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A Review of the Impacts of SMEs as Social Agents of Economic Liberations in Developing Economies

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Abstract

The benefits of a booming SME sector can be seen in the creation of a sound industrial base for an emerging economy. It ranges from the provision of employment, sources of subsistence, equitable distribution of incomes to its citizens, to deployment of domestic savings for investments. It also include, but not limited, to the increase in capital financial gains, important contribution to Gross Domestic Product (GDP), harnessing of native raw materials, curtailing rural-urban migration and efficient utilization of a nation's resource, as can be seen in the case of Taiwan, South Korea, Singapore, etc. These are countries that were built on a dynamic SME sector. However, many less developed economies have not been able to fully utilize the many benefits of this sector, perhaps due to ignorance. This review examined the extent to which these social agents (SMEs) which have liberalized several economies of the developed countries, such as the United States, United Kingdom, Wider Europe and the BRICS countries (Brazil, Russia, India, China and South Africa) is being treated with levity within the developing economies. The study however, focuses on the SMEs operating within the Nigerian state. It employed in its entirety the review of secondary data. And findings revealed a plethora of issues. Of note was the fact that despite the benefits of this vibrant sector to the Nigerian economy, the government policies, infrastructures, finances amongst others are not favorable for its growth and sustainability. The authors recommend that the Nigerian government as well as government of other developing economies must invest substantially to the growth, development and sustainability of SMEs through the provision of essential infrastructures, manpower, microfinance, security and adequate policy framework.

Key Words: *Small and Medium Scale Enterprises, Entrepreneurship, Economic development, Nigeria, BRICS.*

Introduction

SMEs as social agents simply implies that SMEs are a good fit within all economies all over the world, SMEs are known to be the greatest employer of labor cutting across various strata of employment. They cut across boundaries, and serve as a form of subsistence to families where government's presence is not felt. All nations that have centered on SMEs and guaranteed its quality and sustainability have succeeded vital improvement of the feature and commonplace of living, increase in capital financial gain likewise as rising in GDP. When any government points out grave obligation to the sustainable growth of the SME sub-sector, the economy of that given government essentially witnesses pregnant transformation and prosperity (Momoh, 2005). Unfortunately, this goose that is laying these fantastic golden eggs has not received its prime of place. It is often relegated to the background in policy formulation by government, especially in the developing economies. It is therefore the aim of this review to examine the extent to which this social agent, which has liberalized economies of the developed countries, is being treated within the developing economies. This will therefore entail a comparative review of the impact of this social agent within developed economies such as the United States, United Kingdom, Wider Europe and of course the developing economies such as the BRICS countries (Brazil, Russia, India, China and South Africa) in general and Nigeria in particular. The encounters of established economies, in regard to the roles SMEs have played support the fact that the connectedness of SMEs cannot be overstated particularly among emerging countries.

Definition of Small and Medium Enterprises

The definition of a Small and Medium Enterprise (SME) varies across economies and defining agencies. Three constant factors in the definition globally include number of employees, total annual sales and value of net assets. The Central Bank of Nigeria defines a Small and Medium Scale Enterprise operating in Nigeria as an enterprise with fixed capital or asset between N5million and N500 million ($26,932 and $2,693,240), turnover of less than 100 million ($538,648) per annum and labor force between 11 and 300 (CBN, 2003). According to Otiti (2007), the Center for Industrial Research and Development (CIRD) of Obafemi Awolowo University, Ile-Ife classified a small business as an enterprise with working capital base not exceeding N250,000 ($1,346.62) and employment of full time 50 workers or less. Similarly, the National policy on MSMEs, defined small enterprise as an enterprise with a total asset (excluding land and building) worth five million naira but not exceeding N50 million ($269,324). With a total workforce of above ten, but not exceeding forty-nine employees, and medium enterprises as those enterprises with total assets above N50 million ($269,324) but not exceeding N500 million ($2,693,240) (excluding land and labor) with a total workforce of between 50 and 199 employees (SMEDAN, 2010).

In Brazil, SMEs are known as "pequena e media empresas" (PMEs) and have various definitions across different institutions. However, a generally accepted definition by the general law of micro and small enterprises established on December 14, 2006, defines a small business as an enterprise which have an annual turnover not more than R$ 2,400,000 (USD $911,682.53) each calendar year. SABRAE, Brazilian agency for micro and small enterprises established in 1972 defines SMEs based on number of employees and annual turnover: a small enterprise in the industry, construction, agriculture and similar sector has a maximum of 99 staff, and maximum of 49 staff in the commerce and service sectors with an annual turnover between R$240,000 and R$ 2,400,000 (USD $ 91168.25 to USD $911,682.53), while a medium enterprise has a staff count of between 100 to 499 in the industry, construction, agriculture and similar industries and 50 to 99 employees in the commerce and service sectors (Haner, 2011).

SMEs are defined in China based on the SME promotion Law of China, and this definition varies according to the sector of the economy. In the industrial sector, a SME employs a maximum of 2000 people and have an annual revenue not exceeding RMB300 million (USD $48,366,426), with a total asset not exceeding RMB 400 million (USD $64,488,568) (Xianfeng, 2008). A generally accepted definition of Small business in Australia is a business employing less than 20 persons with an average annual turnover of less than

$1million and net assets of less than $3million, as jointly defined by the Australian Bureau of Statistics and Australian tax Office. The European Union defines SMEs as enterprises with less than 250 people and an annual turnover under 50 million of Euros ($58,132,750) or with an annual balance sheet which does not exceed 43 million Euros ($49,994,165). In the United Kingdom, businesses are classified according to number of employees; micro: 0-9, small businesses: 0-49, medium sized businesses: 50-249 and large businesses: 250 and above (Nwanyanwu, Ogboru and Inua, 2009).

SMEs and Economic Development

Asian development bank in their report “SME development in Pakistan” emphasize the key role of SMEs for the growth of the country and its role in generating employment and ensuing equitable distribution of income. An emerging economy requires a sound industrial base which would stimulate growth (Bari, Cheema and Haque, 2005) this is achievable when SME concentration is high as they provide employment and output in the initial phase of the transformation from a low-income economy to middle-income economy and assist in a smooth and fast track transition itself. Taiwan has in the past 50 years proved to be the most successful developing country, grown on a vibrant SME sector. This has produced both (for its time) record-breaking growth and a quite low level of inequality, by comparative standards. Similarly, Korea has exemplified that inequality can fall significantly when the weight of the SME sector rises quickly, as it did for a period after the mid-1970s in Korea. Colombia’s golden age of growth, from the late 1960s through the 1970s, coincided with very fast expansion of the manufacturing SME sector and with an apparent decline in urban inequality.

The key roles of SMEs symbolize deployment of domestic savings for investment, important contribution to Gross Domestic Product (GDP) and Gross value, harnessing of native raw materials, employment creation, impoverishment reduction and alleviation, sweetening in customary living, increase in per capita financial gain, skills acquisition, save in technology and professional growth and diversification, curtailing rural-urban migration and resource utilization, contribution to the strength of business inter-linkages and integration mostly through the manufacturing of intermediate product to be used in huge-scale firms, this could but solely be accomplished with the actuality of a responsive and feisty industrial policy and linking government’s overall economic development ways which can involve all shareholders and make sure the active and economical harnessing. Exports by SMEs naturally vary between thirty and fifty percent of total industrial exports in developed and developing countries. In tune with the newest developments within the world economy and also the attendant economic process effects, the role of SMEs going forward is sure to be even larger and additional pervasive, with a demonstrable impact on the rising world commerce order (Momoh, 2005; Naude, 2013; SMEDAN, 2010). SMEs play a significant role in the transition of agriculture-led economies to industrial ones. They also help to absorb productive resources (local technology and raw materials) that would have otherwise been ignored by larger firms at all levels of the economy and add to the formation of flexible economic systems in which small and large firms are interlinked (SMEDAN, 2010).

SMEs have been recognized as critical breeding and nurturing grounds for domestic entrepreneurial facility, technical proficiency, technological modernization and managerial competencies for the development of a vibrant and productive economy (SMEDAN, 2010). A vivacious, economical and effective SME sub-sector generates several resultant edges for shareholders, personnel, customers, and employers likewise the whole economy. It is widely believed that entrepreneurship is beneficial for economic growth and development, as is seen in countries that have remarkably achieved poverty reduction such as China and the East Asian Tigers (Naude, 2013).

Concept of Development in SMEs:

The concept of development has been variously defined; Obisi (1996) opines “*development is a long-term educational process utilizing a systematic and organized route by which managerial personnel learn* *conceptual and theoretical knowledge for general purpose*". Banjoko (2002) views development as "the course of helping managerial employees who perform non-routine jobs to improve their administrative, organizational, and executive abilities and competence". Due to its ability to facilitate market adjustments (eliminating market disequilibria) by spotting opportunities for profitable arbitrage, Kizner (1973) recognizes the need of entrepreneurship through SMEs in developing countries. Kanbur (1979) dwells on the risk-taking dimension of SMEs, and it's impact on economic development of emerging countries, which are usually characterized by high risk and uncertainty. Accordingly, Wiggins (1995) hypothesized the predominance of small firms in developing countries as an indication of economy-wide ambiguity, with low likelihood of success. Nelson and Pack (1999) outlined the role of SMEs in absorbing a rapid expansion of skilled labor thus leading to increased returns to physical and human capital. However, theoretical and empirical evidences have not been able to strongly accept the hypothesis that SMEs are a major source of economic development and growth. Leveraging on three "grand" ideas in development economics according to Naude (2013):

- Development requires a structural information of what, how and where production and consumption takes place: following the law of production of goods and services where low-value added, low productivity and rural based activities are transformed to higher value added activities in services and manufacturing located in cities
- Development is a multi-dimensional concept that requires more than just the eradication of income poverty, and
- Market failures are prevalent and the state has an important coordinating and regulatory role to play in development"

Some analysts have argued that a lot of assumed strategic advantages of tiny corporations are also 'myth' instead of 'reality':

- ***Employment:*** A comparative study of producing corporations by Snodgross and Biggs (1996) shows common pattern within the transformation of the dimensions distribution of corporations as industrial enterprise by terminal that small-scale enterprises play a declining role as countries develop.

- ***Efficiency:*** Most research on developing countries shows the tiniest corporations square measure least economical and there is some proof that each small and enormous corporations square measure comparatively inefficient compared to medium-scale corporations (Little, Mazumdar and Page, 1987). According to Snodgrass and Biggs (1996), it is usually argued that SMEs square measure a lot of innovative than larger corporations most likely owing to the adoption of 'niche strategies', like high product quality, flexibility and responsibility to client desires as means that of competitive with large-scale businesses. However, Naude (2013) found that these innovations usually take time, and enormous corporations could have a lot of resources to adopt and implement them.

- ***Wages and Benefits:*** Though, analysis proof suggests that larger employers provide higher jobs in terms of operating conditions than SMEs (David, Haltiwanger, Schuh, 1993). There is some proof that this inequality narrows as industrial enterprise yield (Snodgrass and Biggs, 1996).

- ***Social, Political and Equity Justifications:*** SMEs square measure usually same to contribute to a lot of equal distribution of financial gain or wealth. However, SMEs house owners and staff square measure possible to be the poorest of the poor, in order that SME promotion might not be the foremost effective financial condition alleviation instrument. In reality, the need of governments to market SMEs is usually supported social and political concerns instead of economic grounds.

- ***Labour Intensity:*** Tiny firms use an outsized share of the labor force in several developing countries. In theory, SMEs square measure regarded to be a lot of labor intensive than massive corporations. However, some analysis proof suggests that a lot of SMEs square measure indeed a lot of capital intensive (Little, Mazxumbar, Page, 1987). Similarly, Snodgrass and Biggs (1996) opine that labor intensity exhibits a lot of variation across industries than among firm-sized teams at intervals industries.

- ***Job Creation:*** it is typically argued that SMEs square measure necessary for employment growth. This conviction has not been supported by empirical proof, whereas job creation rates square measure well higher for little corporations, thus square measure gross destruction rates, SMEs exhibit high birth rates and high death rates and plenty of tiny corporations fail to grow (Davis, Haltiwagner, and Schuh, 1993).

Analysis of the Effect of SMEs on the Economic development of Selected Economies

Empirical studies as highlighted in SMEDAN (2010) show that SMEs contribute to over 55% of GDP and over 65% of total employment in high-income countries, and account for over 60% of GDP and over 70% of total employment in low income countries, while they contribute about 70% of GDP and 95% of total employment in middle income countries. Edminston (2007) opines from the viewing platform of economic development that small businesses generate virtually half of new jobs in the economy, and it is presumed that they are good jobs. SMEs are the growth engines of the economy due to their ability to create jobs, foster entrepreneurship, alleviate poverty, accelerate growth bridge the gulf of income inequity and formation of forward and backward linkages and provide depth to the industrial base of the economy (Ahmad, Nenova and Niang, 2009).

According to data from the European Observatory (ENSR, 1997), SMEs employing up to 250 people accounted for 68 million jobs in the European Union in 1995. SMEs represent 99% of all enterprises in Europe, and contribute more than two thirds of European GDP and provide 75 million jobs in the private sector, thus acting as keys to implementation of the renewed Lisbon strategy for economic growth and employment. The German SMEs employs about 72.6 percent of its labor force (Ismaila, 2012). In New Zealand, SMEs accounted for 96% of all enterprises and 39% of the entire worth-added output in 2004, uphill of 2% points from the preceding year. SMEs remain the main growing strength behind the fastest growing economy of China, in terms of involvement to the nationwide GDP accounting for forty percentages, measure of properties, and variation of product and the making of employment. China has tenaciously studied these facts and aggressively competitively capitalized on it (Horn, 1995; Pang, 2008). The SMEs with less than 300 workers account for 99.5% of the factories in Tokyo and employs 74 percent of work force there. Korea and Taiwan prospered as both countries of manufacture and export with the help of its SMEs. SMEs establish nearly 90% of all the enterprises in Pakistan; employ 80% of the non-agricultural labor force; and their share in the annual GDP is 40%, approximately (Harvie and Lee, 2003; Neumark et al., 2008). In the United State of America, the SMEs account for 87 percent of the countries workforce. In 2004, there stood an estimated 23,974,000 businesses in the US, of which 5,683,700 were small trades who hired about 5,666,600 people (Longley, 2006). Furthermore, available data from some African countries show that in 2003 SMEs in Kenya employed 3.2 million people and accounted for 18 percent of the national GDP. In Pakistan, there are 3.2 million SMEs which make up over 90 percent of all private enterprises in the industrial sector, and employs nearly 78 percent of the non-agricultural labor force, contributing over 30 percent to gross domestic product (GDP).

Overview of SMEs in Selected Emerging Economies

Brazil: SME's in Brazil survive using a "Jeitinho" recipe; which means surviving an inconsistent, dynamic or turbulent business environment by working around things (Haner, 2011). SMEs in Brazil are liberal about management, less formal and quite flexible. This approach to business has helped SMEs contribution to Brazil's economy, as seen below: Percentage of SMEs in Total Number Enterprises: 99.7%, Density of SME's (per 1,000 inhabitants): 30.4%, Average size of an enterprise (employee/enterprise): 4.2, Number of

Persons employed by SMEs/ Total of enterprises: 68.3%, Contribution to GDP by micro and small enterprises: 20%, Export Turnover: 19.7% (Haner, 2011), Contribution to innovation: 40 percent (Sabrae, 2007). However, SMEs in Brazil still encounter turbulent forces, such as increased competition due to low cost products imported from Asian countries resulting from globalization, high bureaucracy (it takes around 120 days to open a business) (The World Bank, 2010); Inconsistent and high tax charges policy; Poor business management mostly associated with low educational level of workers and owners.

India: Housing the headquarters of World Association for Small and Medium Enterprises, India is seen to be effectively developing its economy through its growing SMEs. The development of SMEs in India can be divided into three phases:

- **1948 to 1991 phase**, which provided supportive measures such as reservation of items for elite production, prioritized access to bank credit through the Priority Sector Lending Programme of commercial banks, excise exclusion, proviso under the Government Purchase Programme, infrastructure development and establishment of institutes for entrepreneurial and skill development. More importantly, policy resolution highlighted the importance of SMEs as effective tool to expand employment opportunities, ensure equitable distribution of national income and facilitate effective mobilization of private sector resources of capital and skill. (SMEDAN, 2010)
- **1991 to 2006 phases:** This phase saw India's government's devotion to the foreign market competiveness of its SMEs. In 2006, the Micro, Small and Medium Enterprises Act was passed along the same lines (SMEDAN, 2010)
- **2006 till date phase** shows India's government working to ensure the solidification of the earlier phases.

During these phases, the India government set up some organizations to help foster and nurture the SMEs, such as The Micro, Small and Medium Enterprises Development Organization (1954); Small Industries Development Bank of India (SIDBI); Technology Development and Modernization Fund; Delayed Payment Act; Industrial infrastructure Development (IID) Scheme; Ministry of MSME (1999); National Manufacturing Competitiveness Programme (2007-2008). These supports in place has seen the SME sector in India contribute 39% of the country's manufacturing output, 33% of her total export and employ an estimated 31 million persons spread over 12.8 million enterprises with quadruple higher labor intensity than the large enterprises (SMEDAN, 2010)

China: SMEs in China gained importance as a vital tool of economic development following the 1980 market-oriented reforms initiated by Chinese leader Deng Xiaoping (Liu, 2008). 65.58 percent of SMEs in China are located in the eastern area of China, 20.14 percent in the mid-area and 11.28 percent in the western part of China. A comparative analysis of SMEs in China, according to SMEDAN (2010), reviews that SMEs account for 60% of industrial output, 55% of China's GDP and 75% of employment. Similarly, Liu (2008) opines that SMEs make up 99.7 percent of all enterprises in China with 42,991 registered medium-sized businesses (1.78 percent of total enterprises) and 2,327,969 small enterprises (98 percent of total enterprises) and the output value of SMEs account for about 60 percent of China's GDP, and generates more than 82 percent of employment in the country. Employment statistics, show the large increasing role SMEs play for the high population of China; medium enterprises employ 35,464.3 persons, (30.76 percent), while small enterprises employ 58,947.8 persons or 51.13 percent of China's employed population (Liu, 2008)

***Government Policies and SMEs in China* -** The arm of governments tasked to administer SMEs in China consists of four administrative departments: The National Development and reform Commission; China Coordination Center for Cooperation of SMEs with Foreign Countries; China Association of SMEs; Local SMEs department in every province; Through these departments, China's government has supported SMEs by creating the SME promotion law (January 2003); issuing a document titled "State Council on Encouraging, Supporting and Guiding the Development of Private and Other Non-Public Owned

Economies" (2005), making public the SME Growth Project (2006) and providing Financing for SME development.

Challenges in SMEs' operations and some notable clusters in China: Weak linkage with external market; weak Technological Innovation; inadequate Financing; high Cost of Operation. Cluster output in China accounts for about 50 percent of the total industrial output, 60 percent of taxes, 70 percent of export volume and 80 percent of employment. Some notable clusters in China are found in the Jiangsu Province: The Guanlin cable cluster (comprising 12 small cable enterprises), the Shengze Textile cluster (comprising 6 small textile enterprises), the Hengshan sewing machine Cluster (Comprising 6 small sewing machine makers), A revolution of SMEs setting in China, focusing on creating industrial clusters to reinforce SMEs competitiveness in the global economy by maximizing regional accessibility to produce and market by capitalizing on joint ventures, cooperation and alliances has seen great improvement in the social and economic contribution of SMEs in China.

Nigeria: Historic evolution of Small Business in Nigeria conferring to Ubom (2006) and Olagunju (2008) can be likened to the era of our forefathers who involved in homegrown farming and exchange. At first, they went into subsistence farming to placate their instantaneous needs. As the country grew and got inhabited by more people, and given the diverse human talents, natural and geographic endowments, joined with the farmers inability to meet other people's needs, they then expanded into various and other craftsmanship trades so as to fulfill their other needs. According to Ismaila (2012), the sector serves as a major catalyst for employment creation, national growth, poverty eradication, equitable income distribution and economic development and can boast of being the major employers of labor in the world due to its labor intensive production process, ease of start-up and operations in comparison to major industries and multinationals, due to it's ease in start-up and operations. Past literature affirms that emerging countries with larger share of SMEs employment have higher economic growth than their counterparts (SMEDAN, 2010). CBN data shows that industries in Nigeria, with manufacturing taking the lead are comparatively dominated by SMEs; SMEs represent about 95% of the manufacturing sector, and 70 percent of industrial jobs in terms of number of enterprises, and an overall 96% of Nigerian businesses (Wahab and Ijaiya, 2006). In Nigeria, small businesses are generally found in small shops, hairstylists, trade men, photojournalists etc. According to SMEDAN, (2010), SMEs both in the formal and informal sectors employ over 60% of the labor force in Nigeria. More so, 70% to 80% of daily necessities in the country are not high-technology product, but basic materials produced with little or no automation. Most of these products come from Small and medium Enterprises. Aremu and Adeyemi (2010) citing Basil (2005) discovered that the majority SME's in Federal Republic of Nigeria die inside their first 5 years of existence thanks to scant capital, lack of focus, inadequate research, over concentration on one or 2 marketplace for finished product, lack of succession arrange, ignorance, lack of correct book keeping, irregular power offer, infrastructural inadequacies (water, roads etc) lack of correct records or lack of any records in any respect, inability to separate business and family or personal finance, lack of business strategy, inability to tell apart between revenue and profit, inability to obtain the correct plant and machinery, inability to interact or use the correct caliber employees and cutthroat competition

In SMEDAN's (2010) study of MSME's in Nigeria, the following findings amongst many others were observed:

Total number of MSMEs in Nigeria stood at 17,284,671 (With micro standing at 17, 261,753, small at 21,264 and medium at 1,654). The initial start-up capital of micro enterprises significantly stood at less than fifty thousand Naira with small and medium enterprises averaging less than ten million Naira. MSMEs contribution to Nigeria's Gross Domestic Product stood at 46.54% in nominal terms for the year 2010. Manufacturing sector has the highest number of enterprises, followed immediately by Wholesale and Retail Trade, Repairs of motor vehicles and household goods. 57.5 percent of SMEs are sole proprietorship with 27.2 percent taking the form of Private Limited liability, with 97.4 percent of Micro enterprises taking the business form of Sole Proprietorship, and 2.4 percent partnership. Females account for 13.57 percent of ownership in the Sole Proprietorship and 86.43 per cent male ownership for SMEs. 43.60 per cent of business owners are in the 36-50 age group, with 13.40 per cent under 36 years of age, 26.86 per cent between 51-60 years and 16.0 percent above 60 years of age. Personal savings (54.4% of surveyed businesses) is the main source of capital, followed by loan at 22.0 percent, followed by family source of capital at 16.7 percent. 51.7 percent monthly business turnover was recorded at below six million naira, followed by 21.5 percent at forty-five million naira in 2009. In 2010, below six million-naira turnover recorded 78.7 percent concentration, followed by 7.9 percent recording a sales turnover of forty-five million naira. 89.2 percent of SMEs in Nigeria as at 2010, have their operational monthly cost below ten million naira while the second dominance category at 5.2 per cent is six to fifteen million naira, (SMEDAN, 2010). Averagely, 39.8 percent of SMEs make daily usage of alternative source of power in the range of 1-5 hours, while about 34.9 percent of the enterprises make daily usage of alternative source of power in the range of 6-10 hours, with about 12.0 percent making use of alternative source of power in the range of 16-20 hours. The total number of employees as at December 2010 was 32,414,884 persons, consisting of 39,478 persons in the small and medium enterprises with male employees dominating with 22,139 persons (56.08 percent) and 17,339 female and 32,375,406 persons in the micro enterprises, comprising of 18,662,943 males and 13,712,463 females.

Table 1: Contributions to GDP by Sector

Sector	**Contribution to GDP (in %)**
Agriculture, Hunting, Forestry and Fishing Sector	98.01
Mining and Quarrying	67.78
Manufacturing	63.74
Building and Construction	10.76
Wholesale and Retail Trade	67.98
Hotels and Restaurants	40.62
Transport, Storage and communications	39.74
Financial Intermediation	5.32
Real Estate, Renting and Business Activities	99.13
Education	48.00
Health and Social work	73.82
Other community, social and personal services, constituting activities such as barbing saloon, hair dressing, laundry services, etc.	99.94

Source: Adopted from SMEDAN (2010)

Government Policies and SMEs Operation in Nigeria: The government to help the growth and development of SMEs in Nigeria continually establishes numerous programmes, policies and laws. Amongst such organizations are:

Table 2: Government Policies In Place in Nigeria

Establishments	**Abbreviations**	**Year**	**Objective**
Nigerian Industrial Development Bank	NIDB	1964	Offer loans to entrepreneurs for the development of small businesses (Ubom, 2006)
Small Scale Industries Credit Scheme	SSICS	1971	
Nigerian Bank for Commerce and Industries (Later fused with NIDB to form the Bank of Industry)	NBCI	1973	Intended at inspiring small businesses among Nigerians to boost economic development
Nigerian Enterprises Promotion Decree No. 4 of February		1972	Objective of endorsing native enterprises and to make Nigerians

			have superior stake in the economy of the country
Structural Adjustment Program	SAP	1985	Designed at saving the economy from overall flop through liberalization of the economy, which allows greater private initiative
International Bank for Reconstruction and Development Operations	IBRD		Awarded a large $1.597 billion in SMEs in 2004 financial year, with continent obtaining a sizeable share of over $89 million (IFC, 2009)
Small and Medium Industries Equity Investment Scheme	SMEIS		Leads small businesses into various trades like banking, manufacturing, retail trade etc.
Bank of Industry	BOI		Same as NBCI
Small and Medium Enterprises Developing Agency of Nigeria (SMEDAN)	SMEDAN	2003	To promote the development of micro, small and medium enterprises (MSME) sector of the Nigeria economy.
SME Apex Unit of Central Bank		1989	To provide a platform to enhance service delivery to micro, small and medium enterprises.
National Economic Reconstruction Fund	NERFUND	1989	To provide needed medium-to long term financing to viable small and medium scale production enterprises
The African Development Bank/ Export Stimulation Loan	ADB/ESL	1989	To spur sustainable economic development and social progress

Source: Adopted from SMEDAN (2010)

Challenges faced by SMEs in Nigeria: Although SME sector is favored on the point of view that SMEs stimulate economic growth, however, market imperfections and institutional failures hamper their growth. Amongst these market imperfections and institutional failures in Nigeria are inconsistent government policies (Political uncertainty, Inconsistent tax policy), poor management strategic skills, lack of credible credit information, credit quality and institution; dearth and paucity of credible and reliable database; poor infrastructures (roads, electricity, energy, communication, manufacturing environment), dwindling economic environment (venture capital, fluctuating value of the naira, financing), low quality production inputs arising as a result of the quality and availability of raw materials) and bottleneck bureaucracy (Onibokun and Kumuyi, 1996; Ubom, 2006). The present socio-economic development challenges confronting Nigeria is exacerbated by the changing demographic profile of the country. The number of unemployed is on the increase, of which the proportion of the educated youth will also continue to rise. Fortunately, Nigeria’s economic growth has in the last decade been led by the service sectors, which is predominately easier for entrepreneurs to start, usually due to its low capital needs in comparison to goods sectors. (SMEDAN, 2010)

Summary and Conclusion

Underdevelopment is not due to an insufficient supply of SMEs, but due to institutional weakness that results in a “lack of profit opportunities tied to activities that yield economic growth”. SMEs have largely contributed to the economies of developed countries. And has acted as a source of creation of employment, provider of subsistence, ensuing equitable income distribution, increase in capital financial gain and important contribution to the GDP of examined nations. The role of SMEs in the development of developing countries cannot be over emphasized. Although the Nigerian government has in recent years focused on the growth and development of the sector, it is imperative that more effort be put in place to ensue sustainability of the sector as it is with other sectors.

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