



EX-RAYING OPERATIONS OF SMALL MEDIUM SCALE ENTERPRISES (SMES) IN NIGERIA BUSINESS ENVIRONMENT: THE CHALLENGES

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Abstract:

Small and Medium Enterprises are expected to play a vital and vibrant role in the economic growth and development of Nigeria. Given the volatility of the Nigerian business environment, this paper ex-ray the operations of SMEs with a view to identifying challenges encountered in fulfillment of their expected roles. Several literatures on SMEs were reviewed along with a survey research design that sampled a total of one hundred and thirty-eight (138) respondents by means of self-completed questionnaire; selected from four strategic locations in Lagos State. Data were collected on possible issues affecting the operations of SMEs ranging from high borrowing rates, high loan requirements, government when making policy, documentation, collateral, entrepreneurial skills, business strategy to Infrastructural inadequacies. The data were analysed using the descriptive and inferential statistical tools. Result on challenges affecting SMEs operation was rated. The analysis of variances was applied to hypothesis testing. The result revealed that SMEs are constrained by inadequate funding and poor management. It was recommended that government should develop a lasting solution to the state of infrastructural deterioration especially electricity along with policies that can assist to cushion the bureaucracy in obtaining loans from micro finance banks.

Keywords: SMEs, challenges, economic growth and development, Nigeria business environment

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1. Introduction

SMEs play a key role in transition and development of countries (OECD, 2002). The emergence of small and medium scale enterprises (SMEs) is a major catalyst and a key success factor for development, growth and sustenance of an economy. Most government and business circles have come to recognize the importance of SMEs and consequently agreed that their growth constitutes one of the corner stones of economic development (Olutunla, 2001; OECD, 2004). In Nigeria, empirical studies shows that an estimate of about 70% of the industrial employment is held by SMEs and more than 50% of the Gross Domestic Product is SMEs generated (Odeyemi, 2003).

SMEs operation has been hampered by several factors. Several studies have identified financial constraint as the major obstacle to SMEs development in developing countries including Nigeria. For instance, Adelaja (2003) argued that lack of access to institutional finance has always constituted a pandemic problem for SME development in Nigeria. Over the years, government has enacted various policies and introduced schemes aimed at financing SMEs. However, it is worrisome to note that SME up till date are starved of funds and the financing problems keep reoccurring.

SMEs in Nigeria have not performed creditably well and hence have not played the expected vital and vibrant role in the economic growth and development of Nigeria as they are constrained by inadequate funding and poor management. The unfavourable macroeconomic environment has also been identified as one of the major constraints which most times encourage financial institutions to be risk-averse in funding small and medium scale businesses (Ogujiuba *et al.*, 2004).

The traditional commercial banks which are key players in the financial systems of nearly every economy, have the potential to pull financial resources together to meet the credit needs of SMEs, however, there is still a huge gap between supply capabilities of the banks and the demanding needs of SMEs (Olutunla and Obamuyi 2008). A widespread concern is that the banking system in the sub sector (which supposed to be the major financier of SMEs) is not providing enough support to new economic initiatives and in particular to the expansion of SMEs (Sacerdoti, 2005). Also, the interest rate on micro-credits is very high, due to large administrative costs in relation to their scale of operations (Mahmoud, 2005).

Asaolu, Oladoyin and Oladele (2005) have deduced that the financial challenges limit the developmental role of SMEs. But this may not be true especially in the case of Nigeria where the informal sector, which is constituted largely by the SMEs play a very important role in the development of the nation's economy. It is against this background that this research is poised to examine the operational challenges of Small Medium Scale Enterprises in the Nigerian business environment to ascertain whether there are other factors affecting the effective operations of SMEs. The objectives

therefore of this paper are: (i) Ascertain SMEs players' perception on factors crucial to operations (ii) Access how best these players believe they can improve on their operations.

2. Literature Review

Eriki and Inegbenebor (2009) noted that the commonly adduced reasons for the inability of SMEs to meet the expectations of government in accelerating job creation, increasing the production of goods and services, facilitating technology transfer, creating more opportunities for entrepreneurs and, in particular, increase the local content component of the giant multinational companies in Nigeria is due to lack of access to credit facilities.

Cook and Nixon (2000) observe that, notwithstanding the recognition of the role of SMEs in the development process in many developing countries, SMEs development is always constrained by the limited availability of financial resources to meet a variety of operational and investment needs. A World Bank study found that about 90% of small enterprises surveyed stated that credit was a major constraint to new investment (Parker *et al.*, 1995). Levy (1993) also found that there is limited access to financial resources available to smaller enterprises compared to larger organisations and the consequences for their growth and development. The role of finance has been viewed as a critical element for the development of SMEs (Cook & Nixon, 2000).

Godfried and Song's (2000) result is consistent with Ojo (1995) findings in his investigation into the role of informal finance in the development of SMEs. From the response to the questionnaire administered in 1993 to various small business firms in Lagos State owner's savings/retained earnings, friends and relatives, clubs, esusu and money lenders the informal sources, constituted about sixty per cent of the total.

A study by Ekpenyong (1997) showed that very little financial supports have been provided by the traditional financial institutions (the commercial banks) to the SMEs. The reasons are that small businesses have serious inherent structural defects that make them high risk borrowers, and the traditional banks are not structured to cater for the type of credit demanded by the small businesses owing to the nature of their credit assessment procedures (Hammond, 1995). The semi-formal financial institutions defined in this study as the cooperatives and trade associations have been able to meet the credit needs of small businesses in small scale (Ekpenyong, 1995; Aryeetey, 1995).

A study conducted by Odetola (1997) on the sources of investment financing for SMEs in Nigeria, found out that about 96.4 percent of the SMEs finance their enterprises through owner-savings, 2.92 percent through relatives and friends, 0.32 percent from banks, 0.94 percent from government institutions or agencies, 0.06 percent from

cooperatives societies, 0.33 percent from money lenders, and 0.03 percent from NGOs in a total of 21,950 respondents. In a similar study by Cowrie Consultants (1995) cited in Odetola, (1997) covering Northern Nigeria, Lagos and Western Nigeria, and Eastern Nigeria, the source of business finance from personal savings was 26.6 percent, 37.04 percent and 32.14 percent for the regions respectively. From friend sources, it was 30.59 percent, 19.53 percent and 32.14 percent respectively. From bank sources, it was 35.29 percent, 33.33 percent and 21.42 percent respectively. From government agencies, it was 8.82 percent, 7.83 percent and 3.57 percent respectively; while trade groups and cooperatives was 5.88 percent, 11.02 percent, and 7.14 percent respectively.

Temtime & Pansiri (2004) postulates that the governments of developing countries and private enterprises in developing countries are doing much to facilitate participation for all in terms of the establishment and support for SMEs, but economic forces (inflation, interest and exchange rates) are negatively influencing these efforts and cannot be easily controlled. According to studies carried out in India, SMEs face high interest rates and experience difficulty in raising loans or equity finance, this is as a result of capital market imperfections. Most of the SMEs lack the drive, imagination, managerial ability and ambition to grow and develop (Little, Mazumdar and Page, 1987). Although SMEs offer employment and income to the majority of people in developing countries, their performance has been characterized by low contributions to output low growth rates and the inability to graduate into larger companies (Berry *et al.*, 2001 & Liedholm, 2002).

Other factors which are also connected to the poor performance of SMEs in the developing world is a shortage of working capital, institutional and infrastructural obstacles and their inaccessibility to formal market supporting institutions and government incentives (Liedholm, 2002; Peel & Wilson, 1996 and Kappel & Ishengoma, 2004). According to USAID (2002), the standard measure of challenges of growth and development used in studies of SMEs firms is the change in the number of workers since start up. This variable is relatively easy for respondents to remember and does not need to be deflated.

In a study conducted on evaluation of funding SMEs in Nigeria by Ogboru, (2007). It was found out that SMEs were fully recognized by governments and development experts as the main engine of economic growth and a major factor in promoting private sector development and partnership. The development of the SME sector therefore represents an essential element in the growth strategy of most economies and holds particular significance in the case of Nigeria. SMEs not only contribute significantly to improved living standards, employment generation and poverty reduction but they also bring about substantial domestic or local capital formation and achieve high levels of productivity and capability.

SME development is hampered by a number of factors, including finance, lack of managerial skills, equipment and technology, regulatory issues, and access to international markets (Anheier and Seibel, 1987; Steel and Webster, 1991; Aryeetey *et al.*, 1994; Gockel and Akoena, 2002). The lack of managerial know-how places significant constraints on SME development. Even though SMEs tend to attract motivated managers, they can hardly compete with larger firms. The scarcity of management talent, prevalent in most countries in the region, has a magnified impact on SMEs.

The lack of support services or their relatively higher unit cost can hamper SMEs' efforts to improve their management, because consulting firms are often not equipped with appropriate cost-effective management solutions for SMEs. Besides, despite the numerous institutions providing training and advisory services like National Board For Small scale Industries (NBSSI), there is still a skills gap in the SME sector as a whole (Kayanula & Quartey, 2000). This is because entrepreneurs cannot afford the high cost of training and advisory services while others do not see the need to upgrade their skills due to complacency. In terms of technology, SMEs often have difficulties in gaining access to appropriate technologies and information on available techniques (Aryeetey *et al.*, 1994).

Some studies have consequently shown that a large number of small enterprises fail because of non-financial reasons. Other constraints SMEs face include: lack of access to appropriate technology; the existence of laws, regulations and rules that impede the development of the sector; weak institutional capacity and lack of management skills and training (see Sowa *et al.*, 1992; Aryeetey *et al.*, 1994; Parker *et al.*, 1995; Kayanula & Quartey, 2000). However, potential providers of finance, whether formal or informal, are unlikely to commit funds to a business which they view as not being on a sound footing, irrespective of the exact nature of the unsoundness. Lack of funds may be the immediate reason for a business failing to start or to progress, even when the more fundamental reason lies elsewhere. Finance is said to be the "glue" that holds together all the diverse aspects involved in small business start-up and development (Green *et al.*, 2002).

3. Research Methodology

The quantitative research design was chosen in carrying out this research. The population of this study comprises of SMEs in some selected locations in Lagos State (Amu Olorunsogo, Mushin, Ladipo and Alabi International). They form the bulk of the entire respondents in the study. For this study, a sample size of one hundred and fifty (150) respondents out of the entire population (SMEs) was selected for the study. In this study, purposive sampling technique was employed. The research instrument that was used for this study is a structured questionnaire. The validity of the measuring

instrument was established through consultation with the supervisor and other experts in the department. Internal consistency and content validity was established. To establish the reliability of the research instrument, the researchers adopted a test of the instrument through a pilot study to test the authenticity of the research instrument and a meaningful reliability index was reached. The result (see appendix) shows that all the variables measured are reliable. This is on the basis that all the scores acquired surpassed/exceeded the minimum alpha value of 0.7. As indicated by the general guidelines about Cronbach's Alpha coefficient measure, the higher the Cronbach's Alpha, the higher the reliability coefficient. In light of the outcome, all the variables manifest great reliability (0.966, 0.931, 0.966 and 0.968) on the grounds that they fall under the Cronbach's Alpha scope of 0.9. Hence, it can be inferred that the research instrument utilized for the study is reliable as it is more than the generally accepted reliability score of 0.7. Descriptive statistic of Frequency table and simple percentage was used to analyse the demographic data while mean score was used to analyse the objectives of the study. Inferential statistics of Coefficient Analysis and Multiple Regression Analysis was used to test all stated hypotheses at 0.05 alpha level of significance with the use of Statistical Package for Social Sciences (SPSS).

4. Data Analysis and Result

4.1 Demographic Data of the Respondents

According to table 4.2 (see appendix) which represents the gender of respondents, the result shows that 109 (79.0%), are male respondents and 29 (21.0%) are female respondents depicting that the male gender constitutes the highest percent and this simply implies that majority of the research questionnaire were filled by males and as such it could be deduced that the SMEs industry is largely dominated by the male gender presumably because of the nature of the industry. According to table 4.3 (see appendix) which represents the age group of respondents, the result shows that 10(7.2%) of the respondents fall within the age group of below 25years, 26(18.8%) of the respondent fall within the age group of 26-30years, 54(39.1%) of the respondent fall within the age group of 31-35years, 35(25.4%) of the respondent fall within the age group of 35-40years while 13(9.4%) of the respondent were above the age group of 41 years. Table 4.4 shows that 90 (65.2%) (see appendix) of respondent's marital status are single, 41 (29.7%) of respondent's marital status are married while 7 (5.1%) of respondents below to issue marital status. According to table 4.5 (see appendix) which represents the highest educational qualification of respondents, the result shows that 87(63.0%) of the respondents have SSCE/A level educational qualification, 48 (34.8%) of the respondents have B.Sc/HND educational qualification, and 2 (1.4%) of the respondents have M.Sc./MBA while 1(0.7) percent of the respondents declared other

educational qualification. it could be deduced that the respondents been educationally inclined are believed to have an understanding of the rudiments in SMEs industry. According to table 4.6 (see appendix) which represents the work experience of respondents, the result shows that 27(19.6%) of the respondents have less than 3year work experience, 65(47.1%) of the respondents have had 4-6years work experience, 37(26.8%) of the respondents have had 7-9 years work experience while 9(6.5) percent of the respondents have had above 10years work experience. Considering the work experience of the respondents and the efficacy of respondents in SMEs industry, the respondents of the study having spent quite a while in the field are deemed to have an indepth view of whaat is obtainable in the SMEs industry as regards its growth and development of SMEs .

4.2 Multiple Regression Analysis of Ex- Raying Operation of SMEs in Nigeria Business Environment: The Challenges

This section attempts to identify the challenges of ex-raying operation of SMEs in Nigeria business environment. The identified challenges were measured on a 5- point Likert scale namely: strongly disagree, disagree, not sure, agree strongly and agree. To test this objective; descriptive statistics analysis was used to reduce the 18 challenges of ex-raying operation of SMEs in Nigeria business environment. To determine the validity of the result, the 18 challenges identified by the researcher as highly reliable, were subsequently and descriptively reduced to 7 challenges ranked high from mean score of 3.05 to 4.61. Below is a detailed interpretation of the descriptive statistics analysis result.

Table 2: Ex- Raying Operation of SMEs in Nigeria Business Environment: The Challenges

	N	Mean	Std. Deviation
Procurement of fund	138	4.61	1.480
High borrowing rates	138	4.54	0.695
Loan collateral	138	4.48	0.812
Instability in government policies	138	4.41	0.843
Infrastructural inadequacies (water, roads etc)	138	4.24	1.111
Lack of viable entrepreneurial skills	138	3.55	1.148
Lack of business strategy	138	3.05	1.680

Source: Developed for the research

The reduced 7 challenges (high borrowing rates, lack of viable entrepreneurial skills, instability in government policies, lack of business strategy, infrastructural inadequacies (water, roads etc.), procurement of fund and loan collateral)of ex-raying operation of SMEs in Nigeria business environment ranked high from mean score of 3.05 to 4.61 was further subjected to another analysis. Multiple Regression Analysis was

used to obtain further result. Below is a detailed interpretation of the Multiple Regression Analysis result.

Table 3: Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.505 ^a	.255	.236	.54066

Source: Developed for the research

- a. Predictors: (Constant), Loan collateral, Infrastructural inadequacies (water, roads etc), Instability in government policies, Lack of business strategy, Lack of viable entrepreneurial skills, Procurement of fund, High borrowing rates
- b. Dependent Variable: ex- raying operation of SMEs

Table 4: ANOVA^b

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	19.446	5	3.889	13.305	.000(a)
	Residual	56.709	194	.292		
	Total	76.155	199			

Source: Developed for the research

- a. Predictors: (Constant), Loan collateral, Infrastructural inadequacies (water, roads etc), Instability in government policies, Lack of business strategy, Lack of viable entrepreneurial skills, Procurement of fund, High borrowing rates
- b. Dependent Variable: ex- raying operation of SMEs

Table 5: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.076	Std. Error		2.073	.040
	High borrowing rates	.229	.083	.228	3.274	.001
	Lack of viable entrepreneurial skills	-.162	.077	-.132	-2.069	.040
	Instability in government policies	.194	.083	.178	2.353	.020
	Lack of business strategy	.136	.028	.111	1.859	.005
	Infrastructural inadequacies (water, roads etc),	.167	.519	.135	2.166	.032
	Procurement of fund	.240	.098	.258	3.913	.000
	Loan collateral	.217	.079	.188	2.457	.008

Source: Developed for the research

- a. Dependent Variable: ex- raying operation of SMEs

The elements of independent variables are the 7 challenges (high borrowing rates, lack of viable entrepreneurial skills, instability in government policies, lack of business strategy, infrastructural inadequacies (water, roads etc), procurement of fund and loan collateral) of ex- raying operation of SMEs in Nigeria business environment. This can be determined by the following equation method as below:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + b_5X_5 + b_6X_6 + b_7X_7 + e$$

where

Y = ex- raying operation of SMEs

a = constant

X₁ = high borrowing rates

X₂ = lack of viable entrepreneurial skills

X₃ = instability in government policies

X₄ = lack of business strategy

X₅ = infrastructural inadequacies (water, roads etc)

X₆ = procurement of fund

X₇ = loan collateral

b = regression of coefficient of X_i; i = 1, 2, 3, 4, 5, 6, 7

e = an error term, normally distributed of mean 0 (usually e is assumed to be 0)

Y (ex- raying operation of SMEs) = 1.076 + 0.229 (high borrowing rates) - 0.162 (lack of viable entrepreneurial skills) + 0.194 (instability in government policies) + 0.136 (lack of business strategy) + 0.167 (infrastructural inadequacies (water, roads etc)) + 0.240 (procurement of fund) + 0.217 (loan collateral)

In the regression, equation has been established. Under this regression equation, it illustrates the relationship between the high borrowing rates, lack of viable entrepreneurial skills, instability in government policies, lack of business strategy, infrastructural inadequacies (water, roads etc), procurement of fund and loan collateral towards the ex- raying operation of SMEs in Nigeria business environment.

Based on the Model Summary table, the seven independent variables which are high borrowing rates, lack of viable entrepreneurial skills, instability in government policies, lack of business strategy, infrastructural inadequacies (water, roads etc), procurement of fund and loan collateral are slightly correlated with the dependent variable the ex- raying operation of SMEs in Nigeria business environment. This is because the correlation (R) for this research is 0.505 whereas the coefficient of determination (R²) is 0.255 for the examined regression model. From the analysis, it means the regression line could significant account for 25.50% of the total variations in the ex- raying operation of SMEs in Nigeria business environment.

In contrast, it shows that there is 74.50% of the variation of the ex- raying operation of SMEs in Nigeria business environment could not be presented by the

equation. This means there are other additional variables that are also important in explaining the ex- raying operation of SMEs in Nigeria business environment does not been cover in this studies. Hence, the results show that 25.50% of the variances in the ex- raying operation of SMEs in Nigeria business environment have been slightly significantly explained by the seven independent variables.

In general, R^2 value is a statistic that will gave information regarding the goodness of fit of the model. It will increase when there are more independent variables add into the multiple regression models. However, for this situation, analysts should use adjusted R^2 so that it will be easy to compare the explanatory power of regression models with the different numbers of independent variables (Hair, Money, Samouel, Page, 2007). The adjusted R^2 will bring more accurate results for this situation because it is adjusted according to the number of independent variables in the model. In addition, the adjusted- R square can avoid overestimating the impact of adding an independent variable into the multiple regression model. From the table 3, it shows that the adjusted R^2 is 0.236 which indicates only a slight overestimate in this model.

In the ANOVA table, it shows that the F value of 13.305 is significant at the 0.05 level. This is because the p-value is 0.00 which is less than 0.05 ($p < 0.05$). In overall, the regression model with those seven independent variables of high borrowing rates, lack of viable entrepreneurial skills, instability in government policies, lack of business strategy, infrastructural inadequacies (water, roads etc), procurement of fund and loan collateral was suitable in explaining the variation in the ex- raying operation of SMEs in Nigeria business environment.

Based on the Coefficient table, high borrowing rates have the significant positive influence towards ex- raying operation of SMEs in Nigeria business environmentsince the $t = 3.274$, $p = 0.001$, $b_1 = 0.229$. This means that for every one unit increase in high borrowing rates, ex- raying operation of SMEs in Nigeria business environment will increase by 0.167 units.

Besides, for lack of viable entrepreneurial skills, it also shows significant negative influence ex- raying operation of SMEs in Nigeria business environment. From the results gain, $t = -2.069$, $p = 0.040$, $b_2 = -0.162$. Thus, it shows that for every one unit increase in lack of viable entrepreneurial skills, ex- raying operation of SMEs in Nigeria business environment will decrease by 0.162.

In addition, there is also positive significant influence of instability in government policies on ex- raying operation of SMEs in Nigeria business environment. The results shown was $t = 2.353$, $p = 0.020$, $b_3 = 0.194$. Hence, this shows that for every one unit increase in instability in government policies, ex- raying operation of SMEs in Nigeria business environment will be increased by 0.236.

Furthermore, from the table, it shows that lack of business strategy also have the significant positive influence on ex- raying operation of SMEs in Nigeria business

environment since the $t= 1.859$, $p=0.005$, $b_4 = 0.136$. This indicates that for every one unit increase in lack of business strategy, it will increase the ex- raying operation of SMEs in Nigeria business environment by 0.194.

Nevertheless, infrastructural inadequacies (water, roads etc) also shows the significant positive influence on ex- raying operation of SMEs in Nigeria business environment due to $t= 2.166$, $p= 0.032$, $b_5= 0.167$. Hence, it can be said that for every one unit increase in infrastructural inadequacies (water, roads etc), it shows the increase of ex- raying operation of SMEs in Nigeria business environment by 0.229.

Also, from the table, it shows that lack of procurement of fund also have the significant positive influence on ex- raying operation of SMEs in Nigeria business environment since the $t= 3.913$, $p=0.000$, $b_6 = 0.240$. This indicates that for every one unit increase in procurement of fund, it will increase the ex- raying operation of SMEs in Nigeria business environment by 0.194.

Finally, loan collateral also shows the significant positive influence on ex- raying operation of SMEs in Nigeria business environment due to $t= 2.457$, $p= 0.008$, $b_7= 0.217$. Hence, it can be said that for every one unit increase in loan collateral, it shows the increase of ex- raying operation of SMEs in Nigeria business environment by 0.229.

According to the result, it shows that procurement of fund has higher beta value ($b= 0.240$) compare with high borrowing rates ($b= 0.229$), Loan collateral ($b= 0.217$), Instability in government policies ($b= 0.194$), Infrastructural inadequacies (water, roads etc), ($b= 0.167$), Lack of business strategy ($b= 0.136$) and Lack of viable entrepreneurial skills ($b= -0.162$). Thus, it can be concluded that procurement of fund has the strongest influence on ex- raying operation of SMEs in Nigeria business environment. Procurement of fund plays the most important predictor compare to high borrowing rates, loan collateral, instability in government policies, infrastructural inadequacies (water, roads etc), lack of viable entrepreneurial skills and lack of business strategy.

5. Conclusion and Recommendation

Based the findings of the study, it is still very obvious that SMEs are really faced with the challenge of procuring funds coupled with other issues related to funding namely, the interest rate, loan collateral; all revolves round funding and very key to the growth of SMEs. Therefore, if meaningful development is to be attained in the economy of the country, there has to be sustainable funding scheme directed at easing the funding burden of SMEs in the country and resolving issues related to the high interest rate and the loan collateral. By so doing, the sector is deemed to experience growth which would at the later bring about economic development in the country at large and serve as a means to resolving other economic issues such as job creation in the country. Base on the findings of this paper, the following recommendations are hereby put forward.

The Central Bank of Nigeria (CBN) and other financial institutions should embark on extensive sensitization of entrepreneurs on the operations of the banks. Also, high interest rate which deters people with genuine business ideas should be reduced to a bearable level so as to make borrowing cheaper.

Moreso, the Central Bank of Nigeria should as a matter of urgency compel all other commercial banks to adhere strictly to banking policies and regulations. Government should develop a lasting solution to the state of infrastructural deterioration especially electricity.

Furthermore, policies which are aimed at rural development should top the lists of policies aimed at developing the already or semi-developed urban centers so as to reduce rural-urban migration and there is the need for clear national development objectives to meet the needs of the SMEs sector. Sound policies and regulations pronouncement do not guarantee achievement of anticipated results because of what is encountered during execution, such as inconsistency of policy implementation.

Based on the findings of the research, it was very clear that challenge of SMEs been limited in their growth due to inadequate capital occasioned by the reluctance of the government to formulate policies that will encourage commercial banks to relax their restrictive regulations and operations which discourage borrowing and offer more credit facilities for SMEs. Therefore, there is need for a study to be done from the banking system point of view on how best the credit worthiness of borrowers can be improved. Such a work will go a long way in complementing the present work. In addition, more studies should also be done in the area of development of the non-banks financial institutions and supported as a combination of both the commercial banks and the in aiding the development of the SMEs sector. Finally, studies should also be conducted on the area of empowerment of SMEs to access not just financial support but entrepreneurial education that gives an effective and enduring strategy for solving the capital problems of small-scale businesses.

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Appendix 1

Dear Sir/Ma,

I am conducting a study on challenges, growth and development of Small Medium Scale Enterprises (SMEs) in Nigeria business environment for academic. The information required is purely for academic purpose and the questionnaire is anonymous as all the responses will be kept strictly confidential.

You are considered important to achieving the objective of this study as your cooperation is therefore required in filling this questionnaire. Please feel free to respond adequately.

Thank you,

Yours faithfully,

Ogbonna

SECTION A

Demographic Characteristics of the Respondent Instruction

Please provide appropriate answers by ticking (✓) the option that best agrees with your opinion.

Gender: Male []¹ Female []²

Age as at your last birthday: below 25 years []¹ 25 – 30 years []² 31 –40 years []³ 41 – 50 years []⁵ Over 51 years []⁶

Highest Educational Qualification: OND []¹ HND []² B.Sc/B.Tech/B.Eng. []³ M.Sc/M.Tech/ M.Eng. []⁴ Others (please specify)⁵.....

How many years has your company operated in Nigeria? Less than 1year []¹ 1 – 5years []² 6 - 10years []³ Above 10 years []⁴

What is your position in the organization? Executive Management []¹ Manager []² Deputy Manager []³ Supervisor []⁴

How long have you been working here? Less than 1year []¹ 1 - 5years []² 6 - 10years []³ Above 10 years []⁴

Do you own a SME business? Yes []¹No []¹

Section B

Challenges Affecting the Growth of Small and Medium Enterprise in Nigeria

The section attempts identify and investigate challenges Affecting the Growth of Small and Medium Enterprise in Nigeria. Please *indicate each factor* by ticking (√) your preferred answer from alternatives provided.

S/N		Strongly disagree	Disagree	Not sure	Agree	Strongly agree
1	High borrowing rates					
2	Managerial skills and capabilities					
3	Procurement of fund					
4	Poor documentation					
5	Loan collateral					
6	Lack of viable entrepreneurial skills					
7	Insufficient capital					
8	Inadequate market research					
9	Lack of succession plan					
10	Lack of proper book keeping					
11	Irregular power supply					
12	Infrastructural inadequacies (water, roads etc),					
13	Inability to separate business and family finances					
14	Lack of business strategy					
15	Inability to distinguish between revenue and profit					
16	Inability to procure the right plant and machinery					
17	Inability to engage or employ the right caliber staff					
18	Instability in government policies					

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
High borrowing rates	138	1	5	4.54	0.695
Managerial skills and capabilities	138	1	5	1.94	1.106
Procurement of fund	138	1	5	4.61	1.480
Poor documentation	138	1	5	2.30	1.240
Loan collateral	138	1	5	4.48	0.812
Lack of viable entrepreneurial skills	138	1	5	3.55	1.148
Insufficient capital	138	1	5	1.90	.998
Inadequate market research	138	1	5	1.76	1.241
Lack of succession plan	138	1	5	2.02	1.270
Lack of proper book keeping	138	1	5	1.91	1.337
Irregular power supply	138	1	5	1.56	.764
Infrastructural inadequacies (water, roads etc),	138	1	5	4.24	1.111
Inability to separate business and family finances	138	1	5	2.08	1.465
Lack of business strategy	138	1	5	3.05	1.680
Inability to distinguish between revenue and profit	138	1	5	2.41	1.498
Inability to procure the right plant and machinery	138	1	5	1.62	1.042
Inability to engage or employ the right calibre staff	138	1	5	2.14	1.396
Instability in government policies	138	1	5	4.41	.843
Valid N (listwise)	138				

Table 4.15: Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.505 ^a	.255	.236	.54066

Source: Developed for the research

ANOVA (b)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	19.446	5	3.889	13.305	.000(a)
	Residual	56.709	194	.292		
	Total	76.155	199			

Source: Developed for the research

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Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.076	Std. Error		2.073	.040
	High borrowing rates	.229	.083	.228	3.274	.001
	Lack of viable entrepreneurial skills	-.162	.077	-.132	-2.069	.040
	Instability in government policies	.194	.083	.178	2.353	.020
	Lack of business strategy	.136	.028	.111	1.859	.005
	Infrastructural inadequacies (water, roads etc),	.167	.519	.135	2.166	.032
	Procurement of fund	.240	.098	.258	3.913	.000
	Loan collateral	.217	.079	.188	2.457	.008

Source: Developed for the research

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