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Assessing the Strategic Effect of Small and Medium Scale Enterprises on Economic Development: Evidence from Delta State

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ABSTRACT

The main focus of this research is on SMEs in Nigeria, their effect on economic development, the challenges they face, and what the government can do to resolve them. The study looks at the perspectives of SME owners and collects data through interviews and surveys. A descriptive survey and poll methodology was used to gather data from 100 respondents. The study observes that SMEs in Nigeria have played and is still playing significant role in increasing household income and economic development of Nigeria. The study also concludes that there is a significant relationship between SMEs growth factors and economic development in Nigeria. The study maintained that there is a significant relationship between growth in SMEs and increases in family income in Nigeria

Key words: SME's, Economic Development, Capitalism, Economic Recession, Adaptability, Performance.

INTRODUCTION

Researchers and policy makers have recently become interested in the relationships between SMEs and the economic performance of nations, which has led to a number of studies in this field (see Kadiri, 2012; Taiwo, Ayodeji, & Yusuf, 2013). The economy's subsector of small and medium-sized businesses is crucial to the country's efforts to build and develop its economy. Today, nations continue to implement workable policies and programs that, despite the global level of growth and development, would generate and open the road for their economies' sustainable growth through the expansion of SMEs. The growth and development of a national economy can be accelerated by small and medium-sized businesses, according to several research (Anthony & Arthur, 2008; Chinweuba & Sunday, 2015; Vijayakumar, 2013). This is not unexpected given the role played by SMEs in fostering economic growth and development through a variety of means, such as the creation of jobs, income redistribution, the eradication of poverty, and the maintenance of a robust economy (Beck, Demirguc-kunt & Levine, 2005). Small and medium-sized businesses (SMEs) are largely acknowledged as the primary force behind economic expansion and fair development in developing nations. In order to combat poverty and unemployment, the government of Nigeria gave great priority to the growth of small and medium-sized enterprises after the country gained its independence in 1960 (Aremu 2010). SMEs are better positioned to expand employment, guarantee equitable

distribution of industrial development, and support the growth of non-oil exports, in addition to the potential for self-sufficient industrialization from local raw materials. They need a lot of work, are capital-efficient, and can help create the vast majority of the one billion new jobs needed by the end of the century. It was in 1945 when the significant document No. 24 on "A Ten-year Plan of Development and Welfare of Nigeria 1946" was presented that SME was first introduced in Nigeria. Small and Medium-sized Enterprises (SME) were traditionally seen as essential; nevertheless, their importance has grown recently and is expected to continue to do so in the future. Small and medium-sized enterprises (SMEs) in Nigeria have underperformed, and as a result, they have not added substantially to Nigeria's economic progress as anticipated. The situation has piqued the interest of the government, the general public, operators, practitioners, and well-established private sector organizations (Akabueze 2002). Every year, governments at the federal, state, and even municipal levels demonstrate interest in and acknowledgement of the critical role performed by the SMEs sub-sector of the economy through financial provisions, policies, and remarks. Fiscal benefits, financing, support, and assistance from regional and international organizations, as well as specialized institutions, have also helped the SMEs sub-sector.

Supporting the well-being of SMEs has been a major source of worry for everyone, as the success of this key sub-sector has fallen short of expectations. It has been

established that the degree of destitution, hunger, unemployment, economic well-being (standard of living) and the health of a country's SMEs are all closely linked. The main objective of the study is to assess the impact of small and medium-sized businesses to the growth of the Nigerian economy.

CONCEPTUAL REVIEW

From a policy standpoint, economic development refers to initiatives that aim to enhance the economic well-being and quality of life for a community by fostering and/or preserving employment opportunities, as well as by sustaining or expanding incomes and the base. By strengthening the community's ability to adapt to economic change, both the local economy and quality of life are being improved over time (Loveridge and Morse, 2016). According to this concept, there is a distinction between economic development and economic growth. Increased employment and income within the community are indicators of economic progress. It alludes to the rise in the state's economic activities. On the other side, economic development includes increasing the number of jobs and incomes as well as the productivity of people, businesses, and resources in order to improve people's quality of life and general well-being. Salmon Valley Business and Innovation Centre has identified three key areas for attaining economic growth that must be properly considered. They consist of: (a) Measures taken by governments to achieve overarching economic goals such price stability, high employment, a broadened

tax base, and sustainable growth. These initiatives include monetary and fiscal policy, financial institution regulation, trade, and tax policies. (b) Policies and initiatives to provide services and infrastructure, such as roads, parks, affordable housing, crime prevention initiatives, and educational programs and initiatives. (c) Policies and programs specifically geared toward job creation and retention through neighborhood development, small business development, business expansion, technology transfer, workforce training, and real estate development. The third group is where most economic development experts concentrate their efforts.

Economic growth refers to the rise in the market value of the products and services an economy produces over time, adjusted for inflation. It is often calculated as the percent rate of growth in real gross domestic product, or real GDP, which is typically expressed in terms of per capita. It is an improvement in an economy's ability to create goods and services when compared to one period of time to another. Africa's largest economy is Nigeria. Nigeria's economy is mixed in that it typically consists of both state-owned and privately held companies. As a result, it is categorized as a mix. It falls under the category of developing economies and is found in nations with lower middle-class incomes. The GDP of Nigeria was 441 billion dollars in 2021, while the country's GDP per person was 2.4 thousand dollars. Nigeria ranks #1 in terms of overall GDP and is the 17th African nation with the greatest GDP per capita. A country's GDP

is divided by its population to determine its GDP per capita. As a result, while a tiny wealthy country has a high GDP per capita, a heavily populous country with a low total GDP would have a low GDP per capita (Sasu 2022).

According to the European Commission's (2003) definition, a small to medium-sized enterprise (SME) is any company with less than 250 employees, a balance sheet total of no more than EUR 43 million, or an annual turnover of up to EUR 50 million. The committee broke out the ideal staffing levels for each sort of business. These are listed below: Micro firms employ less than 10 people, small businesses employ between 10 and 49 people, medium-sized businesses employ between 50 and 249 people, and large organizations employ 250 or more people.

Numerous studies have evaluated the function of the SMEs sector in light of various actions encouraging growth and development because of the importance of SMEs in economic growth and development. Nagaya (2017), for example, examined the effect of SMEs on economic growth using data for India and discovered that SMEs activities are growth promoting through many channels including employment and poverty reduction. Accordingly, Aremu and Adeyemi (2011) discover comparable proof showing SMEs are important players in generating employment possibilities and lowering poverty.

THEORETICAL REVIEW

Economic Keynesian theory

This paper aligned with the economic Keynesian theory. According to Keynesian economic theory, small enterprises are crucial to a nation's economic growth. According to the argument, the government may preserve economic stability by providing small firms with efficient financial assistance through microfinance institutions. The government must provide effective resource allocation, market regulation, and policy stability on those economic problems that intersect with small scale company operations in order to create a conducive economic environment for small scale enterprises. The theory makes the following assumptions:

- i. Small firms exist in a setting where the interactions of several environmental factors regulate their activities. Small-scale business owners should thus be informed about external economic environmental factors in order to help them become more proactive in their operations.
- ii. In a stable economic climate with steady interest rates, inflation rates, and other factors, small enterprises can thrive.

EMPIRICAL REVIEW

Using a total of 300 respondents, Ufot (2004) performed research on Small and Medium Scale Enterprises (SMEs) in Nigeria: Problems and Prospects. 1 500 SMEs were selected at random from the whole population. According to the report, SMEs in Nigeria have underperformed. Small and medium-sized businesses (SMEs) are becoming more significant, and Asta and Zaneta (2010) looked into how this has affected Lithuania's economic growth. They advise paying close attention to SMEs' procedures, trends, and viewpoints as well as pursuing efficient SME performance improvement strategies. The majority of SMEs, particularly in Nigeria, fail during the first five years of business, according to Aremu and Adeyemi [2011]. It was also displayed that only around five to ten percent of early enterprises survive, thrive, and mature, and that the proportion of young businesses that fail drops between the sixth and tenth years.

Akingunola [2011] looked at the various finance options accessible to SMEs in Nigeria and their effects on economic expansion. The Spearman's Rho correlation was used to examine the relationship

between the financial health of SMEs and the degree of investment. At a 10% level of significance, the Rho value of 0.643 indicated a significant and positive correlation between SMEs funding and economic development in Nigeria.

METHODOLOGY

The study methodology is descriptive survey design. The research mainly used primary data and the information for this research was gathered from interviews with participants as well as the numbers and facts mentioned in the questionnaire distributed.

The population of this study was gathered from small medium-sized businesses, as well as cosmetology, tailoring, and other artisanal businesses in Asaba, Ughelli, Sapele, Warri, Agbor, all in Delta state. The sample size was determined using Taro Yamene sampling technique.

Data Presentation and Analysis

One hundred and twenty (120) participants, chosen at random from six SMEs, made up the sample size. As seen in figure 1, only 100 of the selected SMEs' respondents completed and submitted their surveys in full.

Table 1 Study's Demographic Areas

| S/ N | Demographic Areas | Male Respondents | Female Respondents | Total Respondents | Percentage (%) |
|---------|--|---------------------|-----------------------|----------------------|-------------------|
| 1 | Sex | 57 | 43 | 100 | 100 |
| 2 | Ages: (18-25) | 15 | 5 | 20 | 100 |
| | (26-35) | 20 | 12 | 32 | |
| | (36-45) | 10 | 5 | 15 | |
| | (46-55) | 15 | 10 | 25 | |
| | (56 and above) | 5 | 3 | 8 | |
| 3 | Educational qualifications of Respondents: | | | | 100 |
| | Primary | 10 | 5 | 15 | |
| | GCE/SSCE | 20 | 12 | 32 | |
| | ND/NCE | 14 | 10 | 24 | |
| | HND/BSc | 12 | 8 | 20 | |
| | MBA/MSc | 7 | 2 | 9 | |

Source: Field Survey, 2023

The gender breakdown in table 4.02 indicates that men are more likely than women to work in SMEs. Most couples

own their companies collectively, but their husbands manage them. 57% of those polled are men, while 43% are women.

ANALYSIS OF DATA DISRIBUTION

Table 4.1

| Statement for variables | SA | A | U | D | SD | Total | Mean |
|--|--------|---------|--------|--------|--------|-------|------|
| SMEs businesses are spread across the country and they created many jobs for a Nigerian teaming population. | 39(39) | 39(39) | 12(12) | 8(8) | 2(2) | 100 | |
| Small and medium-sized business structure is less expensive and needs less managerial expertise. | 20(20) | 41(41) | 16(16) | 14(14) | 9(9) | 100 | .24 |
| The start-up capital for SMEs is obtained from Banks, Cooperative Societies and Personal saving. | 41(41) | 10(10) | 11(11) | 12(12) | 25(25) | 100 | .24 |
| SMEs have had a significant effect on the development of the Nigerian economy by boosting household revenue. | 43(43) | 19(19) | 12(12) | 15(15) | 11(11) | 100 | |
| In Nigeria, financing is a major challenge to the growth of SMEs. | 43(43) | 30(30) | 12(12) | 10(10) | 5(5) | 100 | |
| The government needs to be more involved in the planning and funding of SMEs in Nigeria if we are to increase their success. | 3(3) | 78 (78) | 0 (0) | 5(5) | 14(14) | 100 | |
| Funding is a significant impediment to the growth of SMEs in Nigeria. | 7(7) | 28(28) | 9(9) | 47(47) | 9(9) | 100 | |
| The expansion of SMEs in Nigeria has contributed to the country's economic development | 33(33) | 29(29) | 3(3) | 15(15) | 20(20) | 100 | |
| Due to the low wages these employees receive, the majority of SMEs hire | 24(24) | 39(39) | 3(3) | 13(13) | 21(21) | 100 | |

| | | | | | | | |
|---|--------|---------|--------|--------|--------|-----|--|
| individuals with little schooling. | | | | | | | |
| Most SMEs are so tiny that they rarely have more than fifty (59) employees. | 34(34) | 28(28) | 3(3) | 15(15) | 20(20) | 100 | |
| SMEs are essential for economic development due to their location and the type of the services they provide. | 30(30) | 40 (40) | 16(16) | 9(9) | 5(5) | 100 | |
| Government strategy can help SMEs in terms of funding. | 31(31) | 25(25) | 40(40) | 3(3) | 1(1) | 100 | |
| Do you concur that the Nigerian economy's SMEs serve as its development engine? | 26(26) | 39(39) | 16(16) | 9(9) | 10(10) | 100 | |
| Do you believe that SMEs' actions in Nigeria are harmful to the expansion of the economy? | 19 | 37 | 21 | 1 | 22 | 100 | |
| The development of the economy in Nigeria depends on the reimplementa-tion of state strategy to control the activities of SMEs. | 11(11) | 11(11) | 19(19) | 35(35) | 24(24) | 100 | |

Source: Field Survey, 2023

Test of Hypotheses

Hypothesis 1: there is no relationship between SMEs' rise and Nigeria's economic progress.

Test of Hypothesis Contingency Table

| | Observed N | Expected N | Residual |
|-------|------------|------------|----------|
| SD | 11 | 20.0 | -9.0 |
| D | 15 | 20.0 | -5.0 |
| UD | 12 | 20.0 | -8.0 |
| A | 19 | 20.0 | -1.0 |
| SA | 43 | 20.0 | 23.0 |
| Total | 100 | | |

| | Observed N | Expected N | Residual |
|-------|------------|------------|----------|
| SD | 20 | 20.0 | .0 |
| D | 15 | 20.0 | -5.0 |
| UD | 3 | 20.0 | -17.0 |
| A | 29 | 20.0 | 9.0 |
| SA | 33 | 20.0 | 13.0 |
| Total | 100 | | |

Source: SPSS Result output

Test Statistics

| | Q4 | Q8 |
|-------------|---------------------|---------------------|
| Chi-Square | 35.000 ^a | 28.200 ^a |
| Df | 4 | 4 |
| Asymp. Sig. | .000 | .000 |

a. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 20.0.

Source: SPSS Result output

When $df = 4$ and the significance level is 5%, the value of X^2 from the figure of critical value is 9.49.

The paper take into account questions 6 and 9 in the case of hypotheses 2 because they both concern how SMEs affect the expansion of the Nigerian economy. Based on the test finding that both X^2 found (35 and 28) are higher than 9.49, the crucial

value, we reject null hypothesis and accept the alternate that concludes that there is significant relationship between SMEs growth factors and economic development in Nigeria.

Hypothesis 2 Ho: There is no relationship between increases in SMEs and household income. In analyzing hypothesis 2 related responses from questionnaire were of used.

Contingency table

| | Observed N | Expected N | Residual |
|-------|------------|------------|----------|
| SD | 14 | 25.0 | -11.0 |
| D | 5 | 25.0 | -20.0 |
| A | 78 | 25.0 | 53.0 |
| SA | 3 | 25.0 | -22.0 |
| Total | 100 | | |

Source: SPSS result output

| | Observed N | Expected N | Residual |
|-------|------------|------------|----------|
| SD | 21 | 20.0 | 1.0 |
| D | 13 | 20.0 | -7.0 |
| UD | 3 | 20.0 | -17.0 |
| A | 39 | 20.0 | 19.0 |
| SA | 24 | 20.0 | 4.0 |
| Total | 100 | | |

Source: SPSS result output

Test Statistics

| | Q6 | Q9 |
|-------------|----------------------|---------------------|
| Chi-Square | 152.560 ^a | 35.800 ^b |
| Df | 3 | 4 |
| Asymp. Sig. | .000 | .000 |

a. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 25.0.

b. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 20.0.

Source: SPSS result output

Discussion of the Result

When $df = 4$ and the significance level is 5%, the value of X^2 from the figure of critical value is 9.49.

The paper take into account questions 6 and 9 in the case of hypotheses 2 because they both concern how SMEs affect the expansion of the Nigerian economy. Based on the test finding that both X^2 found (35 and 28) are higher than 9.49, the crucial value, The study rejects the null hypothesis and concludes that there is a significant relationship between SMEs growth factors on economic development in Nigeria.

For hypothesis 2 he case where $df = 4$ and significance level 5% are provided, the value of x^2 from the chart of critical values is 9.49. At $df = 4$ and 5 % (0.05) threshold of significance, the corresponding value of X^2 is 9.49. The test results show that the

For hypothesis 1

X^2 tallied values for problems 6 and 9 are 150.56 and 35.80, respectively. The study rejects the null hypothesis and concludes that there is a significant relationship between increases in SMEs and increases in family income in Nigeria, because the computed X^2 is higher than the X^2 critical value.

SUMMARY OF FINDINGS

1. The study discovered that there is a significant relationship between SMEs growth factors on economic development in Nigeria. This result is in line with Carlos (2003) who highlighted the part SMEs play in promoting development. He claims that rather than being a tool for achieving development goals, a stage in the growth of businesses and industries, or

a result of socially and economically specific processes of development objectives, supporting SMEs has increasingly become a (static) development goal in and of itself and frequently a panacea.

2. The study also revealed that there is a significant relationship between increases in SMEs and increases in family income in Nigeria, because the computed X^2 is higher than the X^2 critical value. This finding is in line with Akabueze (2022) confirmed that there is a significant connection between SMEs and increase in household income.

CONCLUSION

The study concludes that SMEs in Nigeria have played and is still playing significant role in increasing household income and economic development of Nigeria. The study also concludes that there is a significant relationship between SMEs growth factors and economic development in Nigeria. The study maintained that there is a significant relationship between growth in SMEs and increases in family income in Nigeria. In Nigeria, different governments have implemented a variety of measures

with the goal of growing the SMEs market. The majority of the initiatives' economic effect was minimal because they did not obtain enough funding. Non-governmental organizations and funding organizations are actively assisting SMEs in Nigeria. The SMEs industry in Nigeria continues to face significant financing access issues. The funding requirements of SMEs have been successfully met by conventional financial organizations.

RECOMMENDATIONS

Finance is the life wire of every business and lack of it marks the death of many businesses. Most of the entrepreneurs in Nigeria don't have access to startup and scale-up funding which has affected the growth of SMEs in Nigeria. The Central bank of Nigeria interventions through anchor borrowers money AGSMEIS is a good step to solve this problems but not sufficient. This study recommends more start-up and scale-up funding access to entrepreneurs for SMEs growth. There should be an unhindered access to start-up finance to entrepreneurs with genuine business plan, proposals with prove of passion and commitment to the business idea.

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