not helped by the fact that the apex bank in Nigeria - the Central Bank's Monetary Policy Circular No 22 of 1988, defined a 'small scale enterprise' as a firm with an annual income of N500, 000 Naira. The 1990 National Budget of Nigeria had defined small scale enterprises as firms with investment not above N500,000 for commercial loan purposes, whereas for merchant bank loan purpose, the firm's capital investment must not exceed N2million naira and maximum of N5million. The Companies and

Allied Matters Decree (CAMA) of 1990 defined small and medium enterprises as firms with annual income not more than N2 million and the value of the firm's net assets not more than N1 million naira. According to the Small and Medium Enterprises Credit Guarantee Scheme (SMECGS) established by Central Bank of Nigeria, small business enterprises can be defined as business entities with asset base of N5 million to N500million and workforce of 12 to 300. According to International Finance Cooperation (IFC) 2002, the Central Bank of Nigeria report recently highlighted the number of employees for small scale businesses not less than 50 and medium scale businesses not less than 100 employees. The capital and asset requirement for small scale firm has less than N1, 000,000 whereas the medium scale firms have less than N150, 000,000. Given the discrepancies in understanding of what constitutes a micro, small or medium enterprise in Nigeria, it is easy to sympathise with the exasperation of Arowomole (2000) cited in Esuh and Adebayo (2013) who admitted that due to the differences in criteria employed by various institutions, arriving at a consensus definition of SMEs for Nigeria is too cumbersome and probably impossible to attain. However, since different nations consider different factors, features or variables (i.e., structure of management, number of employees, capital requirements, etc.), for the purpose of the present paper, we would adopt as working definition that was given by the National Policy on Micro, Small and Medium Enterprises report (2014) as presented in the Table above.

Historical Background of the Small and Medium Enterprises Development Agency of Nigeria

The Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) was established by the National Assembly under act No 16 of the laws of the Federal Government of Nigeria on June 19, 2003. The agency's mandate is to promote and facilitate development programmes in the small and medium industries sub-sector in Nigeria. Their vision is to establish a well-structured and effective SME sector

that will accelerate sustainable economic development Nigeria. SMEDAN is created to facilitate the access of micro, small and medium entrepreneurs as well as investors to all the resources required for their development. The agency positions itself as a “one stop shop” for small, micro and medium enterprises development. A well-developed and equipped SME sector has been proven as one of the most potent methods to battle poverty and unemployment. Therefore, the establishment of SMEDAN is justified by the need to trigger the development and growth of Nigeria’s SMEs sector in a structured and efficient manner. SMEDAN is the coordinating centre of all institutions relating to starting, resuscitating and growing small businesses in Nigeria with the following mandate:

- Coordinating, stimulating and monitoring the development of the small business sector.
- Initiating policy ideas for small and medium enterprises growth and development.
- Facilitating the promotion of infrastructures and support services to accelerate the development and modernization of SME’s operational activities.
- Serving as vanguard for poverty reduction, creation of employment opportunities, enhancing rural livelihoods and rural industrialization.
- Connecting SMEs to internal and external sources of finance, appropriate technology, technical skills as well as to large businesses
- Collaborating with both private and public agencies to create an enabling environment for small business development and acting as intermediary between MSMEs and government.
- Connecting small and medium enterprises to internal and external sources of finance, technical skills, and appropriate technology as well as large enterprises.
- Partnering with private and public institutions to create an enabling environment favourable for small business growth and development.

National Policy on Micro Small and Medium Enterprises (MSME) in Nigeria

The mandate of the Micro Small and Medium Enterprises (MSME) policy developed in May 2007 by

the Small Medium Enterprises Development Agency of Nigeria (SMEDAN) aimed to build a robust alliance among key stakeholders in the SMEs sector and to draw a roadmap that will develop and transform micro and small medium enterprises in Nigeria. The MSMEs policy framework become pertinent for economic development, however, the implementation of the MSMEs policy suffered a setback due to several internal and external challenges. Government and policy makers alone cannot create an “enterprise culture” nevertheless; their activities can either facilitate or destroy it. The setbacks were caused by the following factors:

- Weak stakeholder (private and public institutions) buy-in
- Lack of resilient commitment by the Federal, state and local governments to develop the Micro, Small Medium Enterprises sector
- Institutional synergy for MSMEs policy were very weak
- Weak monitoring and evaluation mechanism to determine the success of SMEs development programmes in Nigeria
- The existence of cumbersome bureaucracy amongst employees in all the government departments and institutions empowered to oversee MSMEs programmes in Nigeria
- Inefficient funds for the development of MSME processes
- Poor capacity building and developments among MSMEs, maladministration and corruption

The Strengths and Competencies of the Reviewed MSMEs National Policy

It was against the background of the above identified inhibiting factors that the Federal Government of Nigeria set out to develop a new policy that will create a prosperous SME sector that would speed up the socio economic growth and development of the Nigerian economy. For a better, more effective, efficient and coordinated SME sector in Nigeria, the reviewed policy encouraged close collaboration and partnership among various levels of government as well as engagement with other pertinent stakeholders in line with global best practices. The idea was to create an energetic enterprise culture, sustain a vibrant

SMEs sector that will be healthier, more efficient, and more effective aimed at driving the economy in order to generate employment opportunities for Nigerians. The reviewed MSME strategies for the reviewed MSME policy included:

- Providing a favourable environment that will enhance, create and support the facilities required for the growth and development of the SME sector amongst the three tiers of government and other stakeholders in Nigeria.
- Mapping out the benchmarks, and parameters to ensure efficient and effective monitoring and evaluation of MSME initiatives.
- Providing and creating a robust synergetic environment for more efficient and effective small businesses development.
- Adopting a regional institutional policy framework which is globally accepted and leverages the synergies between the public and private partnership initiatives to transform and develop the SMEs sector.
- Integrating gender equality by putting into consideration the high rate of youth unemployment in Nigeria and the urgent need for the development and empowerment of women.
- Employing information communication technology (ICT) as a unique tool to improve government efficiency, effectiveness and ensure service delivery to the SME sector.
- incorporating the recommendations of the United Nations Conference on Trade and Development (UNCTAD) in so far as they address the goals of small business and entrepreneurship development especially in the agricultural sector and inclusive of women, the youth and people with special needs

The Role of Small and Medium Enterprises in Transforming the Nations' Economy

Extant literatures show that majority of all the productive, real and service-related sectors of states' economies in developed and developing nations are dominated by SMEs. Ahmed (2006) highlights that small and medium enterprises play vital roles in the transformation of state's economies. Apart from creating jobs opportunities, small medium enterprises

have significantly contributed to the development of big companies and multinational establishments (Aman & Tahir 2011). The National Enterprises Development Report published in 2014 affirmed the colossal role play by SMEs in economic transformation of Nigeria which include export promotion, growth of the nation's GDP, increased local content, poverty reduction and technological innovation. According to Terungwa, (2011:79) cited in Ilori and Ile (2015) "the potential benefits of SMEs to any economy includes contribution to the economy in terms of output of goods and services; creation of jobs at relatively low capital cost; provision of a vehicle for reducing income disparities; development of a pool of skilled and semiskilled workers as a basis for future industrial expansion, among others". In a similar view, SMEs contributed about 46% to the nation's GDP while 97% of all enterprises operating in Nigeria were dominated by SMEs operators (MSME Survey Report, 2010; Taiwo, Ayodeji & Yusuf, 2012). Likewise, the United Nations Conference on Trade and Development (UNCTD 2004), revealed that "SMEs is a vehicle for the reduction of income disparities, helps develop a pool of skilled or semi-skilled workers as a basis for the future industrial expansion; improves forward and backward linkages between economically socially and geographically diverse sectors of the economy; provides opportunities for developing and adapting appropriate technological approaches; offers an excellent breeding ground for entrepreneurial and managerial talent, the critical shortage of which is often a great handicap to economic development among others". The small and medium enterprises sector in Nigeria has been regarded as the most significant sector due to its impact in transforming the nation's economy (Deutsche Bank Research Report, 2014:2). The SME sector in Nigeria represents 96% of all businesses and contributes up to 75% of national employment. The small and medium enterprises sector boosts job creation and thus industrial development. According to Etuk and Michael (2014), globally, the small and medium enterprises sector contributes between 50–55% of gross domestic products and 55 - 80% of employment opportunities. Thus, MSMEs in Nigeria are at the top end of employment creation in the society.

In Nigeria, the small and medium enterprises sector contributes over 70% of total employment (Ubom, 2003). The SMEs sectoral distribution in Nigeria revealed that 54% of businesses in the agricultural sector are predominantly operated as micro, small and

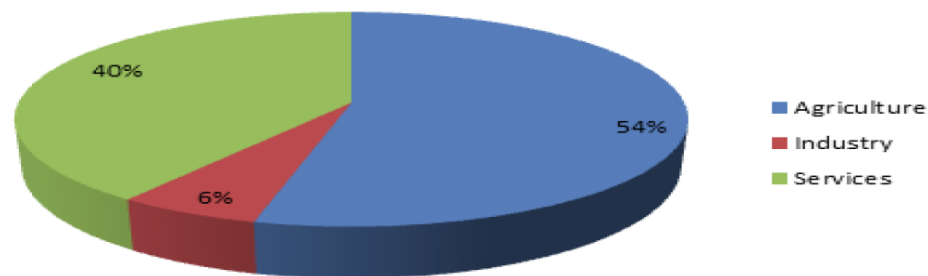


Figure 1: SMEs sectoral distribution in Nigeria.

Source: National Enterprises Development Programme (NEDEP, 2015).

medium-sized businesses; 40% of the service sector is made up of small firms while 6% of the industry sector is run as small to medium enterprises. Thus, SMEs in Nigeria are characteristically linked to various businesses and sectors within the economy. Ile and Ilori (2015:82) have argued that SMEs support mobilisation and utilization of domestic savings and enhanced productivity through cost reduction and greater flexibility which are indispensable components in the growth strategies of nation economies. Labour intensity and concentration according to the World Bank (2012) are between 4 to 10 times greater for small and medium enterprises; hence, this is where jobs are created. Therefore, it is important to see the effect of the sector in the creation of informal jobs and the need to develop the sector accordingly. It is obvious that the small and medium enterprises play a catalytic role in the social and economic transformation of Nigeria, which includes a significant contribution to employment opportunities, local and foreign direct investment opportunities, technological advancement and thus increased contribution of the gross domestic product.

Synopsis of Youth Unemployment and Poverty in Nigeria

The National Bureau of Statistics (NBS) (2017) estimates the population of Nigeria to be at approximately 180 million people with an annual population growth rate of 2.9% and the youth accounting for nearly 60% of the entire population. The definition of 'the youth' in Nigeria according to National Youth Development Policy (2001), "are people aged between 18 and 35 but, overall younger than 35 years of age". However, unemployment, poverty and other societal challenges including insecurity, poor leadership, and poor governance, to mention a few, are factors inimical to human and social existence globally and in Nigeria. With the abundance of human, capital and natural resources, Nigeria's economy according to

Deutsche Bank Research Report (2014:02) is rated as, probably, the biggest economy in Africa with a nominal Gross Domestic Product (GDP) of USD\$ 510 billion and per capital income of USD\$ 2,410. With these figures, the economy appears huge and impressive, yet majority of Nigerians including the youth are extremely poor and live on less than USD\$ 1 per day. According to Subair (2013) unemployment rate in Nigeria was at 22%; while youth unemployment rate is at 38% of the population and about 4 million people enter into the labour market every year after graduation from institutions of higher learning.

The International Labour Organisation (ILO) stated that unemployment is among the biggest threats to social stability in many countries including Nigeria and put the global rate at 12.6 % (ILO, 2012). As already established, the quest by the Nigerian government to support and empower people especially the youth via the informal sector of the economy led it to introduce a number of empowerment schemes. Various, Ekpenyong (2002); and Rodriguez and Berry (2002) have argued that the introduction of the Structural Adjustment Programme (SAP) in 1986 which was intended as a policy of trade liberalisation with the subsidiary aim of catalysing SME activity in the economy, for many years, did not yield the intended results. The adoption of the International Monetary Fund imposed SAP regime actually had a negative effect on SME activity and growth. The National Bureau of Statistics' (NBS) (2017) publication revealed that unemployment among the youth in Nigeria is as much as 50%. Given that the national population is estimated at approximately 180 million of which 60% is made up of the youth, this segment of the population would also feature largely amongst the unemployed. If as argued by Njoku and Okezie (2017), and before them by Oduwole (2015), that 50% of the population is unemployed, it would mean that, by extrapolation, nearly 45 million Nigerian youth are unemployed as at present. Oduwole (2015: 24) citing ILO (1982)

parameters describes unemployment or joblessness as occurring when people are without jobs and have been unable to find one over a five week period of searching. The NBS (2017) estimates the general unemployment figure to be at 19.70%.

The nexus of poverty, unemployment and development in Nigeria can be linked to the theory of surplus value by Marx and Engels (1848). Marx claimed that capitalist environments like that of Nigeria “experienced high level of unemployment because the nation’s economy went through cycles - periods of expansion whereby there was full employment followed by crises period when unemployment rose. They opined that capitalist economies functioned in a way that favoured a very elite few at the expense of the majority. “It is in the very nature of the capitalist mode of production to overwork some workers while keeping the rest as a reserve army of unemployed paupers Marx and Engel (1848)”. The popular saying of “*monkey dey work, baboon dey chop*” (depicting a form of astute-capitalism) is well dominant in Nigeria (as cited in Alabi, 2014). Workers are alive and living at the mercy of the affluent in the society which continues influencing and widening the gap between rich and poor people. Youth with academic qualifications and vitality have nothing to offer due to mass unemployment rather they dance to the tune of the rich politicians who manipulate them to sometime destabilize society and even influence election outcomes and are afterwards abandoned. The unemployment situation in Nigeria is, indeed, disturbing and requires urgent attention and action by the government. Interestingly, one way out of this quagmire is the concerted transformation and development of the informal and SME sector as supported by past literature. Adejumo (2001:89), mentioned that the “development of small businesses has been variously referred to as a source of employment generation”. It is therefore imperative that nurturing and developing small and medium enterprises requires an enabling and friendly environment so that the crucial role expected from SMEs in the transformation of the economy can be attained. Nigeria needs a favourable SMEs policy that is well-articulated and fully implemented. This can be achieved by a responsive government that adopts strategies which encompasses stakeholders and guarantees the effective and efficient utilization of available resources.

METHODOLOGY

In order to accomplish its core objectives, this research, collected limited primary data while relying

extensively on available secondary data and records. Available literature and documentary sources provided the research with rich sources of data. For the primary data collection, the research employed a mixed quantitative and qualitative methodology. A simple self-administered questionnaire was designed to collect data from participants, i.e., selected SMEs. In addition, a structured, personal in-depth interview guide was drafted to collect additional, corroborating data from officials of the small business development agency. Data from the SMEs essentially sought to determine the extent of support they received from the agency including the agency’s role in youth empowerment/employment creation while data from the agency tried to examine the nature of the challenges it faced in meeting its mandate. Data was robustly analysed both quantitatively and qualitatively. The final research sample comprised of 181 randomly selected individual SMEs operating within and around Ondo state of Nigeria. The participants targeted were entrepreneurs who founded and run the particular enterprises. On the agency side, 20 officials were interviewed. All research participants were carefully chosen to ensure that they were representative of the population and were selected randomly.

FINDINGS AND INTERPRETATION

(a) SMEs Perception of Agency’s Support to Small Business Development and Youth Empowerment

When SME participants were asked to rate their perception and effectiveness of the enterprise development agency in supporting business development and youth empowerment, the responses, as depicted in Figure 2 below, showed that majority of them, (64.5%) were of the opinion that they had performed poorly to very poorly. Only about 27% believed that their performance in that regard was good to excellent. In essence, majority of the participants indicated that they were not benefiting from the activities of the agency.

It would appear, from the view of SME role players, that the agency has not quite met their expectation of being catalytic in transforming the small business sector and therefore has been ineffectual in promoting youth employment and empowerment. Moreover, it would appear that the agency is perceived as having failed in playing the expected transformative role in the economy. This view appears to concur with those of Oni and Daniya (2012:27), when they affirmed that the government, financial institutions and key stakeholders

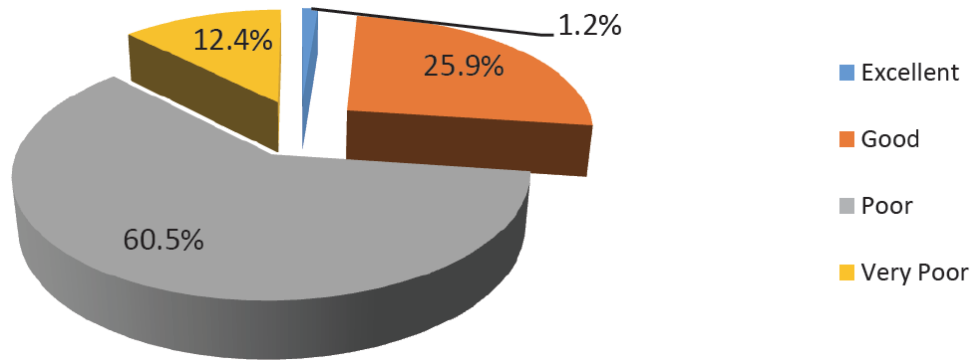


Figure 2: Rating of SMEDAN programmes in supports of small business development for youth empowerment in Ondo State Nigeria.

had continually paid less attention to or ignored the MSME policy for the transformation of the small business sector. Thus, from this case study, the indication is that the small business sector in Nigeria has received little or no transformational support despite the reviewed MSME policy. It is the authors' observation that the deplorable assessment of SMEDAN in terms of transforming the small business sector, according to the respondents, was associated to inadequate funding, poor infrastructure, mal-administration, nepotism, poor accessibility to vital information as well as poor monitoring system by SMEDAN in ensuring that the sector functions effectively and efficiently. In a relation to the aforementioned, Oni and Danya (2012) were of the view that SMEDAN would have been pragmatic in its operational activities with effective service delivery to transform the informal sector had it been the agency have a wider coverage in rural areas where the need for SMEs development is high.

(b) Agency's Effectiveness in Implementing MSME Policy Framework

Another major finding relates to the effectiveness of the agency in implementing the MSME policy

framework in the target area focussed on by the research. The particular interest here was on the extent of the agency's effectiveness in developing the SME sector.

According to Figure 3 almost half (47%) of the participants (agency officials) interviewed were of the view that the agency was only 'fairly able' to implement the national policy on micro, small and medium enterprises. This was in response to an interview question requesting them to assess the agency's ability to effectively transform the SME sector in Nigeria by holistically implementing the policy framework. Further follow-up questions revealed that some of the reasons given for this lack-lustre performance by SMEDAN include weak intra-institutional synergy amongst the units and key personnel, low level professional capacity, inadequacy of operational resources. Other reasons advanced or factors identified include what some referred to as poor conceptualization of the framework, apathetic stakeholder involvement, lukewarm attitudes and unenthusiastic buy-in by public and private sector institutions, information technology challenges, low skill levels/incompetency amongst agency personnel, dilapidated infrastructure, non-cooperation from other relevant institutions, and hash

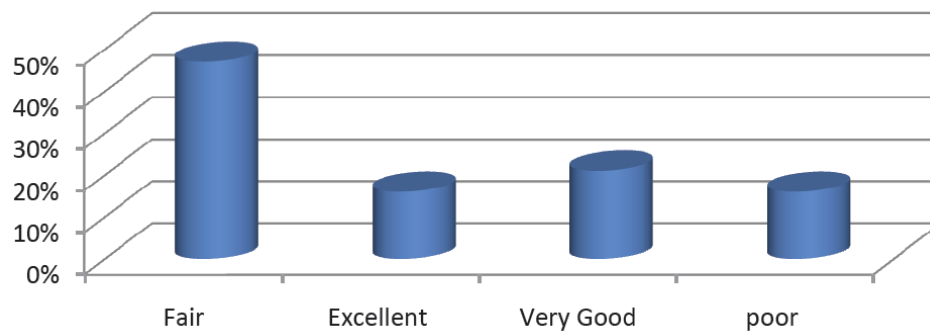


Figure 3: Effectiveness in the implementation of MSME Policy Framework by SMEDAN in developing SME sector in Ondo State, Nigeria.

business environment. Only 21% of respondents categorised SMEDAN to be 'very good' in implementing the MSME National policy towards the transformation and development of the small business sector. This group of respondents identify the agency's roles, though limited, in capacity building, skill acquisition and youth empowerment programmes. A further 16% reported that the agency is performing excellently. Whilst this percentage is relatively, it gives a glimmer of hope that there may yet be a meaningful role for the agency in developing the SME sector in Nigeria. Possible improved cooperation amongst relevant stake holders and government institutions could give impetus to the agency's efforts at successfully implementing the MSME policy framework. At a stakeholders meeting recently, chaired by former Nigerian Minister of Trade and Investment, Chief Olusegun Aganga, all the participants recommended that strengthening the SMEs sector for efficiency and effectiveness requires a total revamp of MSME policy. SMEDAN should wake-up and revive the nation's comatose economy by reviewing existing MSME policies that would make the informal sector effective and result driven (Oduoye, Adebola and Binuyo 2013:42).

(c) Policy 'Deliverables' that are Important for SME Growth"

The third aspect of the research sought to determine the kinds of outcomes that would be important to engender the flourishing of SMEs at the research site – Ondo state. Data was gathered from both SMEs and the agency's officials in the questionnaire and interview items. Figure 4, below displays the things that participants believed would have a positive impact on the growth or flourishing of the SME sector in Ondo state of Nigeria.

The following top three factors were the identified as significant to the thriving of the SME sector. In their

order of significance they are (a) up-grading of infrastructure (especially power supply & transportation networks), (b) making easier the business registration and operation processes along with addressing associated corrupt practices and political interferences (c) the provision of skills development/training opportunities. The easing of the business registration process was especially highlighted because it often influences accessibility to loans and other resources from financial institutions or other funding agencies. The other two notable aids to the SME sector that were highlighted are (d) the availability of an 'intervention fund' ostensibly to serve as a safeguard to start-ups as it is well documented that most SMEs fail within the first five years due to funding challenges; and 9e) the availability of a tax relief/holiday regime for SMEs.

DISCUSSION

It is evident from the above analysis that since the establishment of SMEDAN fifteen years ago, the institution has not been able to create the expected supportive environment to tackle poverty and unemployment especially amongst youth in the country. The agency's response to this shortcoming has not been very satisfactory as it seemed to be pointing finger of blame at other external forces. The empirical data from this investigation revealed the following:

- (i) The roles and responsibilities to develop and transform the SME sector as mandated by SMEDAN's founding legislation have not been optimally exercised by the agency. The agency's activities towards SME development in Ondo State does not appear to be linked to the MSME development National Policy Framework objectives - The policy has seven broad programmes to support and sustain the development of small business sector in Nigeria, however SMEDAN initiatives in developing small

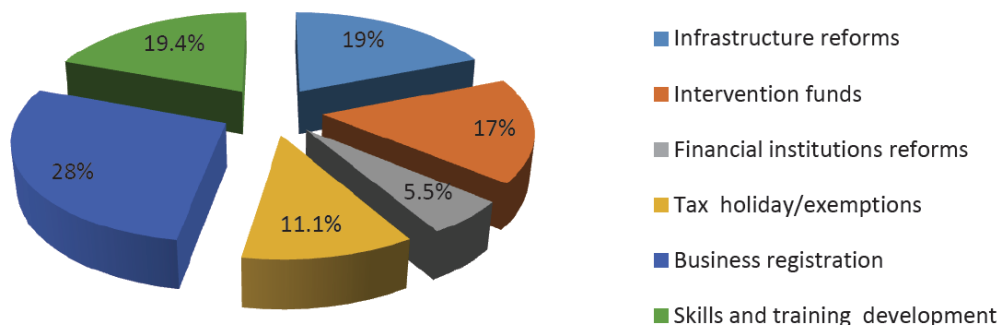


Figure 4: MSME policy deliverables that have positive impact in the development of SMEs growth in Ondo State Nigeria.

business is not completely connected with the policy programme areas which comprises :regulatory, legal and institutional framework, human capital resources development, research and technology development, marketing, infrastructure, extension and support services as well as finance.

- (ii) SMEDAN appear to have a weakened or non-existent monitoring and evaluation (M&E) system and structure that is result-oriented. This is evident by the fact that the agency has no reliable database of how well it has done with regard to youth empowerment or indeed of its impact in small business development. The agency would need to embrace a well-designed M&E framework if it is to consistently achieve the objectives for which it was established. This research identified some level of incompetency within the agency's internal arrangements and workforce. This observed incompetency is probably the result of the absence of an integrated performance management system that is linked to the M&E framework. The roles and responsibilities of the agency's M&E department would be to ensure effective outcome and significant impacts of programmes and projects rolled out to support SME programmes in Ondo State.
- (iii) The other major challenge that would need to be addressed is the indifference of government, policy makers and key stakeholders in supporting the mandate of the agency. This lack of warmth towards the agency but has a concomitant effect on the agency's ability to confidently access and deploy needed resources for youth empowerment and SME development. This handicap is all the more glaring because it is further observed that there is an overlap between the mandate of the agency and that of the Bank of Industry (BOI) in so far as it pertains to small business funding. A clear protocol will need to be developed that streamlines or synergizes the roles of these two important institutions in the small business development sector. This action will eliminate the uncertainty that some current potential major SME funders such as the Dangote Foundation and others are presently experiencing as to the appropriate vehicle through which to deploy their funds.
- (iv) Inclusive, implementation of MSME Policy for small business development and transformation

in Ondo State Nigeria is considered not to be effective and efficient with administrative bottlenecks from government and policy makers.

- (v) The need to urgently address the endemic culture of corruption and favouritism in the Nigerian business environment can also not be over-emphasized. It is common cause that selection of beneficiaries of various empowerment schemes are often influenced by these factors.

CONCLUSION

This paper examined the nation's enterprise development agency, its programmes and impact in line with policy on employment creation and the uptake of entrepreneurial pursuits amongst the youth in Nigeria. Evidence from literature and first-hand information gathered from respondents provided an enriching insight into SME development and growth in Nigeria. Although the paper acknowledged the Nigerian Government's commitment to youth empowerment and the development of the small business sector of the economy through the establishment of SMEDAN and the revised MSME policy joblessness continues to bedevil the youth and unemployment continues to soar in society. The myriad of entrepreneurship development programmes such as SURE-P, YES, N-Power and YOUWIN to mention a few, as commendable and as lofty as they seem, have been unable to meaningfully impact youth empowerment or employment for that matter. This reflects a huge chasm between policy formulation and implementation. The thrust of this study, ultimately, is to make a pointed proposition to policy and decision makers at all spheres of government in Nigeria to institute responsive and responsible governance with a mandate of creating jobs and eradicating poverty.

The study recommends the following:

- (i) Any future MSME policy initiatives and decisions should involve internal and external stakeholders especially the youth and emerging entrepreneurs.
- (ii) SMEDAN should ensure adequate publicity of the MSME policy framework and programmes that complement entrepreneurship development and the transformation of the entire informal and small business sector of the economy.
- (iii) The Federal Government of Nigeria should ensure that resources and funds for SME

development are available and allocated as at when due for relevant institutions to finance the SME sector without bottlenecks and any forms of undue bureaucracy.

- (iv) Corruption amongst government and SMEDAN officials has been highlighted as a fundamental concern that hinders growth and development of the small business sector; hence government should put mechanisms in place that will checkmate corrupt officials with appropriate sanctions. This will serve as deterrent to officials with a corrupt mind-set.
- (v) SMEDAN should be an independent institution without interferences from politicians and other influential individuals. This will enhance efficiency, effectiveness and due process in the selection of beneficiaries from amongst the youth.
- (vi) SMEDAN, as an institution, should be directly funded by government as at when due so as to carry out their tasks and responsibilities in a manner that enables them to fulfil their mandate. Furthermore, financial institutions like the Bank of Industry and Central Bank of Nigeria should partner with SMEDAN to support the informal sector financially with limited hindrances or bottlenecks so that young school leavers and graduates with little or no fund can access SMEs funds domiciled in these institutions to start-up their ventures.
- (vii) A SMEDAN monitoring and evaluation system should be so structured that it ensures effectiveness and efficiency and success of its programmes and projects. This would necessitate well trained and skilled employees in monitoring and evaluation processes.

This research concludes that entrepreneurship development, skills and capacity building, results based monitoring and evaluation system, internal and external stakeholder engagement on policies related to SME development, financial institution reforms with adequate allocation of resources to support start up and existing entrepreneurs is essential and necessary for the development of the SME sector in Nigeria.

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