

Dynamic Analysis of the Development of Small And Medium Scale Enterprises in Nigeria: Issues and Prospects

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Abstract

The study examined the development of small and medium scale enterprises in Nigeria: Issues and prospects. The study also determined the roles that small and medium-sized businesses play in the expansion of an economy. The study made use of content analysis through systematic review methodology on similar papers published over a ten-year period, ranging from 2012 to 2022, using databases from ScienceDirect, Google Scholar, ECONBIZ, IJSTOR, EBSCO, Web of Science, and Scopus. A search of these databases and the grey literature yielded up 1150 publications; however, after filtering and grouping relevant papers according to predetermined criteria, 10 journals were included in this study. The study found that despite the many problems SMEs face in Nigeria, there are signs of hope as long as government and private sector initiatives to ensure their survival are properly implemented. This would enable SMEs to play bigger roles in an economy's process of growth.

KEYWORD: Development of SMEs, Content analysis, Growth process, Economy.

1.1 Introduction

Small and medium-sized enterprises (SMEs) are an important industry that cannot be disregarded since they have a demonstrated history of enhancing the economies of both established and developing nations worldwide (Taktak and Triki, 2015). Due to different government subsidies and interventions, the number of small-scale firms is growing in the United Kingdom (Ongori and Migiro as mentioned in Eze, Chinedu-Eze, Bello, Adegun and Alao, 2019), thus, they make up more than 90% of all businesses in Europe and contribute over 70% of job opportunities, over 65% of gross added value, and innovation development (Castro, Montoro-Sanchez, and De-Urbina-Criado as cited in Eze, Chinedu-Eze, Bello, Adegun, and Alao, 2019). In contrast, over 70% of industrial employees work in Nigeria (Ikharehon, 2014; Ado & Mallo, 2015).

The Small and Micro Enterprise Development Agency (SMEDAN), the Bank of Industry, and the Small and Medium Enterprise Industries Equity Investment Scheme (SMIEIS), which mandates that commercial banks invest at least 10% of their pretax profits in SMEs, have all

made contributions to the success of small and medium-sized businesses (SMEs) (Effiom and Edet, 2018). Despite the government's efforts and assistance, the researcher was concerned that SMEs fail in a market that is competitive. This is significant to the researcher's programme area, according to Olubayi, Egwakhe, Amos, and Ajayi (2019), since it shows how SMEs may manage

and expand their businesses by outlining survival strategies that can remove their inefficiencies. This study is important because it illustrates the many coping strategies that SMEs may employ in the event of slow sales growth and market failure. In place of the aforementioned, the essential question that this study addresses is figuring out the obstacles and opportunities for small-and medium-scale business development in Nigeria. The aim of the study is to examine the development of small and medium scale enterprises in Nigeria: In specific terms, the objectives are to:

- (i) describe the main issues affecting small and medium-sized businesses in Nigeria;
- (ii) evaluate the prospects for small and medium-sized businesses in Nigeria; and
- (iii) investigate the roles that small and medium-sized businesses play in the expansion of an economy.

2.0 Literature Review

A comprehensive review of the literature, including research articles, policy documents, and reports, was conducted using a systematic review methodology over a ten-year period, ranging from 2012 to 2022, using databases from Science Direct, Google Scholar, ECONBIZ, IJSTOR, EBSCO, Web of Science, and Scopus. A search of these databases and the grey literature yielded up 1150 publications; however, after filtering and grouping relevant papers according to predetermined criteria, 10 journals were included in this study.

This work's theory is founded on the idea of restrictions that Ifandoudas and Gurd put out in 2010. SMEs frequently have great success in the business world for the first five years of their existence but are then restricted by unfavourable surroundings and huge, successful industries. They are unable to participate in the competitive market because of their subpar output, productivity, and returns. This theory therefore presupposes that resource and business managers may utilise it as a fallback strategy to find a way to survive in a cutthroat market by reducing operational expenses, reducing inventory, or increasing the clientele. Importantly, the concept enables managers and business owners to take into account alternative tactics, like being innovative and creative, seeing opportunities nearby, and taking considerable risks in an effort to succeed and maintain operations. Based on this observation, managers and owners of SMEs are urged to use their reason to come up with survival strategies in order to keep their businesses operating.

The methodology for gathering, looking through, and assessing the study's findings is outlined in the research philosophy (Chandra and Shang, 2017). It ensures that the study's objectives are met. The positivist research methodology was used. The ScienceDirect, Google Scholar, ECONBIZ, IJSTOR, EBSCO, Web of Science, and Scopus databases were utilised as the data source for the study, but they were also used to construct existing literature reviews that were used as a data source. The following are the critical phrases/key words: government financing and performance of SMEs, SMEs' roles in nation-building, SMEs' issues or contributing elements, and SMEs' prospects.

A research strategy, according to Forman and Damschroder (2017), is a plan that directs the researcher's study process. It aids the researcher in completing the investigation promptly and methodically. The purpose of this research is to examine the challenges and opportunities associated with the expansion of small and medium-sized enterprises in Nigeria. A researcher may use a deductive or inductive approach to their study. Inductive reasoning is used by researchers when they want to come up with original ideas or use first-hand facts (Azungah, 2018). Researchers evaluate an existing hypothesis or concept using the deductive research technique. In order to analyse prior theories and empirical studies on the growth of small and medium-sized

enterprises: problems and possibilities in Nigeria, the researcher in this study used the deductive research approach.

3.0 Research Methods

The research utilised secondary sources of data. According to Azungah (2018), material that is easily accessible and has been proactively obtained by someone other than the researcher is referred to as optional information. The cost is less expensive, as is the cost of getting additional data. Books, legal records, business reports, scholarly works, and governmental records all include secondary data. An existing literature study was employed as a secondary data source in the research to collect information. The research design for this article includes methods for selecting and combining the various study components. It enables the study to effectively address the research challenge. It provides a guide for collecting, evaluating, and analysing data. Through the use of a systematic review approach, the growth of SMEs in Nigeria was investigated.

4.0 Results and Discussion of Findings

Issues in the development of Small and Medium Scale Enterprises in Nigeria

The majority of entrepreneurs in low-income countries, according to Doran, McCarthy, and O'Connor (2018), are jobless individuals who are forced to start their own firms. These business owners frequently produce little. Lack of funding, a lack of business skills, inadequate market access, and a lack of space for operations are the key obstacles preventing SMEs from contributing to local economic growth (Gebreyesus & Adewale, 2015), unfavourable business conditions, inadequate capital, exorbitant credit rates, impractical collateral requirements, insufficient managerial abilities, and limited access to contemporary technologies (Nwokocha, Nwankwo, Nwosu, and Madu, 2020). Other difficulties that SMEs face relate to management, production, human resources, marketing, record-keeping, incorrect work delegation, and a lack of suitable raw materials and tools (Obi, 2015). For instance, according to study by Muritala, Awolaja, and Bako (2012), the most common problems preventing the establishment of SMEs in Nigeria included high production costs, insufficient financing, a lack of infrastructure development, and erratic profit. The Small and Medium Enterprises Development Agency of Nigeria (SMEDAN, 2012) makes a similar argument, claiming that money is the most crucial kind of assistance that SMEs require. According to the survey, only 17.2 million SMEs have been successful in obtaining credit facilities from financial institutions, such as loans and overdrafts, while it is very challenging for start-ups to get funding from banks (SMEDAN, 2014). As a result, the majority of SMEs in Nigeria now depend on their own resources, gifts, or loans from friends and family to keep their businesses operating (Ebitu, Basil, and Ufot, 2016; Irefin, Oyebola, and Akintelu, 2017).

MSMEs' capacity to contribute to sustainable development is constrained by unfavourable business environments, restricted access to financing, and high levels of informality (ITC, 2019). Lack of capital access, weak entrepreneurial attitudes, restrictive government policies, ineffective business laws and regulations, and inadequate training are the main barriers to SME growth in Nigeria and sub-Saharan Africa (Achtenhagen & Brundin, 2016; Herrington & Coduras, 2019). Because of this, small business owners tend to be more focused on maintaining their own financial security than on growing and strengthening their organisations, which is detrimental to their success. Corporate revenues are typically spent personally in these circumstances rather than being reinvested in the business (IFC, 2020b).

Analyse Nigeria's Small and Medium-sized Business Prospects.

Small businesses in Nigeria usually fail within the first two to five years of operation because government efforts to ensure their sustainability have not been effective (Torkinlampi and Johnsson, 2017). Even after this, competitive markets make it difficult for companies to continue in operation. Therefore, if the government wants SMEs to continue functioning, it must foster an environment that is supportive of business, including with strong infrastructure and electricity supply. To accomplish this goal, SMEs operators must be included in the planning, creation, and execution processes. Furthermore, the financial assistance provided by the government to SMEs is insufficient to maintain their competitiveness in the market. Osotomehin, Jegede, Akinlabi, and Olajide (2012) identified finance as the constraint impacting SMEs' prospects in Nigeria, which has seriously impeded the implementation of several sound business ideas and the internationalisation of already-existing companies. Due to the significant risk associated with starting a new business, banks who are meant to support business ideas try to avoid doing so and instead place onerous collateral requirements on SMEs.

Roles of Small and Medium-sized Enterprises Development in the Growth Process of an Economy

Small business entrepreneurs are a nation's key engine of economic growth, claims Akaeze (2016). Small-scale enterprises' (SMEs) growth, viability, tenacity, and competence are widely acknowledged to have an impact on the economy as a whole and have usually been praised as essential to sustained economic development (Onuorah, Odita, and Ozurumba, 2020). Over 70% of Nigerian employees are engaged in small-scale enterprises, according to Ikharehon (2014), demonstrating that one of the key purposes of SMEs development is job creation since the sector offers up prospects for new firms and investment activities, greatly lowering poverty. Debbie, who was referenced in Ebitu, Basil, and Ufot (2016), asserts that small and medium-sized enterprises (SMEs) account for 97% of all establishments in the manufacturing industry and produce 30% of manufacturing output in addition to creating around 50% of jobs. SMEs today account up 96% of all businesses and 84% of all jobs in Nigeria, and they are responsible for 48% of the country's GDP. Additionally, it accounts for 7.27 percent of all goods and services exported from Nigeria (Udo, 2020). Abubakar (2012) supports the claim that entrepreneurship development is considered as a way to deal with some of the socio-economic problems that some countries are now experiencing, notably the problem of high poverty and unemployment. The goal of entrepreneurship, according to Kareem (2015), is to promote prosperity through generating new jobs, reducing unemployment rates, and fostering regional economic growth and development. Baron was cited in Anekwe, Ndubuisi-Okolo, and Attah's (2018) essay, "Small and Medium Scale Enterprises Increase Productivity by Introducing New Innovation and Speed Up Structural Changes by Forcing Existing Businesses to Reform." Up until now, SMEs have contributed significantly to the growth of a nation through the establishment of new companies, the creation of employment, and the eradication of poverty.

5.0 Conclusion

According to the report, there are signals of optimism despite the numerous challenges SMEs in Nigeria confront, provided that actions taken by the public and private sectors to ensure their survival are adequately carried out. As a result, SMEs would be able to contribute more to the expansion of an economy. Statistics are not supported in the study; only a systematic review approach is used. The study was finished at the aggregate level, and the disaggregated level has not yet been determined, creating a research hole in the body of knowledge that needs to be filled

by more studies. The government should provide SMEs with a level playing field so they can meet the market's current difficulties.

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