

# Nigerian Socio-Economic Development: The Roles and Challenges of Small and Medium Enterprises Development Agency of Nigeria (SMEDAN)

## A Descriptive Perspective

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**Abstract**—In recent time, no other sector has been given so much attention in Nigeria's development plans as the small and medium industrial sector. There has been a conscious decision to de-emphasize the capital intensive, large scale industrial projects by the three tiers of government in Nigeria and put more emphasis on small scale enterprises. Small scale enterprises have been observed over the years to have immense potentials for socio-economic development of a nation. The objectives of the paper is to establish the immense potentials of small and medium enterprises (SMEs) in Nigeria, to identify the challenges being faced by SMEs in Nigeria and the roles of Small and medium Enterprises Development Agency of Nigeria (SMEDAN) in addressing these challenges. This reviewed work revealed that SMEDAN is faced with a lot of challenges ranging from inadequate fund, tribalism, nepotism, lack of enlightenment/campaign amongst others. From reviewed of literature, it was found out that SMEDAN has not carried out its roles to a large extent to help alleviate the challenges faced by small and medium enterprises in Nigerians. It is recommended that there should be more awareness about the existence of the agency and its roles, there should be checks and balances to curb corruption etc. These will help the agency to carry out its roles efficiently and effectively so that the small and medium enterprises will have greater impact on the socio-economic development of Nigeria.

**Keywords**—Small and Medium Enterprises, importance, challenges, Small and Medium Enterprises Development Agency

### I. INTRODUCTION

There are so many write-ups and discussions about SMEs globally. This has also been the subject in many presentations either locally and internationally. Global bodies such as World Bank, United Nations Industrial Development Organization (UNIDO), International Finance Corporation (IFC), United Kingdom Department for International Development (DFID), European Investment Bank (EIB) etc.

extremely interested in making SMEs a sector to be reckon with especially in developing countries by paying so much attention to the sector than before. In Nigeria so much significance has been attached to SMEs than any other in the development plan of the country [1]. Akinlabi [2] states this major shift started from the economic reform programme in Nigeria since 1986, there has been a major change from investing on capital intensive, large scale industrial project to micro and small scale enterprises this because of their enormous capabilities for developing local linkages for speedy, viable socio-economic growth and development. Also governments at various levels in Nigeria (local, state and Federal levels) have come to embrace the Small and Medium Enterprises. Various policies have been formulated at different levels of government in order to support the growth and development SMEs sector. Some governments have assisted by giving soft loans, purchase of equipment, seedlings, giving advisory services and other incentives which can aid their growth and development.

Non-Governmental Organizations like the Women in Business (WIMBIZ), David Oyedepo Foundation (DOF) in Nigeria through seminars, trainings, campaign and capacity-development activities have continued to solicit for better support structures for operators in the SME sector. All the huge devotion and backing given to SMEs justify the claims that SMEs are a source of employment creation and wealth accumulation. SMIEIS came into existence in 2003 in order to realize the objective of revamping the SMEs as instruments of socio-economic growth and a viable means for the development of domestic technology, rapid industrialization, generation of employment for our teeming youths and the pivot for sustainable economic development in Nigeria [3].

Adeyemi and Aremu [5] add that SMEs are also a means of poverty reduction at low cost, a means of developing

entrepreneurial competencies with indigenous technology. Other benefits of vibrant SMEs include development of infrastructural facilities brought about by the existence of such SMEs in their locality, the encouragement of economic activities such as suppliers of various items, distributive trades for items produced and or needed by the SMEs, rural urban migration, enrichment of standard of living of the workers of the SMEs owners and their dependents as well as the SME owner. Small scale enterprises are also in a better position to encourage the usage of local raw materials, also facilitate the growth of non-oil exports. With all the benefits of SMEs, they are still faced with a lot of challenges as enumerated. Therefore it has become necessary to look into the affairs of Small Medium Enterprises Development Agency of Nigeria in order to identify how this agency has supported SME growth in Nigeria. The objectives of this paper are to: establish the immense potentials of small and medium enterprises (SMEs) in Nigeria, (ii) identify the challenges being faced by SMEs in Nigeria and the roles of Small and medium Enterprises Development Agency of Nigeria (SMEDAN) in addressing these challenges and (iii) proffer useful suggestions which policy makers and other stakeholders involved in the formulation and the implementation of SMEs' development policies will find beneficial when implemented. This paper is a reviewed work that employed secondary data for its findings.

## II. LITERATURE REVIEWS

### A. Definitions of Small and Medium Enterprises

First, According to the National Council on Industry (2009) cited in Olajide [6], states that SMEs are enterprises with a capital base of N1.5 million, which must not exceed N200 million, that has a staff strength of not less than 10 and not more than 300. Esseini [1] defines SMEs as business venture with an investment of between N100, 000 and N200, 000 that does not include cost of land. Adesuyi [7] defines Small and Medium-Scale business as any business undertaking which hires between five and one hundred workers with an annual inflow and out flow of about four hundred thousand Naira (N400, 000). [5] defined Small and Medium Enterprises (SMEs) as follows:

- Small-Scale Industry: A business concern that has a human capital size that range between 11 to 100 workers with a total capital that is not more than N50 million, as well as working capital but does not include the cost of land.
- Medium Scale Industry: An industry with a work force between 101 to 300 workers that has a total cost of over N50 million but not exceed N200 million, comprising of working capital but apart from cost of land.

### B. Roles of Small and Medium Enterprises as Pivotal to Nigerian Economic Development

Small and Medium Enterprises are promoters of socio – economic development of a nation. They are sustainable mechanisms for the achievement of national macroeconomic goals in term of reducing unemployment at low investment capacity and enhancement of apprenticeship training.

For example in the Eastern African country of Kenya, Kombo [8] submitted that micro and small scale entrepreneurs

who are into agriculture activities and rural businesses owners have been major contributors to the sustainable progress of Kenyan economy. They emphasized that SMEs have contributed immensely to the national aspiration of creating job prospects, impacting knowledge into entrepreneurs, making income for the economy and being a source of livelihoods for the majority of low income citizens in the country. This make up for 13-15% of GDP of Republic of Kenya in 2005. The major significance roles of this sector are also visible in other countries of the world such as China, Taiwan, South Korea, Singapore, and India among others. They contribute massively to the Gross Domestic production (GDP), export income and transfer of technology of these countries. SMEs by and large have been widely recognized as the trigger for progressive economic advancement. Aside from the fact that they contributes to the growth in per capital income and output, they encourage the expansion of indigenous entrepreneurship, enhance regional economic balance through industrial transfer of knowledge and largely facilitate effective use of resources ([9]; [10]; [11]). Small and Medium businesses are a mainstay of a nation's socio-economic improvement. In order for a nation to actualize its full capacity in terms of economic and social transformation, it cannot afford to underestimate the significance of its local micro enterprises and their positive impacts in country's economy. These include free flow of trade from one nation to the other and the attraction of foreign investors into a nation. For instance, a research carried out in Nigeria by the Federal Office of Statistics in 2015 indicates that the micro and small enterprises sector provides, on average, 60% of Nigeria's employment generation and 50% of its industrial production. This has made the government to focus their resources on the growth of the sector as they are high contributors to nation's building. The ratio of Nigerian micro and small enterprises impact on the economy is highly recognized similar to other countries of the world.

Adesuyi [7] sums up the importance of the sector as capacity building, unemployment reduction, technology transfer, industrial dispersal, backward and forward integration, use of local raw materials, development of apprenticeship, poverty alleviation, pooling of resources together etc.

### C. Challenges of Small and Medium Enterprises

The SME Sector in Nigeria is confronted with a lot of hindrances, one of such is that they are usually owned and managed by the family, this affects the effective running of the business as there are no skills acquired such as management skills, financial skills etc. and this poses as a very big threat to the sector. Another major challenge is how to raise capital for the business or the expansion, in most cases fund is generated by the owner's meagre savings. The small business owners are yet to take advantage of external means of raising capital such as banks, co-operative societies, finance houses, venture capitalists, business angels, Non-Governmental Organizations, partnership, investors both locally and internationally and this affects the expansion of business. On the other hand, when the finance or banks house agrees to provide the fund, the conditions to be met are too stringent for the SME owners to meet up with such as high interest rates on the loan, provision of collateral, too many documentations, bureaucracy in getting approval etc., all these are very discouraging. With all these the

sector remains inadequately funded, the majority of about 90% of small and medium enterprises are stagnant because of the challenge posed by inadequate finance [12]. Some of the problems associated with inadequate fund include; poor management skills, inability of owners to employ the services of competent and qualified hands, use of obsolete equipment and machines to run the business, inability to keep up with new technology, inability to compete with large firms in the industry.

Gentry [13] states that with the huge supports by government at various levels, small and medium businesses are still battling with harsh conditions. This occurs based on some limiting factors like very expensive available raw materials that have ripple effects on production prices of goods and services, SMEs are also adversely affected by unavailability of infrastructural amenities and the available one are inadequate while some are dilapidated, for example unavailability, inadequate or dilapidated roads network, electricity supply and pipe borne water. They are also affected by inconsistency in government policies and regulatory measures, high and multiple tax rate, illiteracy etc.

Also Baumbach [14] identified lack of basic infrastructure, inadequate access to finance, capital shortage, inflation, inadequate information base, poor policy implementation, and low entrepreneurial skills.

#### *D. Efforts by Government Towards the Growth of SMEs*

In acknowledgement of the huge prospects of SMEs, some of which have been outlined, various special measures and programmes have been carried out by government to boost (SMEs) development and hence make them more vibrant in Nigeria [3]. Some of these measures include; Small Scale Industries Credit Scheme (SSICS), Nigerian Bank for Commerce and Industries (NBCI), Nigerian Industrial Development Bank (NIDB), SME Apex Unit of Central Bank, National Economic Reconstruction Fund (NERFUND), The African Development Bank/ Export Stimulation Loan (ADB/ESL), Nigerian Export Import Bank (NEXIM), National Directorate of Employment (NDE), Industrial Development Coordinating Centre (IDDC), Community Banks, People's Bank, Family Economic Advancement Programme (FEAP), State Ministry of Industry SME Schemes, Small and Medium Industries Equity Investment Scheme (SMIEIS), Bank of Industry (BOI). With all these strategies by the Nigerian government to promote the growth of SMEs, Damachi [15] says all these laudable efforts have little impacts in the growth and development of the micro industrial sector because of corruption, fund diversification, political instability, lack of proper implementation, policy inconsistencies, tribalism and nepotism etc.

### III. SMALL AND MEDIUM ENTERPRISES DEVELOPMENT AGENCY OF NIGERIA (SMEDAN)

Before Most of the numerous efforts made by different Government of Nigeria to stimulate the growth and development of the SME sector produced minimal results. This about the need to have an agency that will coordinate the activities of the sector. This was affirmed when the World carried out a study and made a recommendation to facilitate the

birth of a coordinating agency. The attempts by the Government to establish an agency failed severally until 2003, when the Small and Medium Scale Industry Development Agency (Establishment) Act enacted by the National Assembly created the Small and Medium Industry Development Agency (SMIDA). The National Assembly passed the SMIDA amendment bill in December, 2004 [8]. The Act changed the name of SMIDA to the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN). The Agency prides itself as a One Stop Shop for SME development. Their services also cover Micro Enterprises of the Agency since they are the basis for the formation of SMEs. The Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) came into being to accelerate the advancement and expansion of the Micro, Small and Medium Enterprises (MSMEs) sector in a skillful and viable manner. The Agency is vested with the responsibility carrying out its activities in ways that will facilitate the achievement of the transformation agenda of government and the development goals of the Ministry of Trade and Investment.

#### *A. Functions of SMEDAN*

The tasks of the Agency as articulated in the SMEDAN Act, 2004 are ; originating and stating clearly policies for micro, small, and medium enterprises progress and enlargement; stimulating, Observing and Managing the development of the MSMEs sector; supporting and assisting development curriculums, mechanisms and to increase the speed of development and innovation of MSMEs; to serve as a frontline for the development of local technology, poverty reduction, and job creation and there by aiding enhanced sustainable livelihoods; serving as a middle man between MSMEs and internal and external financier; to ensure access to industrial infrastructure, such as layouts incubators and industrial parks; to help MSMEs in promotion their products; to provide expertise advise, for the development of MSMEs; to stimulate the relationship sub-contracting, networking, and crosscutting strategic linkages between MSMEs and other economic sub-sectors; to promote strong and beneficial linkages between MSMEs and research institutes/higher institutions of learning; to provide advisory services to MSMEs; to carry out government directions, aids and amenities for MSMEs enlargement; giving endorsement to government business regulatory outlines for ease of enterprise development.

#### *B. SMEDAN's Scorecard/ Achievements*

Oboh [12] opines that since the beginning SMEDAN has been able to make some marks in terms of what it has achieved, he also states that with the introduction of SMEDAN the number of registered SMEs according to National Council of Industry (2012) has grown from 3.5 million to 5.5 million spread across the nation. According to him, some of the specific achievements of the Agency include;

- *Information, Training, Advisory Services and Business Sensitization:* The Agency gave various information about how to source raw materials, equipment, general business knowledge, consultative services, means of accessing fund, through their zonal offices and specialists to a total of

100,993 MSMEs in 2014 cutting across the six geo-political zones of Nigeria.

- *Entrepreneurship Development and Education in Nigeria Educational System*: In 2006, the Agency steered the awareness to make entrepreneurship education a priority in the Nigerian educational curriculum, thereby collaborating with the apex bodies of education in Nigeria; National Universities Commission (NUC), National Board for Technical Education (NBTE) and the Federal Ministry of Education to facilitate the endorsement of adding entrepreneurship in the prospectus of Nigerian secondary schools and tertiary institutions. From time to time the Agency pays visits to various Schools both secondary and tertiary institutions to sensitize them on how to run businesses. The goal is to inculcate entrepreneurial skills in the students and direct their focus on setting up their own businesses after school.
- *Business Development Services (BDS)*: The Agency collaborates with Prisons Fellowship of Nigeria and the Nigerian Prison Service to teach and train prison inmates on entrepreneurship, the purpose of this is to empower the prisoner to start their own businesses especially after leaving the prison in order for them to be useful to themselves and desist from crimes.
- *Corpers' Entrepreneurship Development Programme (CEDP)*: The Agency embarked on the sensitization campaign among youth corps members at different orientation camps spread all over the 6 geo-political zones in the country since 2010. This scheme is proposed to impart the essence of entrepreneurship in the corps members and making them to be full-fledged entrepreneurs by building capacity and empowering them to be employer of labor instead of adding to the teeming population unemployed youths.
- *Rural Women Enterprise Development Programmes*: This programme is designed to enable the rural women bring out her socio-economic abilities, this initiative is done in partnership with the World Bank and different international partners to train rural women groups in twelve (12) model States of Nigeria.
- *Capacity building Programme*: SMEDAN was able to train a sum of 200,480 existing MSMEs and new business owners in 2013 via its different Entrepreneurship Development Programmes (EDPs) which include General EDP, Youth EDP, Corper's EDP (NYSC/SMEDAN/MDG), Women EDP, and other Enterprise Support Services (Training the Trainers) dispersed at 36 States of the Federation. At the completion of the skill acquisition training, the trainees were grouped into cooperative society so that it will be easier to seek incentives and loans for them from the Bank of Industry (BOI). This was set up to boost industrial development in the country. This will reduce unemployment, poverty, crime and also improve the standard of living in Nigeria.
- *Barry University, Miami, Florida/Africa-Diaspora Partnership for Empowerment & Development (ADPED)/SMEDAN Partnership*: The United State under

its State Department of Young Entrepreneurs Programme in conjunction with Barry University's Andreas School of Business, Africa Diaspora Partnership for Empowerment and Development (ADPED) and SMEDAN ran a Nigeria Youth Entrepreneurship Program with the theme: "Connecting People, Creating understanding". This was aimed at training 20 young existing and potential entrepreneurs between the ages of 22-35 years, which were randomly selected from all over the nation in order to create entrepreneurial skills and business acumen. Also the programme also tried to promote entrepreneurial thinking, job creation, and business planning and management skills for emerging young professionals. The exercise for the 20 young Nigerians was done at the Barry University, Miami, Florida starting from 11th November, 2014 and ended on 8th December, 2014, 15 of the 20 young people trained were successful in the examination that was conducted after the training, and these 15 young individuals have received funding from the National Economic Reconstruction Fund (NERFUND) and have commenced their own various businesses.

- *SMEDAN/International Organization for Migration (IOM) Partnership*: Deportees/voluntary returnees from different countries of the world into Nigeria are trained voluntarily in order to empower them to start a source livelihood.
- *SMEDAN/Global HIV/AIDS Initiative Nigeria (GHAIN) partnership*: SMEDAN gives training to those that take care of people living with HIV/AIDS in selected locations in Nigeria such as Abuja. This helps the care giver to acquire the expertise to take care of the special needs of these people effectively.
- *SMEDAN/United Nations High Commission for Refugees (UNHCR)/Nigerian Commission for Refugees (NCFR) Partnership*: The Agency undertakes training in conjunction with the UNHCR & NCFR for refugees at selected refugees campgrounds situated in Lagos and Ijebu-Ode.
- *SMEDAN/WIDOWS Initiative*: The comes to the rescue of widows by training them in poultry keeping, baking, events decoration, bead making, sewing, tie and die, soap making in locations such as Abuja, Abakaliki, Ebonyi. This empowers them to be financial independence and become bread winners in their families after the demise of their husbands
- *SMEDAN/NDLEA Partnership*: The Agency campaigns in collaboration with NDLEA against drug trafficking and also assists in the rehabilitation of drug addicts through the rehabilitation centres in Bauchi, Lagos and Abuja.

#### IV. RESEARCH FINDINGS

Findings revealed that SMEDAN is confronted with a lot of challenges which include access to finance, human development challenges, leadership challenges, corruption challenges, tribalism/nepotism, infrastructural and institutional challenges, Policy inconsistency, market challenges, inadequate institutional and legal framework, bureaucratic and

tedious procedures, insecurity and lack of sustained favorable environment for private sector investment. All these hinder the Agency from achieving its roles of helping SMEs to combat the challenges they are being faced with.

#### V. CONCLUSION

The huge potentials that lie in small and medium businesses notwithstanding, the growth of the sector in Nigeria is greatly threatened by poor financing, inadequate local raw materials, wrong attitude of entrepreneur, epileptic public power supply and social conflicts. The challenges faced by SMEDAN should be properly looked into and lasting solutions should be proffered in order for the Agency to continue to foster the growth and development of small and medium business which will positively impact on the socio-economy of Nigeria.

#### VI. WAY FORWARD

There should be more awareness campaign to bring the agency to the knowledge of the people, this is because so many small business owners are not aware of the existence of SMEDAN. Those who are aware do not know the benefits that can be derived from there.

Re-professionalize the agency, most of the staff attending to the small business owners are not professionals. Professionals who understand the rudiments of business should be employed to train the small business owners.

Corruption should be tackled in the areas of misappropriation of fund, tribalism and nepotism. Fund meant for the agency should be judiciously used and the accounts of the agency should be audited from time to time to curb this menace.

A favourable environment should be created where there is no insurgency in order for both national and international investors have the confidence to partner with SMEDAN so that more SMEs will be assisted.

There should be training and re-training of staff to meet up with technological advancement and change due to globalization so that small business owners can compete with their international counter parts.

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