

Strengthening Small and Medium Enterprises (SMEs) as a Strategy for Poverty Reduction in North Western Nigeria

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This study examines how strengthening the Small and Medium Enterprises (SMEs) contributes to poverty reduction in north western Nigeria. Primary data was collected through the administration of Questionnaire from a sample of 400 SMEs in Sokoto and Zamfara states that sought information on their main features and the manner of their operations. Also secondary information was obtained from publications of the Nigerian Stock Exchange (NSE) and National Bureau of Statistics (NBS) to look at the performance of the listed companies (large corporations) and both intra and inter-sectorial comparisons of the two sets of enterprises were made with regards to their employment generation and utilization of indigenous technology. T-test analysis was used in analyzing the information obtained. The major findings of the study is that large enterprises contribute more in the area of employment provision than the SMEs going by the country – wide data. This contradicts the a priori assumption that small and medium enterprises do contribute to employment generation and use more indigenous technology than large corporations. The study concludes that employment generation capacities of any organization is vital in reducing the incidence of poverty among economic agents. A major recommendation of the study is that government should make a practical approach to poverty alleviation by emphasizing on the strength of the poor and their productive capacity and not on their weaknesses.

Keywords: SMEs, strengthening, strategy, poverty reduction, Nigeria

Introduction

One of the major concerns of leaders and development practitioners in developing mixed-economies in recent years has been not only the promotion of economic growth but also the provision of a formidable institutional framework for establishing and sustaining viable Small and Medium Enterprises (SMEs) as a strategy for sustainable poverty reduction among people. Nigerian economy just like any economy in the sub-region is replete with large number of small businesses that are operating in both rural and urban areas. An important feature of SME Sector is its ability to create jobs. Vibrant SMEs are considered crucial in solving multivariate socio-economic problems in developing economies including unemployment, low growth and poverty. Since productive employment is the key to achieving sustainable reduction in poverty and the fact that SMEs have potential of creating mass employment, it is imperative that a large employment creation potential any government efforts to reduce poverty could achieve more success if they are given the required attention they deserve. The total number of persons employed by the Micro, Small and Medium enterprises (MSME) sector in Nigeria as at December 2010 stood at 32,414,884 (NBS, 2012).

Evidently, these enterprises are mostly characterized by inadequate capital base and low managerial and technical skills mainly caused by their poverty situation and inaccessibility to adequate investment capital. In addition most of them are informal because they lack the wherewithal and requisite tools of integrating with formal structure. Worse still the crowding out effect of Foreign Direct Investment (FDI) constitute a great danger for these small businesses because the little investment opportunity available for them to explore are taken away by the foreign investors, since they cannot compete favorably. In most cases the end results of the crowding effect is the attendant unemployment to the informal sector where most small businesses are located thereby adding ‘salt to injury’. In addition, the incessant epileptic power supply across the country and inadequate infrastructure such as roads, storage facilities, telecommunication, access to market etc pose great challenges to these nascent enterprises. Closely related to the problem of inadequate power supply and social infrastructure is the problem of some policies designed by government which are inimical to the growth of small businesses. An example of this can be seen in the removal of subsidies commonly advocated and implemented by government thus aggravating the problems of small businesses.

The broad objective of this study is to investigate the nature of the problems confronting small businesses in North-western Nigeria with a view to finding out concrete policy based solutions for them as part of poverty reduction strategy. Other specific objectives are as follows:

- i. To investigate factors inhibiting the growth of small businesses;
- ii. To identify the main characteristics of SMEs in the study area.
- iii. To investigate the extent to which SMEs in Nigeria promote local resource utilization and help in transforming indigenous technology;
- iv. To investigate the employment generation capacities of SMEs in Nigeria in relation to large enterprises.
- v. To assess how government policies affected the development of SMEs and their sources of funds.

The paper is therefore divided into six sections. Section one is this introduction. Section two presents literature review and theoretical framework. Section three discusses the methodology adopted by this study. Section four is data analysis and discussion. Section five draws conclusions and policy implication based on the findings of this study. Finally, section six offers possible recommendations arising from our findings.

Literature Review and Theoretical Framework

Scholars have given different definitions of the concept of poverty in order to have a clear understanding among various stakeholders of its dimension, incidence and impact not only on the person that is poor but on the socio-economic development of a nation. For instance World Bank (1990) defined poverty as the inability of individual or section of a society to attain a specified minimum standard of living. Encyclopedia Americana (1998) provides two perspectives of what constitute poverty i.e. "Moneylessness" (an insufficiency of cash and chronic inadequacy of resources to satisfy basic human needs and "Powerlessness" (those lacking opportunities and choices open to them and whose lives seems to be governed by forces outside their control). Poverty also affects economic performance at the national level through several socio-economic underdevelopments either as a result of poor endowment of critical resources, low productivity or a stagnant national economic performance. A person's poverty condition is viewed by Friedman (1996) from three different dimensions; socio-economic, political, and psychological. In this context we refer to socio-economic as the poor people's relative lack of access to the resources essential for the self production of their livelihood. This requires urgent attention from our leaders due to its inevitable three negative consequences on the

polity as has been rightly observed by Von Hauff and Kruse (1994); i.e. Consequences for those affected (misery, lack of jobs and nutrition), and (i.e.) Consequences on the economies of countries affected (i.e. failure to use the available human resources); and Consequences on the political and social development of the countries affected (i.e. failure to use the available human resources); and Consequences on the political and social development of the countries affected.

It is in the light of these that the concern of poverty and its alleviation strategies have now become a universal issue especially among the developing mixed economies. In addition, the development of small and medium enterprises has been described as an important mechanism of enhancing economic growth, employment creation and alleviation of poverty in this type of economies (Hamid and Bello, 2008).

Poverty has become a threat to socio-economic stability in Nigeria because a large portion of the country's population live below the internationally approved poverty line which portrays that potential human resources are underutilized (World Bank, 1993). The concept of Small and Medium Enterprises has a relative meaning depending on the purpose a definition is required to serve certain policies governing the sector. In most cases, countries apply three major factors in the classification and definition of enterprises in the sector i.e. capital investment on plant and machinery; number of workers employed, and volume of production or business turnover (Aremu and Adeyemi 2011). Generally the definition of SMEs and their categorization mostly depend on not only the size of the economy but also its natural endowments. The Central Bank of Nigeria (CBN) defines Small and Medium Enterprises in Nigeria according to asset base and number of staff employed. The criteria are: an asset base between ₦5 million and ₦500 million and staff strength between 11 and 300. The Small and Medium Industries Equity Investment Scheme (SMIEIS) in Nigeria, defines SMEs as enterprises with a total capital employed not less than ₦1.5 million but not exceeding ₦200 million, including working capital but excluding cost of land and or staff strength of not less than 10 and not more than 300.

Therefore, this study adopts the definition given by the CBN that small enterprises are those with total asset base (excluding real estate) of less than ₦1 million and employing less than 50 full time workers. While medium enterprises are those with total asset base (excluding real estate) of less than N50 million and employing less than 100 full time workers (Nigeria Business Info, 20002).

The significant interest in the development of SMEs among leaders is probably due to their considerable potential in bringing about social and economic development, income generation, and

their role as catalyst to equitable development in both rural and urban areas (OECD, 2004; Williams, 2006). There are many supporting and also skeptical arguments on the importance of SMEs on economic development. Those in support of SMEs usually advance three core arguments (World Bank 2004): SMEs enhance competition and entrepreneurship and thus increase aggregate productivity growth; SMEs are generally more productive than large firms but institutional failures and financial market impede their development; SMEs expansion boost employment more than large firms because they are more labour intensive. Thus, any attempt to develop SMEs will greatly assist in poverty alleviation strategies in developing economies.

SMEs in Nigeria are characterized by high labour intensity, ease of entry and exit, small start-up and operating capital, low labour skill requirements and they trigger entrepreneurial and indigenous technological development (Mukras, 2003). These employment creation capacities of SMEs have also created two strands of argument among scholars in this area. The first strand of argument are those like (Owualah, 1999; Nnanna, 2001; Nigerian Investment Promotion Commission, 2003) who are of the view that small firms are more labour intensive in comparison to large ones. Thus, in the light of this perception these scholars are of the view that policies to promote the growth of SMEs should be an important package in any measures to alleviate poverty especially in a developing mixed economy. The second strand of the literature holds a contrary view. According to the proponents of big firms (Kayanula, and Quartey, 2000; Beck, *et al.*, 2005) large firms are better at creating more and better jobs as their large size promotes efficiency and economies of scale. The belief here is that policies that are only aimed at promoting SMEs without given more attention to large firms may be misguided (Sanda, Dogondaji & Abdullahi, 2006). The scholars who support given special treatment to SMEs came up with counter arguments as to why policies should target the establishment of SMEs. In comparison to large firms, they argue that SMEs are more widely scattered covering many rural and semi-urban areas alike. This enables them to contribute meaningfully in those areas in many ways including employment creation, promoting local resource utilization and transformation of indigenous technology amongst others.

Numerous programs have been introduced by successive governments in Nigeria to develop the SME sub-sector. Notable among these programs are the following: Mandatory credit guidelines for SMEs (1970); Small Scale Industries Guarantee Scheme (1973); Nigeria Agriculture and Cooperative Bank (1973); Nigerian Bank for Commerce and Industry (1973); Rural Banking Scheme (1977); The World Bank Assisted SME 1

and SME 2 in 1985 and 1990; Second Tier Security Market (1985); Peoples Bank (1989); Small and Medium Scale Enterprises Loan Scheme (1992); African Development Bank – Export Stimulation Loan Scheme (1988); Bank of Industry (2001); Nigerian Agricultural Cooperative and Rural Development Bank (a merger of NACB, PB, and Family Economic Advancement Program in 2002); and Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) in 2004 (Oluntunla and Obayomi 2008).

The theoretical framework for the study is based on the new classical theory of employment and output which suggest that the aggregate output of a country at any given time depends on the capital and labour employed (Dwivedi, 2009). The peculiar nature of these enterprises as labour intensive in nature, ease of entry and exit, low labour skill requirements, and small start-up and operating capital naturally allow us to expect them contribute significantly on nations economic growth and wellbeing.

Methodology

The research by its nature is empirical and therefore employed both a survey method to study some small and medium enterprises and secondary information to look at the performance of the listed companies (large corporations) from 1996 – 2011. Both descriptive and inferential statistics where used to analyze the information gathered. The study was conducted in Sokoto and Zamfara States in the North Western part of Nigeria. These two states are not only among the industrially less developed in the country but have the highest poverty incidence as reported by the National Bureau of Statistics in its latest poverty profile of the nation NBS (2011). Since reliable information on the exact location, type and addresses of these enterprises is not available, we relied on the details received from relevant ministries in the states to locate most enterprises based on their availability. In conformity with the objective of the study, information was sought on the main features of the SMEs in the study area and the manner of their operations. Specifically, business operators were asked questions pertaining to their educational attainment and experience before establishing the business, and the type and size of the enterprise. The study used a sample of 400 Small and Medium Scale Enterprises in Sokoto and Zamfara States. In Sokoto State, Sokoto Metropolis which comprises of two Local Government Areas i.e. Sokoto North and Sokoto South Local Government Areas were covered. In Zamfara State the study covers the whole Gusau Metropolis i.e. Gusau Local Government Areas. The two Local Government Areas in Sokoto Metropolis were given 250 questionnaires, while 150 were administered in

Gusau Township, the Zamfara State capital. A total of 236 were filled and returned in Sokoto State while about 121 questionnaires were filled and returned from Zamfara State. A total of 357 valid questionnaires were received out of 400 that have been administered, while 43 questionnaires were recorded as non-response. This indicates a retrieval rate of 89.25% which was considered reliable enough to base a study on what actually results from the survey. Also the enterprises selected in the sample have met the CBN definition for small enterprises of those who employ less than 50 full time workers and medium enterprises as those who employ less than 100 full time workers (Nigeria Business info, 2002).

In addition, Focused Group Discussion (FGD) was also conducted to fill in missing information that may have eluded the questionnaire. Considering the fact that some of the respondents were illiterate, research assistants were employed to assist in interpreting the questionnaire for efficient data collection. The assistants were trained on how to administer the questionnaires and on how to conduct focused group discussion. The study also relied on secondary data to solicit for vital information on SMEs and also large enterprises within the country. Data pertaining to SMEs in Nigeria are obtained from NBS as well as FactBooks (various issues) from the Nigerian Stock Exchange. Information drawn are also used both in descriptive and inferential analysis.

Techniques of data analysis

Descriptive and inferential methods of data analyses were used in this research. The descriptive part relied on frequencies obtained using SPSS version 16 to present the profile of the sampled SMEs by factors such as ranks, level of education (qualifications), type of assistance received, operators working experience, legal status, source of capital etc. The method of data analysis used was T-test to test the hypotheses formulated above. The T-test was used to test for significant differences amongst various categories of firms in terms of their employment generation, utilization of local resources and transformation of indigenous technology.

Hypotheses

It is our expectation that Small and Medium Scale Enterprises (SMEs) contributes to poverty reduction more than Large Enterprises. This is based on the following hypotheses:

- The SMEs generate more employment than large enterprises;
- The SMEs promote local resource utilization and assist in transforming indigenous technology more than large enterprises.

It is our strong expectation that the outcome of this study will show that SMEs reduce poverty more than large enterprises in the North Western part of the country where poverty is reported to be endemic (See Nigeria Poverty Profile, NBS, 2011).

Data Presentation and Analysis (Primary Data)

In this section we have presented data based on the questionnaires we retrieved from our respondents in the two states namely Sokoto and Zamfara. It is important to mention that out of 250 questionnaires administered in Sokoto we received a total of 236 duly completed questionnaires. From Zamfara State where we administered 150 questionnaires we were able to get back 121 questionnaires. Put together a total of 357 questionnaires were retrieved out of the total number of 400 questionnaires administered, which shows a retrieval rate of almost 90 per cent. The study employed Statistical Package for the Social Sciences (SPSS) version 16 for the data analysis.

This section is divided into three descriptive analyses of the profiles of the SMEs studied. The second sub-section deals with the inferential result which is based on the T-test to compare the mean differences of the categories of enterprises on variables/factors such as employment generation, promotion of local resources utilization and transformation of indigenous technology. Results obtained from Focal Group Discussion and researchers observation were also used to fill up the missing gaps in the analyses.

Descriptive analysis on the profile of the SMEs

Table 1 indicates the ranks as well as level of education of the respondents. Looking at the ranks of the respondents it is clear that 24 representing 6.7 % out of 357 respondents are Board Chairman, 62 representing 17.4% are Chief Executive Officers, 222 representing 62.2% are Managers while 46 representing 12.9% are employees working in the enterprises. On the other hand the lower part of the table shows the level of education of the respondents, where 143 respondents representing (40.1%) out of the total respondents i.e. 357 are secondary school certificate holders, 106 respondents representing 29.7% obtained OND/NCE, 80 respondents (22.4%) either holder HND or Degree and only 8 respondents representing 2.2% have Master Degree and above.

Table 1. Rank and level of education of the respondents.

Rank	Frequency	Percentage	Valid percent	Cumulative percentage
Board Chairman	24	6.7	6.8	6.8
Chief Executive Officer	62	17.4	17.5	24.3
Manager	222	62.2	62.7	87.0
Employee	46	12.9	13.0	100
Total	354	99.2	100	
Missing system	3	.8		
Total	357	100		
Level of Education	Frequency	Percentage	Valid percent	Cumulative percentage
Secondary School Certificate	143	40.1	42.4	42.4
OND/NCE	106	29.7	31.5	73.9
HND/Degree	80	22.4	23.7	97.6
Masters Degree and above	8	2.2	2.4	100
Total	337	94.4	100	

Source: Field work July and August 2012 and Authors Computation using SPSS Version 16

Table 2 indicates legal status and type of assets of enterprise studied. From the total of 357 enterprise 205 representing 57.4% are sole proprietorship; 23 i.e. 6.4 % are limited liability, 20 (5.6%) are co-operative while 90 representing 25.2 % are either partnership or family businesses. On the type of assistance received indicated at lower part of the table 26 out of 357 enterprises i.e. 7.3% maintained

that they received training and development support; 13 or 3.6 % revealed that they obtained technical support, 6 or 1.7 % opined that they received managerial support, 33 representing 9.2 % confirmed that they obtained financial support while 103 representing (28.9%) believed they received support in other different ways.

Table 2. Legal status of the enterprises and type of assistance received from government.

Legal Status	Frequency	Percentage	Valid percent	Cumulative percentage
Sole Proprietorship	205	57.4	60.7	60.7
Limited Liability	23	6.4	6.8	67.5
Co-operative	20	5.6	5.9	73.4
Partnership/Family	90	25.2	20.6	100
Total	338	94.7	100	
Missing system	19	5.3		
Total	357	100		
Type of Assistance	Frequency	Percentage	Valid percent	Cumulative percentage
Training and Development	26	7.3	25.2	25.2
Technical support	13	3.6	12.6	37.9
Managerial support	6	1.7	5.8	43.7
Financial support	33	9.2	32.0	75.7
Others (please specify)	25	7.0	24.3	100
Total	103	28.8	100	
Missing system	254	71.1		
Total	357	100		

Source: Field Work July and August 2012 and Authors Computation using SPSS Version 16.

On table .3, 33 out of 357 respondents representing 9.2% engage in food beverages and tobacco businesses, 37 (10.4%) deal with textiles and wearing apparel, 5 (1.4%) are in footwear and leather products, 21 (5.9%) are preoccupied by Foam making, chemical and pharmaceuticals, 11 (3.1%) are in plastic and poly theme products, 3

(0.8%) are indulged in oil milling, while 236 (66.1%) are in other forms of businesses of miscellaneous form though having bearing and related in one way or the other to the types of businesses explicitly mentioned in the questionnaire.

Table .3.Types business of enterprise.

Type of Business	Frequency	Percentage	Valid percent	Cumulative percentage
Food Beverages and Tobacco	33	9.2	9.5	9.5
Textiles and Wearing Apparel	37	10.4	10.7	20.2
Footwear and Leather Products	5	1.4	1.4	21.7
Foam making, Chemicals and Pharmaceuticals	21	5.9	6.1	7.7
Plastic and Poly Products	11	3.1	3.2	30.9
Oil milling	3	0.8	0.9	31.8
Others (please specify)	236	66.1	68.2	
Total	346	96.9		
Missing system	11	3.1		
Total	357	100	100	100

Source: Field work, July and August 2012 and Authors Computation using SPSS Version 16.

Table 4 indicates number of employees of the enterprises both at inception and at present. At inception 303 businesses (53.4%) have the range of 5–15 employees, 5 businesses (i.e. 1.4%) have 16–25 employees while only 2 enterprises (0.6%) have 26 to 40 employees. At present 298 businesses (53.4%) out of the total of 357 businesses have 1–

20 employees, 9 businesses (2.5%) have 21 – 30 employees, 5 businesses (1.4%) have 31–50 employees, while 3 businesses (0.8%) have between 51 to 103 employees. None of the enterprises revealed having more than 103 employees.

Table 4. Number of employment of enterprises at inception and at present.

Employment at Inception	Frequency	Percentage	Valid percent	Cumulative percentage
5 – 15	303	53.4	61.2	97.8
16 – 25	5	1.4	1.4	1.5
26 – 40	2	0.6	0.6	0.6

Inferential Result

Vital and relevant question from the questionnaire were used to achieve the objectives set to be pursued in this study. For the sake of clarity of presentation let us restate the two fundamental objectives addressed in the study as follows:

- To investigate factor inhibiting the growth of small business.
- To uncover some policy summersaults and inconsistencies inimical to the operations of small businesses.

From table 5 we can observe the factors that constitute constraints to the smooth operation of SMEs. For instance 39 respondents from total number of 357 (10.92%) viewed that inadequate

raw materials served as a cog in the wheel as far as the operation of their businesses is concerned. Similarly 29 (8.1%) and 5.7 (16%) respondents out of 357 maintained that lack of spare parts and high production cost respectively inhibit the growth of their enterprises. On the other hand 28 (7.8%) and 99 (27.7%) viewed that ineffective demand and lack of government support respectively limit the performance for their enterprises. Exactly 64 (17.9%) out of 357 respondents attributed the problem of their enterprises to irregular power supply while 18 (5%) of the respondents considered other factors responsible for the poor growth of their enterprises apart from the preceding factors.

Table .5.Factors inhibiting growth/performance of SMEs.

Factors	Frequency	Percentage	Valid percent	Cumulative percentage
Inadequate raw materials	39	10.0	11.7	11.7
Lack of spare parts	29	8.1	8.7	20.4
High production cost	57	10.0	17.1	37.4
Ineffective demand	28	7.8	8.4	46.8
Lack of government support/incentives	99	27.7	29.6	75.4
Irregular power supply	64	17.9	19.2	94.6
Others (please specify)	18	5.0	5.4	
Total	334	93.6		
Missing system	23	6.4		
Total	357	100	100	100

Table 6 presents the factors that are unfavorable to the smooth operations of the enterprises. Out of 357

respondents, 126 (35.3%) believed that high interest rate on loan is inimical to their smooth operations, 73

(20.4%) maintained that collateral security requirement inhibit their smooth operation, 56 (15.7%) opined that minimum capital requirement affected their smooth operation, 48 (13.4%) viewed

that high corporate taxes served as constraint to their smooth operation while 8 (2.2%) considered other reasons as constraints to their smooth operation.

Table 6. Policies unfavorable to the smooth operation of enterprises.

Policies	Frequency	Percentage	Valid percent	Cumulative percentage
High interest rate on loan	126	35.3	40.5	40.5
Collateral security requirement	73	20.4	23.5	64.0
Minimum capital requirement	56	15.7	18.0	82.0
High corporate tax	48	13.4	15.4	97.4
Others (please specify)	8	2.2	2.6	
Total	311	87.1		
Missing system	46	12.9		
Total	357	100	100	100

T-test analysis for micro, small and medium enterprises

The fact that most of the enterprises in the country fall within the category of micro enterprises numbering 17,261,753 (or 99% of the enterprises),

it is not out of place to make an intra sectorial comparison of those three categories of firms based on their level of capitalization with regards to employment generation and utilization of indigenous technology.

Table 7. Number of micro, small and medium enterprises in North West Nigeria.

State	Micro	Small	Medium
Kano	872,552	1740	69
Katsina	525,742	464	70
Kebbi	386,714	221	11
Sokoto	379,507	562	19
Zamfara	385,654	341	0
Jigawa	438,502	217	14
Kaduna	548,467	1137	145
Total	3537138	4682	328

Source: Adapted from NBS (2012).

In order to test the hypotheses that small business generate more and use of employment than large businesses, we employed t-test to compare the means of the three groups of enterprises namely micro, small and medium enterprises. Similarly we adopted same to test for the hypothesis that small business promote local resource utilization and transform indigenous technology more than do large businesses. From the t-test when we compared two groups 1 and two i.e. micro and medium enterprises respectively, the group statistics indicated that at inception micro businesses employed 70 personnel. On the other hand for number of employment at present, the group statistics of t-test reveals that micro businesses employ 72 personnel while small enterprises employ 37 personnel. For the employment at inception the mean for micro businesses is 4.60 while that for small enterprises is 3.73. The mean difference is between the two groups is 0.87 based on Lavene's Test for equality of variance. The F-ratio is 2.957 which is significant at 0.5%.

When we compared two groups micro and medium group statistics for t-test revealed that the group statistics for t-test revealed that micro enterprises employ 70 personnel at inception while

medium enterprises employ 163. The mean for micro businesses is 4.6 while that of medium enterprises is 4.7, while the mean difference is (i.e. -0.09). The Lavene's test for equality of variance indicated F-ratio of 4.7 which is significant at 0.5%.

On the current employment status micro businesses employ 72 personnel, while small businesses employ 162 personnel based on group statistics using t-test. The mean value for micro business is 8.72. The F-ratio using Lavene's test is 0.534 which is significant at 0.5%. The mean difference is -2.042 which is insignificant indicating that the hypothesis that micro enterprises employ more personnel is rejected while the alternative is confirmed/accepted that medium enterprises employ more.

When we compare the two group's micro and medium using t-test the same picture is depicted because small enterprises employ 37 personnel at inception while medium businesses employ 163. The mean value for small enterprises (group 2) is 3.73 while the mean value for large business (group 3) 13 (4.7). Similarly, for current level of employment, (small enterprises employ 37 personnel while, medium enterprise employ 162

personnel. The mean values are 7.05 and 8.72 for small and medium enterprise respectively. The mean difference between the two groups of enterprise is -0.97 for employment at inception when equal variance is assumed.

On the other hand the mean difference is -1.668 for current employment between the two groups when equal variances are assumed. This result further conformed that both at inception and at current level, medium businesses employ more personnel than small businesses. In both cases of employment at inception and current level of employment the critical values are more than the tabulated values resulting into rejection of the hypothesis that small businesses employ more labour than large businesses within the sector.

On the utilization of local raw materials and transformation of indigenous technology we also divided the business into three groups – micro, small and medium for the purpose of conducting t-test. The result indicated that 80 micro businesses are engaged in utilization of local raw materials that transform indigenous technology compared to only 40 small enterprises that engage in utilization of raw materials and transformation of indigenous technology. The mean values for micro and small businesses are 4.79 and 5.08 respectively. This indicates that micro businesses do employ local raw materials and transform indigenous technology more than small businesses. On comparing micro business with medium businesses, 86 and 168 respectively utilize local raw materials and transform indigenous technology. The mean value of the former is 4.79 while that of the latter is 6.35. This based on the group statistics of t-test, the hypothesis that micro businesses utilize more local raw materials and transform indigenous technology than medium enterprises is rejected.

Discussion of Findings (Descriptive)

The descriptive part of the data analysis reveals that majority of the personnel of the enterprises are having low qualification based on their level of education. For instance about 106 (40.1%) are secondary school leavers which mean the skills of the employees leave more desired in terms of training. Only about 8 (2.2%) have masters degree and above.

Among the sampled enterprises, majority fall within the category of partnership/family business

(25.2%) and sole proprietorship (205 or 57.4%). On the support received from government only 26 enterprise (7.3%) confirmed receiving training from government, 13 (3.6%) admitted getting technical support, 6 (1.7%) received managerial support. This implies more is needed in terms of training and financial assistance from government. On the type of businesses pursued by the enterprise, it is revealed that 33 (9.2%) and 37 (10.4%) are engaged in food, beverages/tobacco and textile/wearing respectively, 5 (1.4 %) are in footwear and leather products, 21 (5.9%) are in form making and chemical and pharmaceuticals, 11 (3.1%) are in plastic and poly theme products and 3 (0.8%) are in oil milling. On the number of employment of the enterprises at inception and at present, the statistics reveals that most of the enterprises employ little number of personnel at the beginning but as time goes the employment enrolment expanded because they might have become more self-sustained and stronger.

From the inferential results, 99 businesses (27.7%) considered lack of government support as hindrance to their progress, 28 (7.8%) believed that ineffective demand limit their growth. Similarly, 57 (16%) considered high cost of production as hindrance to their smooth operations. This implies high cost of doing business requiring for subsidy from government. Similarly, on the policies inimical to the smooth operations of businesses 73 (20.4%) opined that requirement of collateral security inhibit their smooth operations; 56 (15.7%) saw minimum capital requirement as a hindrance to their smooth operation. Similarly 48 businesses (13.4%) considered high corporate tax as constraints to their smooth operations.

Results from t-test indicate that at inception small business seem to employ more labour because they do not discriminate but as they expand and become large they employ more compared to small businesses. This implies that with growth over time businesses become more self-sustained and mature to employ more personnel.

Similarly, the t-test also reveals that small businesses tend to employ more local raw materials and indigenous technology at the beginning but with passage of time and growth the big businesses tend to utilize more raw materials and transform indigenous technology than the small businesses.

Table 8. Number of small and medium enterprises in North Western Nigeria.

State	Small		Medium		Total
	10 – 49 number	Percentage	50 – 199 number	Percentage	
Kano	1740	96.21	69	3.79	1,808
Katsina	464	86.86	70	13.14	535
Kebbi	221	95.13	11	4.87	232
Sokoto	562	96.68	19	3.32	581
Zamfara	341	100	0	0.00	341
Jigawa	217	93.81	14	6.19	231
Kaduna	1137	88.72	145	11.28	1282

Source: Adapted from NBS (2012)

A cursory look at the table above reveals the distribution of Small and Medium Enterprises in the North West. From the total number of 5010 SMEs within the geo-political zone, the sampled states i.e. Sokoto and Zamfara states have a total number of 922 SMEs. When compared with larger Nigerian context, the total number of SMEs in the Northwest is about $\frac{1}{5}$ or (21.8%) of the total number of SMEs in the country which stands as 22,918.

Employment provision by SMEs according to Sectors as at 2010

Table 9 shows the distribution of employment by SMEs according to sectors and gender as at 2010.

Table 9. Employment (SMEs) by sector as at December 2010.

Sector	Male				Female				M + F		
	Small		Medium		Total	Small		Medium			
	No	%	No.	%		No	%	No.	%		
Agriculture, hunting, forestry, & fishing	696	92.8	54	7.2	750	457	99.02	5	0.98	461	1,211
Mining and Quarrying	134	80.4	33	19.6	167	121	95.71	5	4.29	127	293
Manufacturing	5,160	87.9	713	12.1	5,873	3,504	91.98	306	8.02	3,809	9,683
Building & Construction	194	81.1	45	18.9	239	151	94.37	9	5.63	160	398
Wholesale & Retail trade; Repair of Motor Vehicle & HH	3,916	96.9	125	3.1	4,041	2,635	98.08	52	1.92	2,686	6,727
Hotels & Restaurants	2,088	94.5	121	5.5	2,209	1,999	96.20	79	3.80	2,078	4,287
Transport, Storage & Communication	680	83.9	131	16.1	811	473	93.55	33	6.45	506	1,316
Financial, Intermediation	2,166	93.2	158	6.8	2,323	1,910	91.51	177	8.49	2,087	4,411
Real Estate, Renting & Business activities	908	94.6	52	5.4	960	777	98.69	10	1.31	788	1,748
Education	1,508	93.8	101	6.3	1,608	1,524	93.81	101	6.19	1,625	3,233
Health & Social work	2,542	95.8	113	4.2	2,654	2,341	90.78	238	9.22	2,579	5,233
Other Community, Social and Personal Service activities	495	98.0	10	2.0	505	434	100.00	0	0.00	434	938
TOTAL	20,485	92.5	1,654	7.5	22,139	16,326	94.15	1,013	5.85	17,339	39,478

Source: NBS (2012) and CBN/SMEDAN (2012)

Sectorial distribution of large corporations

Large enterprises like small and medium enterprises cut across different sectors in the country. Close examination of table 10 reveals sectorial distribution of large enterprises. For instance from 2004 to 2010 ₦103 billion are in agricultural sector, ₦978 trillion are in banking, ₦3,064 billion are engaged in food/beverages and tobacco, ₦77 billion are in hotel and Tourism, etc. Undoubtedly these are critical sectors that impact on the welfare of citizens not only in delivery of goods and services but also in provision of job opportunities.

From the appendix for instance we can see that Agriculture, hunting, forestry and fishing grouped together employed 696 males and 457 females in the category of small (micro) enterprises and 54 males and 5 females from the category of medium enterprises out of the total of 1,211 for that sector. In the manufacturing sector, micro enterprises employ 5,160 males, and 3,504 females, while medium enterprises employ 712 males and 306 females, from the total of 9,683 in the sector. In the Hotel and restaurants sector, micro enterprises employ 2,088 males and 1,999 females while medium enterprises employ 121 males and 79 females from the total of 2,078 in that sector.

Inferential statistics for large corporations

Employment provision by large enterprises: From NSE fact books, we can see the raw data on provision of employment by large enterprises from 1996 to 2010. The average total employment for all the large corporations or enterprises stands at 97188.14. Careful scrutiny of the number of employment in 1996 shows that the figure stands at 71471 which fluctuates but continues to maintain upward movement until it reached 97188 in 2010. (NSE Fact book; 1996-2011).

The inferential result based on the frequency run on large enterprises reveals that there are 256 large enterprises, across the nation. The mean of employment provision is 1.275 median is 2.817 and variance is 3.915. The minimum range of employment is 4.75 and maximum range is 9.718. The t-test result of one sample test for large enterprises indicate t value of 3.262 with n – 1 degree of freedom (256 – 1 = 255). The two-tailed test of significance reveals that at 95% confidence interval of lower and upper limits of 5.05 and 2.04

respectively, the hypothesis those large corporations promote employment is proven.

As for the total assets of large corporations (enterprises) the frequencies run reveals that 272 large enterprises were captured sector wise in which 37 Sub-sectors were obtained with mean total asset of 3.71 billion, median of 7.77 billion and variance of 5.20 billion. The minimum and maximum range of total asset stood at 3.4 and 3.06 respectively. This information is contained in the following table;

Table 10. Total assets of large corporations in Nigeria.

Sector	2003	2005	2006	2008	2009	2010-2011	Total (N'Billions)
Agriculture B	2.5	10.371 B	17.43	39.581	27.617	16.463	103.591
Airline	0.538	2.304	2.034	26.011	15.538	12.401	58.826
Aviation					1.74	1.74	3.48
Automobile and Tyre	2.1	3.7	5.7	22.941	10.778	4.84	50.059
Banking	0.2179	963.728	1.98	5.654	3.934	2.63	978.1439
Breweries	140.9		549.21	573.279	568.28	862.131	2693.8
Building Materials	0.43		0.28594	0.334295	0.23944	2.12	3.409675
Chemical and Paints	2.1		6.06	16.56	16.68	21.83	63.23
Commercial/Services	0.3029		0.7555		50.43	16.3	67.7884
Computer and Office							
Equipment	0.4599		0.65348	14.189	8.874	5.217	29.39338
Conglomerates	76.5		171.36	285.183	216.887	302.15	1052.08
Construction	6.2	5.903	11.24	109.683	79.527	92.72	305.273
Emerging Markets	0.6672	0.547807	1.24	2.786	17.166	4.103	26.510007
Engineering							
Technology	0.6625	0.430649	0.25425	8.056	3.33	3.5	16.233399
Food/Beverages and							
Tobacco	98.2	243.128	393.15	814.665	606.306	909.04	3064.489
Foot wares	0.954	0.983	97.32	0.510004	0.314335	0.2442	100.325539
Foreign Listings	24.9			273.395	115.058	182.53	595.883
Healthcare	0.63	14	20.9	419	39.869	44.8	539.199
Hotel and Tourism		6.447	5.81	31.398	17.732	16.4	77.787
Industrial/Domestic							
Products	4.4	5.992	6.15	33.392	21.194	17.1	88.228
ICT				69.3	50.007	52.42	171.727
Insurance	7.4	28.94	43.32	431.852	222.226	151.11	884.848
Leasing				8.66	1.884	3	13.544
Machinery (Marketing)	0.546	0.399	0.4552	1.291	1.291	1.3	5.2822
Managed Funds	0.3769	3.95	3.81				8.1369
Maritime		2.518	1.2	28.433	16.095	8.52	56.766
Media				42	26.138	6.3	74.438
Mortgage Companies			6.7	56.386		23.8	86.886
Memorandum							
Quotations				71.2	69.9	66.14	207.24
Other Financial							
Institutions				56.125	20.608	12.3	89.033
Packaging	3.2	4.758	3.91	52.072	35.877	27.95	127.767
Petroleum (Marketing)	71.9	240.166	278.2	690.6	329.843	324.61	1935.319
Printing and Publishing	0.7965	0.93756	1.73	8.869	9.433	14.44	36.20606
Real Estate	4.3	8.723	12.37	29.15	24.5		79.043
Real Estate Investment							
Trust				2.337	2.109	14.44	18.886
Road Transportation				3.888	2.743	0.93434	7.56534
Textiles	3.8	2.9	2.16	4.694	2.749	0.6325	16.9355
Total Assets	454.9818	1540.45502	1645.388	4233.4743	2636.897	3226.15604	13737.3523

Source: Fact Book NSE (2003 - 2011)

The t-test result of one sample test for large corporations indicate t value of 3.105 with degree of freedom of 36 (37 – 1). The two-tailed test of significance shows that 95% confidence interval of lower and upper limit of 126.7 and 613.6 respectively points to the confirmation that large corporations have assets and capacity to use indigenous technology more than small enterprises and thus have more capacity and wherewithal to provide more employment and better job opportunities that are enduring and durable.

Comparison between SMEs and large enterprises

Our analysis and findings reveal that micro enterprises employ more labour than small and medium enterprises. These findings are based on the intra-comparison carried out using t-test to reflect the situation as per the categories of enterprises namely micro, small and medium. But when the scenario is compared to large enterprises it gives a different picture because the inferential results from both frequency run and t-test indicate significant contribution of large enterprises in the area of employment provision going by country-wide data.

Conclusions and Policy Implication

From the descriptive as well as inferential results obtained in this study we can conclude as follows:

- i. Employment generation capacities of any organization are vital in reducing the incidence of poverty among economic agents. One of our major findings in the study is that poverty reduction capacity of SMEs lies to a certain extent on their ability to engage workers sustainably. This confirmed study conducted by NBS (2012). The implication of this is that, it is the private sector development (including the growth of SMEs) which creates and sustains the jobs necessary for poor people to work and earn the income needed to purchase goods and services.
- ii. At initial stage micro enterprises employ more labour than medium enterprises but when compared to large enterprise, the latter provides better jobs and more employment due to their capital and asset base giving them more capacity. There is therefore the need to strengthen capital and asset bases of SMEs in order to provide more employment especially in rural areas.
- iii. In terms of utilization of indigenous technology the picture is the same. Whereas micro enterprises tend to use more indigenous inputs and technology, than do medium enterprises, large enterprises outweigh the SMEs due to their asset holding and corporate strengths. Large enterprises should also be

encouraged to use indigenous input to boost local demand.

- iv. Most of the SMEs are in the category of sole proprietorship, and majority of the entrepreneurs do not have patent right to protect their intellectual property. Standard Organization of Nigeria should play its role and appropriate policy measures be put in place to safeguard intellectual property.
- v. Inadequate funding, lack of insurance, as well as policy inconsistencies are among the major constraints to the SMEs within the study area. This limits their capacity to perform as large enterprises.

Recommendations

The government ought to make a practical approach to poverty alleviation by emphasising on the strength of the poor and their productive capacity and not their weaknesses. For example the country has an active vibrant young population, fertile land, good social structures and good markets that could demand the goods of these SMEs. All that is needed is invest in these assets of the poor.

There should be urgent and pragmatic effort to address lack of funding and weak infrastructure among the constraints facing SMEs. In this regard government should be apt and consistent in its policies pertaining to SMEs to avoid policy summersaults. Periodic evaluation of policies and engagement of experts in designing policies will assist.

There is the need to have policy support that explicitly target high growth or knowledge intensive SMEs. This support could be in the form of policies that stimulate the evolution of new productive enterprises or those that encourage the growth of existing ones. An example of support that could be given to them are in the ease of documentation, provision of seed funding, provision of capacity building and advisory services, and the availability of public infrastructure such as roads, water and electricity. The current transformation Agenda embarked upon by the present regime is a cogent step towards provision of enabling environment for SMEs to thrive if diligently pursued with strong commitment.

Similarly there is the need for the availability of finance to the SMEs through the microfinance banks. This would ensure an increase in their productive capacities and market competitiveness. This is consistent with the recommendations given by Ayanda and Laraba (2011) in their study of SMEs in Nigeria that reports provision of finance as capable of encouraging the growth of SMEs in Nigeria. In addition there should also be transparent disbursement of funds by these banks and other

SMEs funding and support agencies, and strict means of compliance to established guidelines and procedures.

Sokoto and Zamfara states are deeply rooted in Islamic values partly attributable to legacy and heritage of the Sokoto Caliphate. Many dislike loans/credits tied with interest payment rather they will look for other alternatives that are interest-free, if the government can promote interest-free banking even at micro-level or community level it will go a long way in stimulating those in cottage businesses to expand their sources of funding as well as their business capacities. With approval of incentives for Islamic banks to operate and subsequent emergence of Jaiz bank, government has good ground to promote Islamic finance.

Government should also encourage the consumption of made in Nigeria goods and services by patronising them itself instead of just making adverts in the media as is the practice now. In addition, there should also be an established and/or sustained relationship with the private sector on this and other issues as pertaining consumption of SMEs products.

Establishing honest practices encourage female SME participation and entrench discipline in the conduct of SMEs affairs. Efforts should be made toward evolving policies that would incorporate the vulnerable, the physically challenged and unprivileged amongst the entrepreneurs in the society.

Institutional improvement in functional education is required to increase human capital formation that would be able to capture and indigenise technology for the vibrancy of the SMEs. A study on Brazil by Tulio and Adrian (2012) revealed that, institutional failures have made the size of SMEs to be negatively associated with growth. As such improving good public administration practices in education, health, and so on could go a long way in improving SMEs productivity.

Most people in the study area are into agriculture, the government therefore, needs to establish cottage industries that would add value to their agricultural produce and sustained efforts be made to adequately address issues relating to market failure.

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Appendix One

Possible linkages between SMEs and Poverty Alleviation among the operators

