

Strategic importance of the Nigerian small and medium enterprises (SMES): Myth or reality

Abdulazeez Abioye Lawal¹, Hakeem Adeniyi Ajonbadi², Bisayo Oluwatosin Otokiti²

¹Lagos State Polytechnic, Ikorodu, Lagos State, Nigeria

²Department of Business and Entrepreneurship, Kwara State University, Malete, Kwara State, Nigeria

Email address

alhajilawal2000@yahoo.com (A. A. Lawal), ajons2003@yahoo.co.uk (H. A. Ajonbadi), busyayo02@yahoo.com (B. O. Otokiti), hakeem.ajonbadi@kwasu.edu.ng (H. A. Ajonbadi), bisayo.otokiti@kwasu.edu.ng (B. O. Otokiti)

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Abstract

This paper explores the empirical significance of the Nigerian SMEs on economic development. A survey of SME operators in Lagos State, Nigeria was undertaken by means of self-administered questionnaire and interview schedules. Stratified sampling technique was used to select samples from the state directory compiled by the Ministry of Commerce and Industry in 2013. The interview schedule was used to generate information for the development of three case studies. Data were analyzed by means of descriptive statistics, Pearson Product Moment Correlation and Regression analysis. The findings of the study revealed that participating responding firms made significant contributions to the Nigerian economy; also there exists significant correlations among the study variables and significant causal relationship between organizational characteristics and their perceptions on contributions to the Nigeria economy. The practical implication is that Nigerian SMEs have made the desired impact like their contemporaries in the developed economies. Therefore, well-articulated SME programmes, simplified operating rules, enabling environment, collaboration, financial incentives, cluster formation and capacity building are suggested for Nigerian SMEs to make more impactful contributions to industrial and technological development.

Keywords

Strategic Importance, Small and Medium Enterprises (SMEs), International Small and Medium Enterprises (iSMEs), Domestic SMEs, Nigerian Economy, Newly Industrialised Economies (NIEs)

1. Introduction

Attempts by developed and developing countries to eradicate poverty and employment initially focused on the development of large enterprises, based on the traditional economy of scale. This theory is predicted on the assumption that, "big" is "better" while "small is bad". Small enterprises were seen as outdated and synonymous with technological and economic backwardness. Ironically, almost all the businesses that were initially small eventually became large business enterprises (Sundar and Kumar, 2012). Most of the Multinational Corporations like Phillips International of Netherland, Sony of Japan, among others started as family business ventures. In Nigeria, there are

indigenous enterprises such as Adebawale Electricals, Doyin Groups of Companies, Dangote Groups, Eleganza Nigeria Limited, and JOAS Electrical Industry Limited that started as small outfits that later established big plants. These are evidently pointers to the pivotal roles of SMEs in developed and developing countries, which is a paradigm shift on the perceived role of SMEs in industrial and economic development of the Nigerian economy (Johari, 2012).

Development strategists have advocated the progressive use of SMEs to accelerate the pace of economic growth especially in developing and developed countries. In the process, entrepreneurship education and promotion of entrepreneurship spirit in SMEs have received adequate

attention in several countries, particularly among the Newly Industrialized Economics (NIEs) like Malaysia, Singapore, Korea, etc. (Gundal, 2014). The reality of such recognition seems to be dawn on Nigeria as the country joined the global crusade in including entrepreneurship in the curriculum of tertiary educational institutions in the country. As if this is not enough, a recent government policy pronounced that from 2015, all secondary school pupils writing their final examinations will have Entrepreneurship as a compulsory subject (Abubakar and Yahya, 2013). It suffices to say that, the reality of the activities and contributions of entrepreneurial activities grow into SMEs with their continuous growth and meaningful contributions to the economy.

Antagonists of SMEs argued that there are increasing number of SMEs that are registered and get started but their activities are often short-lived as they tend to have poor survival instinct, poor strategy, evade taxes, high labour turnover, and contribute very little to nation building (Ajonbadi, 2002). Since the enumerated challenges seem to be common to most SMEs irrespective of country of operation, governments in most cases seem to have realized the strategic importance of SMEs and have formulated various policies and programmes to facilitate the growth of the subsector, especially as the development of SMEs is a *sine quo non* to industrial and technological progress (Crema, et.al 2014). For instance, the Russian SMEs is estimated to contribute about 23% to the GDP in 2013. This is considered low when compared with Europe at large which contributes about 39%. As if this were not enough, the number of Russian SMEs per one thousand persons is estimated at about 2.5 times lower on the average than in Europe that stands at 4.2 (EDB, 2013). Not minding the fact that Nigeria is a developing country with its attendant infrastructural challenges and poverty level, there are over 19.4 million Micro and Small and Medium Enterprises (MSMEs) as at 2013 employing over 43.6 million people and contributing over 46.5% to the nation's GDP cannot be over emphasized (Smedan, 2014). These are clear indications that the growth potential and significant roles SMEs play in an economy. Effort to combat poverty and unemployment in Africa and improved standard of living can only be successful by creating jobs through SMEs at national and regional level, both in rural and urban areas (Qureshi, 2012).

Recognizing the indispensable roles of SMEs, many countries have instituted enterprise support network and structures to fuel the development of this subsector. In developed and developing countries, there are excellent examples of initiatives to promote indigenous entrepreneurship in SMEs. The main purpose is usually to reduce unemployment and poverty (Gundal, 2014).

In recognition of the role of SMEs in the promotion of economic growth and development, the Nigerian government, for example, has put in place various measures and schemes to assist the SMEs. Some of the recent initiatives include: mandatory minimum credit allocation to SMEs by banks and financial institutions, introduction of

specialized schemes including World Bank SME I and SME II loan programmes, Family Economic Advancement Programme (FEAP), mandatory 10% banks pre-tax profit for equity participation in small and medium enterprises, merger of all poverty alleviation agencies comprising the Nigerian Bank for Commerce and Industry (NBCI), National Economic Reconstruction Fund (NERFUND) and Nigerian Industrial Development Bank (NIDB) into one agency to administer loan schemes to SMEs at "lower" than "commercial rates", setting up of Small and Medium Development Agency of Nigeria (SMEDAN) as an umbrella agency to coordinate the development of the sub-sector, establishment of the National Credit Scheme for SMEs to facilitate access to credit without stringent collateral requirements, development of new industrial estates nationwide, and reviewing Entrepreneurship Development Program/Working For Yourself in government agencies and educational institutions (Sanusi, 2001, N.I.P.C, 2004, Oyelaran-Oyeyinka et al, 2007, Abubakar and Yahya, 2013).

A closer examination of the policy statements and initiatives leading to the establishment of the foregoing agencies and programmes point to the strategic role of SMEs in industrial and economic development. For instance, the policy document establishing the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) justifies the creation of the agency in the following statement:

"A well-developed Micro, Small and Medium Enterprises (MSMEs) has proven to be one of the most veritable channels to combat poverty. The establishment of SMEDAN is therefore justified by the need to trigger the development in the Nigeria's SMEs in structured and efficient manner"
(SMEDAN, 2003).

Some analysts have argued that the assumed strategic benefits of SMEs may be a 'myth' rather than 'reality' (Snadgross and Briggs, 1996; Little et al, (1996); Park 2011; Pingle, 2014). Given the theoretical assumptions that SMEs sub-sector is recognized as "strategic" on the basis that it exhibits positive externalities with other aspects of development and its inherent high rate of failure, an empirical research will be necessary to assess the strategic role of this sub-sector in Nigeria.

Although, the existence of many SMEs across the Nigerian federation is acknowledged, however, due to resources and time constraints, the scope of the study is restricted to Lagos metropolis. The state is the commercial nerve Centre of Nigeria. With its vintage position, population and cosmopolitan nature, it has the largest concentration of different industries (NPC, 2004). Lagos state, which was a former capital city of Nigeria, has a sprawling population in excess of 18 million (NPC, 2013) which is more than the population of many African countries.

2. Theoretical Background

SMEs in Nigeria are heterogeneous. These are found in wide variety of industries, ranging from the single artisan producing leather, weaving traditional dress "*Aso Oke*" in the rural areas, the retail shop owners, the cyber cafe shops to small sophisticated engineering software firms exporting its product overseas and a medium chemicals firm selling its product abroad. The owner may be poor or rich. The firms may operate in very different markets (rural, urban, local, national, and international). The business may embody different levels of skills, capital, sophistication, growth orientation, and may be formal or informal sector (Oyelaran-Oyeyinka et al, 2007).

Over the years, there have been attempts at defining what constitutes a small business. Scholars, experts and institutions looking for an objective definition of small business have used variety of qualitative and quantitative indicators including legal status, ownership structure, level of technology, number of employees, investment, sales volumes, net worth profitability and so on, generally categorized as input and output means (Desai, 2000; Ajonbadi, 2002; Navickas, 2014). Statistical definitions of SMEs vary by country. Due to its ease of collection, the most commonly used variable is the number of employees. In the United States, small business is one which has less than 500 employees, in the United Kingdom it is less than 200 employees, in Germany less than 300 employees, in Sweden and Italy less than 50 and 500 respectively, whereas in Nigeria, it is averaged between 200 – 300 employees (Ignisi, 2002; Qureshi, 2012; Caiying and Wang, 2014).

The European Union (EU) and a large number of the members of the Organisation for Economic Cooperation and Development (OECD) as well as transition and developing countries set the upper limit of number of employees in the SMEs between 200-250, with a few exceptions such as Japan (300 employees). At the lower end of SME sub-sector, a group known as "micro" enterprises or "cottage" industries, or as a formal sector with less than 10 employees is usually defined (Oyelaran-Oyeyinka et al, 2007). In Nigeria, definitions of SMEs have not been stable. It has been reviewed from time to time as both movements in exchange rate and levels of inflation enhance the variations. Despite these variations, various definitions adopted by the respective agencies provide the necessary framework for administration of policy measures aimed at promoting the sub-sector.

Governments all over the world are increasingly turning their attention to supporting the globalization or internationalization of SMEs in order to increase international competitiveness and improve performance (Davenport, 2009). For instance, a report on small business exporters in the USA suggests that they account for 31% of the total merchandise export sales and their number has tripled between 1987 and 2007 (Yon and Evans, 2011). It is expected that the number of small firms pursuing strategy of internationalization will continue to increase (Sharma et al,

2008; Pingle, 2014).

In Nigeria, internationalisation of business was exclusively the domain of large business; Nigerian SMEs were less actively involved in internationalization probably due to inadequate policy framework for SME development and lack of awareness. However, the emergence of globalization, fast affordable communication and international market transformation has improved the involvement of Nigeria SMEs in international business (Abubakar and Yahya, 2013).

The phenomenon internationalising (iSMEs) has been well canvassed in recent literature (Bell et al, 2003; Knight, 2005; Conviello and Cox, 2006; Crema and Nosella, 2014). International SMEs (iSMEs) engage in any of the following activities: import, direct export, export through an intermediary, solo venture direct investment, joint venture direct investment, licensing of product or service, contracting, franchising and any other international activity (Manolova et al, 2002). The strategic role of SMEs in development is acknowledged universally. Even in the developed countries such as U.S.A. and Japan where giant corporations are dominant, SMEs still contribute to the development of these nations. For instance, in the U.S., of the 23,000,000 small businesses, more than 72,000,000 people are employed as at 2012 (EDB, 2013). In Asia, small enterprises make up more than 90% of industries in Philippines, Thailand, Hong Kong, India and Sri Lanka. They account for 98% of employment in Indonesia, 78% in Japan and 87% in Bangladesh (Sundar and Kumar, 2012).

From the rich experiences of the performance and role of SMEs in many countries, particularly highly industrialized nations like Japan and the fast-growing economies of China, India and some Asian countries that were formerly poor, it may be safe to state that Nigeria as a developing country has great growth potentials for SMEs. The strategic roles of the Nigerian SMEs can be summarized as follows:

SMEs serve as a catalyst for technological development through innovation and indigenous technology (Ojo, 2006). Obuh (2002) also opines that SMEs provide the leading ground for the emancipation of indigenous technology through the development of technology, manufacturing and marketing skills. Meanwhile, the argument that SMEs are more innovative has been rejected by Acs, Morck and Young, (1999) on the ground that these innovations often take time and larger firms may have more resources to adopt and implement them.

In Nigeria, SMEs provide 70% of industrial employment and 60% of agricultural employment (Odubajo and Usman 2001; Abubakar and Yahya, 2013). The International Labour Organisation (1985) shows that informal sector, replete with SMEs employs between 40-60% of the urban labour force and contributes a quarter to third of income. In fact, one of the most important roles attributable to SMEs is the ability to generate employment to a great majority of people. In the last one decade, the various government restructuring programmes have made many Nigerians to lose their jobs in both private and public sectors due to downsizing, mergers

and acquisitions and consolidations; especially that of the banking sector (Ignisi, 2002; Taipale-Erävala and Lampela, 2010). This has made the SMEs sub-sector a veritable employment alternative (Olusomore, 2006; Verbano and Crema, 2013). Although, many of the jobs provided by SMEs are low paying, they enable families to survive, educate their children and in some cases, move out of poverty (Oyedaran-Oyeyinka, et.al 2007). The conviction that SMEs are important for employment growth has not been supported by sufficient empirical evidence, while job creation rates are substantially higher for small firms, so are gross destruction rates (Storey and Johnson, 1987; Davis, Haltiwagner, and Schuh, 1993; Hattwanger, 1999 and Sundar and Kumar, 2012).

SMEs serve as a valuable training ground for creation and development of local entrepreneurs in several areas of economic activity (Ojo, 2006). Evidences abound among many successful Nigerian entrepreneurs such as *Okoya's Eleganza, Folawiyo, Bank Anthony, Dangote, Dantata, and Odutola* to mention just a few, commenced their entrepreneurship career as small business owners. SMEs serve as a major source of capital formation for mobilising and channeling savings into productive investment. Hence, they are often said to contribute to a more equal distribution of income or wealth (Gundal, 2014). However, SME owners are likely to be the poorest of the poor. In reality, the desire of government to promote SMEs is often based on social and political considerations rather than economic grounds (Hallberg, 2000; Sundar and Kumar, 2012).

Most SMEs that engage in manufacturing also serve as channels for import substitution. From the 1960s, successive Nigerian governments adopted import substitution strategy to reduce dependence on importation; therefore, Nigeria is in need of SMEs that would make use of available local raw materials (Olusomore, 2006). In assessing the strategic importance of Nigerian SMEs, Odubajo (2001) and Abubakar and Yahya (2013) reiterate that SMEs, help in rural transformation through provision of living standard, employment, utilization of local resources, output expansion and increase the revenue base of the government.

The Nigerian industrial sector is concentrated in urban centers leading to rural-urban drift. The collapse of the agricultural sector created a vacuum in the rural areas. SMEs can assist in the dispersion of economic activities to nooks and crannies of the country. This, according to Oluseomore (2006), would accelerate development and subsequently standard of living. The challenges of insurgencies and incessant terrorist attack waged by the infamous Boko Haram group could be solved through youth empowerment in SMEs and restore the nation's old glory of peacefulness.

SMEs have made significant contributions to the growth of the developed and developing economies of the world. However, despite the strategic role of SMEs, their potentials have not been fully exploited. Unlike their counterparts in Asia (Malaysia, Indonesia, etc), Nigerian SMEs are faced with a lot of challenges affecting its roles in the national development. As asserted by Olusomore (2006), the

Nigerian SMEs employ 70% of the industrial labour force, but only accounts for 10-15% of the total industrial output with capacity utilization of slightly over 30%, which is a reflection of low productivity. In developed countries, empirical research findings have revealed a positive relationship between SME development and economic growth (Sauser 2005; Harks and Gibson, 2006). However, far less research has been conducted in developing countries.

Thus, the central issues of this study can be summarised in the following research statements:

- How significant is the contribution of Nigerian SMEs to economic and industrial development?
- Do these contributions vary on the basis of the organizational characteristics?

The thrust of this study rests on the assumption that the contributions of Nigerian SMEs to the nation's development depends on organizational characteristics. This proposition can be expressed in the following hypothesized relationship:

H1: Strategic importance of domestic and Nigerian international SMEs does not vary significantly.

H2: Organizational characteristics and extent of contributions of Nigerian SMEs to economic development are not significantly related.

3. Methodology

3.1. Study Area and Research Process

The study was conducted by surveying small and medium enterprises operating in Lagos State from January to May 2013. Contacts were made with officials of Lagos State Ministry of Commerce and Industry to obtain a comprehensive list of SMEs compiled in 2012. The SMEs were spread over 18 local governments in the state.

Data were generated by means of primary and secondary sources. The primary data were obtained through the use of self-administered questionnaire and structured interview. Content analysis of records particularly financial records of some participating SMEs were undertaken to obtain the secondary data.

3.2. Research Instruments and Administration

For the purpose of collecting the primary data, two research instruments were used - a survey questionnaire (administered to participating firm) and interview schedule were designed. The criteria used include rural transformation, employment generation, mobilization of saving, etc as shown in table v in appendix. The questionnaire was a five-point Likert Scale with 1 = No contribution to 5 = Significant contribution. Three case studies were conducted with the aid of structured interview schedule containing seventeen questions.

3.3. Population and Sampling Plan

The comprehensive list of SMEs compiled by the Lagos State Ministry of Commerce and Industry comprised 2,670

that constituted the practical population of the study. Out of this population, stratified sampling techniques were used to select the business owners from 18 local governments in Lagos State, Nigeria. A total number of 1000 questionnaires were distributed and 683 returned representing a 68.3% response rate. Participating SMEs were divided into two main categories: SMEs that did not engage in exportation or any form of international business (domestic SMEs) and those that did engage in exportation and other forms of international businesses (Nigerian International SMEs). In addition, interviews were conducted to complement the questionnaire since some participating entrepreneurs were illiterate or semi-literate.

The questionnaire was submitted for validation by a panel of experts. The panel members were requested to review the statements in the instrument and determine the feasibility of administering it to prospective respondents. They were also requested to determine the relevance of the item statements to the Nigerian business environment and provide suggestions on how to improve the quality of the instrument.

After minor revision, the instrument was adjudged by the experts to be of high quality. To determine the reliability of the instrument, it was administered to a small sample of 30 business owners randomly selected. Cronbach reliability test revealed a coefficient of 0.87

4. Results

The results of t-test for the mean comparisons presented in table III shows that international SMEs contributed more than domestic SMEs in all the dimension of strategic importance. It is interesting to note that the differences in means on strategic importance of SMEs are statistically significant. These results did not support hypothesis 1. Hence, the alternative hypothesis that states that significant difference exists in strategic importance of Nigerian iSMEs and domestic SMEs is accepted. We further utilized Pearson Product Moment Correlation and Regression Analysis to investigate the relationship between the characteristics of participating respondents and responding firms and their level of contribution to national development. The results are presented in Table V and VI (see appendixes).

The correlation analysis in Table V also indicates that some respondents' characteristics and most characteristics of responding firms are significantly related with dimensions of strategic importance. The high correlation amongst the dimensions of strategic importance demonstrates good convergence validity across separate measures of the study variables of strategic importance of Nigerian SMEs. Again, this rejects the second hypothesis. The regression analysis in Table VI establishes that age of respondents, marital status, qualification of respondents, age of the business and number of employees has significant causal relationship with strategic importance of Nigerian SMEs.

5. Discussion and Recommendations

This exploratory study investigated the strategic importance of Nigerian SMEs. The findings on the characteristics of participating respondents and firms are relatively consistent with the Nigerian business environment particularly, Lagos state.

The findings of this study also suggest that iSMEs may generate earnings in the international markets, hence, there is need to encourage internationalization particularly from onset. Meanwhile, technological barriers, inadequate policy framework and financial constraints, to mention just a few, are barriers preventing the attainment of desired outcome (Abukakar and Yahya, 2013). Policy makers appreciating the benefits associated with internationalization of SMEs support initiatives that reduce the barriers to SME development (DTI, 2004).

International SMEs compete on the basis of quality, innovation and fast reaction time while exhibiting high potentials for success which is expected to be greatly enhanced through institutional support (Johari, 2012). Government therefore has a critical role to play in the development of SMEs in Nigeria. The findings of Oyelaran-Oyeyinka and McCormick (2006) suggest a number of policy measures that should be provided for improved performance of SMEs. To enable Nigerian SMEs make its large potential contributions to the Nigeria economy, the following suggestions are offered:

Government needs to design well-articulated policies and programs that will recognize the wealth creation, friendly environment and dynamism of SME sub-sector. For many Nigerian SMEs, their products and service are non-tradable in global markets. Policy initiative seeking to encourage internationalization of SMEs should focus on quality and technological improvement through training and retraining. The Nigerian SMEs have useful insights into competitive challenges and new market opportunities. Active participation of these enterprises in national policy making is an important ways of making this knowledge socially effective.

Government support programmes must be harmonized and coordinated in leveraging the existing organizational capabilities. In addition, the service of public institutions must be localized by creating regional and local offices manned by people who understand the environment. The operating rules and regulations relating to Nigerian SMEs must be simplified by all the three tiers of the government and cooperation fostered among these Nigerian SMEs. Synergies and high linkages must be promoted particularly in the areas of manufacturing and agro allied industries.

Also, provision of financial incentives such as tax rebates, tax concession for Nigerian SMEs particularly those promoting the utilization of local resources. Enabling environment particularly provision of infrastructure such as water, electricity, and road networks etc for growth and development of Nigerian SMEs. Infrastructure and entrepreneurial activities are critical for improved

performance and competitiveness of SMEs (Johari, 2013). Presently, Nigeria's power and water system have fallen short of their potentials in supporting the economy. Again, cluster formation and networking shop among SMEs operators to facilitate the use of shared facilities and enhance synergistic advantage will be helpful.

Capacity building through entrepreneurship development of technical and management aspects of businesses to ensure provision of high quality manpower can be explored. Entrepreneurship development programme in public institutions such as universities and government agencies should be encouraged, reviewed and harmonized to suit the developmental needs of the country.

6. Conclusion

The strategic roles of Nigeria SMEs in economic and industrial development are shown to be of significance particularly SMEs. The measures of strategic importance used in the study revealed significant correlation among measures suggesting that they can be used as proxy for one another. In addition, the results of the study demonstrated a

causal relationship between organizational characteristics and the strategic importance of Nigerian SMEs implying that the nature of these organizations may significantly influence the role played in economic and industrial development.

International SMEs have made some contributions to the growth of the Nigerian economy. However, the domestic SMEs subsector is yet to make the desired impact as that of the counterparts in developed countries and the Newly Industrialised Economies. The implication of these findings is that the view that SMEs achieve superior performance is supported by our findings. The development of SMEs in Nigeria is a salute to the courage and entrepreneurial spirits of some Nigerians. Despite minimal government support, some Nigerian SMEs are experiencing market growth for Nigerian products beyond the national boundary, most significantly across the West African Coast – from Republic of Benin to Senegal (Oyelaran–Oyeyinka *et al.* 2007). Thus, SMEs promotion and development must be mapped out in a more affective and integrative manner, taking into consideration the short and long term development process and the nature of Nigerian business environment.

Appendices

Table I. Summary of SMEs Definition by Government Agencies

S/N	Institutions	Year	Investment ceiling ₦	\$	Employment Ceiling
1.	Small and Medium Industries Equity Investment Schemes (SMEIS)	2001	300 Million	2000.000	300
2.	Central Bank of Nigeria (CBN)	2001	50 Million	333,333	100
3.	Small and Medium Enterprises Development Agency (SMEDAN)	2006	N/A	N/A	200
4.	National Economic Reconstruction Fund (NERFUND)	1989	10 Million	66,667	N/A
5.	Institute of Chartered Accountants of Nigeria (ICAN)	2008	50 Million	333,333	300
6.	National Council on Industry (NCI)	2001	200 Million	1,333,333	300
7.	Companies and Allied Matters Act (CAMA)	1990	2 Million	13,333	N/A

Tables II. Classification of Respondents' Background Data: N=683

S/N	Respondents' Demographic Data	SMEs		Domestic SMEs		
		Total	Percent	Total	Percent	
1.	Age	21-25yrs	46	6.7	39	5.7
		26-30yrs	90	13.2	51	7.5
		31-40yrs	260	38.1	197	28.8
2.	Gender	Male	309	45.2	202	29.6
		Female	87	12.7	85	12.4
3.	Marital Status	Single	118	17.3	86	12.6
		Married	278	40.7	201	29.4
		Hausa	11	1.6	12	1.8
4.	Ethnic Group	Igbo	125	18.3	93	13.6
		Yoruba	260	38.1	182	26.6
		Pry 6	20	2.9	16	2.3
		WASC/GCE	103	15.1	94	13.8
		NCE/OND/A.LEVEL	84	12.3	65	9.5
5.	Qualification	BSc/HND	30	4.4	16	2.3
		MSc/MBA	129	18.9	82	12
		Professional Qualification	30	4.4	14	2

Sources: Field survey 2013

Table III. Classification of participating Companies by their characteristics: N = 683

Responding Firms		iSMEs		Domestic SMEs	
		Total	Percent	Total	Percent
1. Area of Responsibility	Financial Services	25	3.7	23	3.4
	Distribution	26	3.9	8	1.2
	Agro Allied	38	5.7	24	3.6
	Glass and Ceramics	12	1.8	8	1.2
	Textile	14	2.1	6	0.9
	Manufacturing	39	5.8	25	3.7
	Wholesale/Retail	35	5.2	30	4.5
	Electronics	13	1.9	13	1.9
	Food and Drinks Processing	17	2.5	6	0.9
	Chemical	66	9.9	27	4
	Professional Services	6	0.9	4	0.6
	Transport	7	1.0	13	1.9
	Retail	9	1.3	5	0.7
	Furniture work	3	0.4	3	0.4
	Leather and footwear	30	4.5	15	2.2
	Education	16	2.4	22	3.3
	Healthcare	2	0.3	1	0.1
	Wood making	1	0.1	0	0
2. Age of Business	Nylon Production	23	3.4	33	4.9
	0-5yrs	207	30.3	177	25.9
3. Number of employees	6-10yrs	189	27.7	110	16.1
	Less than 10	1	0.1	5	0.7
	10-20	322	47.1	264	38.7
	21-30	27	4.0	11	1.6
	31-40	8	1.2	1	0.1
4. Breadth of operation	41-50	38	5.6	6	0.9
	More than 50	396	58	287	42

Source: Field Survey 2013

Table IV. Perceptions of Participating Firms on the Strategic Importance of their Organizations to Nigerian Economy N = 683

Dimensions of Strategic Importance	N	Mean	SD	DF	P<0.001	T-Value
Rural Transformation						
iSMES	396	3.76	1.37	679	.000	6.83
Domestic SMES	287	3.03	1.36			
Promotion of indigenous technology						
iSMES	396	3.62	1.26	681	.000	10.01
Domestic SMES	287	2.68	1.15			
Promotion of indigenous entrepreneurship						
iSMES	396	4.00	1.07	681	.000	6.18
Domestic SMES	287	3.41	1.32			
Utilization of local resources						
iSMES	396	3.48	1.30	681	.000	7.35
Domestic SMES	287	2.72	1.37			
Dispersion of industry to reduce regional imbalance						
iSMES	396	3.42	1.23	681	.000	7.32
Domestic SMES	287	2.71	1.29			
Revenue generation to government						
iSMES	396	4.22	1.07	681	.000	11.08
Domestic SMES	287	3.20	1.35			
Increasing national productivity						
iSMES	396	4.60	0.49	681	.000	46.54
Domestic SMES	287	2.11	0.90			
Provision of employment opportunity						
iSMES	396	4.33	1.00	681	.000	13.19
Domestic SMES	287	3.18	1.28			
Mobilization of savings						
iSMES	396	4.00	1.12	681	.000	10.25
Domestic SMES	287	3.01	1.29			
Diffusion of wealth power and prevention of monopoly						
iSMES	396	3.64	1.27	681	.000	7.13
Domestic SMES	287	2.92	1.35			

Source: Field Survey 2013.

Table V. Correlations among All Study Variables

S/N	Variable	1	2	3	4	5	6	7	8	9
1	Age	1								
2	Sex		1							
3	Marital Status	.193*	.143*	1						
4	Ethnic Group	**	.026	.103	1					
5	Qualification	.458	.067	.193	.106	1				
6	Sector	.068	.067	.193	.106	1				
7	Age & Business	.174	.027	.042	.031	.031	1			
8	Number of Employees	.018	-144**	.184**	.41	.003	.031	1		
9	Rural Transformation	**	.292	.044	0.034	.125	.205	.072	.195	1
10	Promotion & Technology		.039	.050	.034	.024	.033	.040	.037	.044
11	Promotion & entrepreneurship	.022	-106	.009	.066	.034	.013	.065	.070	.404
12	Utilization and local resources	0.27	— *	.096*	.048	.005	.015	.119	.065	.278
13	Dispersion of industry	.086	—	.033	.050	.021	—	.033	**	**
14	Revenue generation	.54	.040	—	.012	.032	—	.006	.117	.221
15	National productivity	.049	.057	.019	.012	.032	.012	—	.089	.250
16	Employment opportunity	.069	*	.102	.063	.041	—	*	.124	.215
17	Mobilization of savings	.036	.103	.007	.040	.019	.019	.100	.188	.261
18	Diffusion of wealth	.056	.032	.034	.014	.091	.034	.076	.158	.215
		.030	.061	.073	.008	.041	.069	.133	.187	
								**	**	
								.117	.234	

Table V. Continue

S/N	Variable	10	11	12	13	14	15	16	17	18
1	Age	1								
2	Sex									
3	Marital Status									
4	Ethnic Group									
5	Qualification									
6	Sector									
7	Age & Business									
8	Number of Employees									
9	Rural Transformation									
10	Promotion & Technology	1								
11	Promotion & entrepreneurship	**	.365	1						
12	Utilization and local resources	**	**	.277	.295	1				
13	Dispersion of industry	**	**	.267	.179	.211	1			
14	Revenue generation	**	**	.243	.305	.239	.170	1		
15	National productivity	**	**	.346	.262	.288	.150	.409	1	
16	Employment opportunity	**	**	.254	.307	.162	.192	.325	.470	1
17	Mobilization of savings	**	**	.235	.206	.186	.111	.315	.375	.402
18	Diffusion of wealth	**	**	.223	.212	.230	.208	.278	3.15	.346
									412	1

* Significant at 0.5 level

** Significant at 0.01 level

SOURCE FIELD SURVEY, 2013

Table VI. Effects of Demographic Characteristics on Perception of Strategic Importance of Nigerian Small and Medium Enterprises

S/N	VARIABLE	R	R SQUARE	F	SIG
1	Age	.170	0.029	1.509	0.132
2	Sex of Respondents	.167	0.028	1.447	0.157
3	Marital Status	.216	0.047	2.495	0.006
4	Ethnic Group	.076	0.014	0.291	0.983
5	Qualification	.190	0.036	1.870	0.047
6	Sector	.125	0.016	0.773	0.655
7	Age of Business	.150	0.023	1.170	0.309
8	Number of Employees	.238	0.057	2.995	0.001

Source: Field Study, 2013.

Case Study

For the purpose of this study, we have segmented participating firms into cluster of micro, small and medium enterprises segments. This is done to understand and appreciate the magnitude of strategic roles of Nigerian SMEs. According to the definition of micro, small and medium enterprises by SMEDAN, the number of employees engaged is the basic distinguishing feature. An enterprise with 1-15 employees belongs to the micro segment; an enterprise employing 16-50 employees is regarded as a small-scale while enterprises with 50-200 workers are described as medium-scale. Using this as a basis for the three case studies, we have Al-khilafah Venture in the micro segment, Al-khair Foods Limited in the small enterprises segment while Hajji Mabrus Ventures Limited in the medium-scale segment. Looking at the case studies along the following headings provide an insight into their segment peculiarities micro segments.

Al-Khilafah Venture

81B, SIMPSON STREET, EBUTE METTA, LAGOS, NIGERIA

Al-Khilafah Venture is a micro sized sole proprietorship form of business owned and managed by Mr. Wahidi Obalakun. He is a graduate of Physics – education from University of Lagos. Al-Khilafah Venture was established in 2001 during the better-forgotten fuel scarcity period in Nigeria. The main business of the venture at inception was to buy Kerosene from the Oil and Gas independent marketer and sell it to retailers who in turn sell to the final consumers. In 2005, Al-Khilafah Venture added another line of business to the Kerosene business: supply of diesel to industrial consumers. The venture buys from the Oil and Gas independent marketer and sells directly to companies (industrial consumers).

Mr. Obalakun started the business with about two hundred and fifty thousand naira (\$1,562.5), his personal savings. His vision is to see Al-Khilafah becoming a big time player in the Oil and Gas Industry. The annual turnover of the business rose from twenty four million naira (\$150, 000) in 2010 to thirty million naira (\$187500) in 2013. Similarly, the profit before tax rose from four million naira (\$250000) in 2010 to six million naira (\$375000) in 2013. There is no evidence of regular tax payment. The number of employees

is four. This has not changed in the last three years.

Al-Khair Foods Limited

1, Thanni Olodo Street, Jibowu, Yaba, Lagos, Nigeria

Al-khair Foods Limited is a limited liability company owned by Messrs Abdul Kareem, Abdul Quadri, Jamil Ajala and Barrister Jamil Baruwa. The trio is professionals. Abdul Quadri and Ajala are Chattered Accountants while Baruwa is a practicing lawyer.

Al-khair commenced its operation in February, 2004 when the Directors contributed the sum of four million naira (about \$25000) to purchase the farm from its former owner, who was having financial problem and offered to sell the farm as one of his recovery strategies.

At the beginning, the company suffered from lack of technical know-how and experience on the part of the management. None of the directors had worked in the agricultural sector but they were motivated to start the business because of their interest and passion for investing in food related business. They believe that any food related business will always be a successful one because of the Nigerian population and its love for food.

To solve this problem, they employed an experienced farm manager, Mr. Abdul Mojeed who is an indigene of Ijebu-Idowa where the farm is located. He has managed a farm of similar size for about six years. Although, he did not study agriculture in school, he has acquired tremendous experience working with Firm Farm Limited for six years.

His employment paid off as the firm has grown from its initial net worth of \$27, 000 to over \$270,000. In 2008, the farm's annual sales turnover is about forty three million naira (about \$268750); its Profit before tax is about \$11, 300 and it paid about \$2667 as tax. The farm's employees have also grown from six in 2004 to sixteen in 2013. With respect to labour turnover, the farm is relatively stable. Till date, only two employees have been sacked and only one resignation.

At inception, the farm was purchasing its fish and chicken feeds from outside, but in 2007 it expanded its operation to include a feed mill where it's now producing its feeds for its operation. The technology adopted is mainly local. The raw materials are also sourced locally. The main products of the farm are eggs, chicken and fish. They are sold locally. There are plans to be producing frozen chicken in the nearest future. This may then be exported.

Hajj Mabrur Ventures Limited (Hmv)

81, Timiayu Street, off Oshodi, Isolo, Lagos, Nigeria

Hajj Mabrur Ventures Limited (HMV) was incorporated as a limited liability company in 2001 (1422AH). It was equally licensed by The Directorate of Pilgrims Affairs (DPA) under the auspices of the Nigerian Ministry of Foreign Affairs to airlift Pilgrims. HMV is one of the investment arms of The Muslims Congress (TMC). TMC is one of the prominent Islamic organizations in Nigeria. The initial capital of about six million naira (\$37,500) was raised by the congress through its members

HMVL started airlifting pilgrims from the year 2002 (1422AH) till date. The main objective of establishing the company is to make it possible for Muslims to perform Hajj as directed by Allah and His Apostle (SAW) without any fuss or hassle. It is equally working to curb the various problems faced by Nigerian Hujjaj both at home and in the Holy Land.

HMV has been successfully airlifting pilgrims on both Umrah and Hajj and has a wealth of experience and an impeccable track record. HMVL services also extend to groups or organizations who wish to perform Hajj jointly. HMV will provide necessary services to facilitate their group's airlift, accommodation, transportation and observance of Hajj rites as may be required.

HMV is being handled by committed hands that possess workable knowledge and experience on Hajj & Umrah operations. HMV provides individual attention to passengers and offer of good guide and support for practical and effective Hajj/Umrah. In its effort to encourage less privileged Muslims to perform Hajj. HMVL makes it possible for any moslem who cannot afford to pay at once to do so in installments ahead of the Hajj & Umrah period. The company's full time employees rose from two at inception to twenty six in 2009. HMV also makes use of ad-hoc staff during its operations. The company has been profitable from inception except in 2006, when it recorded a loss. Its profits rose from about N10, 000000 in 2007, to about N15, 000,000 (\$10,000). HMV pays tax regularly. It paid about N2, 000,000 as tax in 2007 and N3, 000,000 in 2009.

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