



---

## Analyses of Small and Medium Scale Enterprises as a tool for Economic Development in Enugu Metropolis: A study of eight SMEs in Enugu State of Nigeria

Ogbu, Cyril Gabriel<sup>1</sup>  
Ugwu Virginus Ikechukwu<sup>2</sup>

---

### Authors' Affiliation:

<sup>1</sup>Department of Business  
Administration  
Caritas University, Amorji Nike,  
Enugu  
[ogbu12004@yahoo.com](mailto:ogbu12004@yahoo.com)

<sup>2</sup>Chukwuemeka Odumegwu Ojukwu  
University,  
Igbariam, Anambra State  
[ugwuivirginusik@gmail.com](mailto:ugwuivirginusik@gmail.com)

### Keywords:

**SMEs,  
Employment and wealth  
creation,  
Economic development;  
Living standards  
Unemployment.**

---

### ABSTRACT

*This study seeks to analyse Small and Medium Scale Enterprises as a tool for Economic Development in Enugu State Metropolis in Nigeria. The objective of the study is to analyse SMEs' contributions to economic development in the study area in respect of three economic development indicators, namely, employment creation, creation of wealth and enhanced standard of living. The sample population strength is 136 respondents drawn randomly from eight SMEs outfits using accidental sampling method. The data collection instrument used was structured questionnaire. The data analysis technique employed was frequency distribution tables and percentages. Chi-Square Statistic was used to test the hypotheses. The findings reveal that; SMEs has significant positive contributions in providing employment opportunities and thus reduce unemployment rate; increasing the standard of living of people (quality of life) and promoting creation of wealth. The study concludes that the three variables of interest were confirmed evidence of SMEs' contributions in the study area. The study recommends that every effort should be made by government and private venture capitalists to ensure that: 1) SMEs have access to funds at a very low rate of interest to enable them function more efficiently and remain in business; 2) government should not only encourage regular training and retraining of SMEs operators but also subsidize the cost of such training to forestall the rate of mortality of these businesses caused by inadequate managerial capacity and poor quality services; 3) government should restrict or ban importation of foreign goods that have local equivalents to save the SMEs from undue and unnecessary competition.*

## Introduction

From the various literatures consulted, indications are that the term “Small and Medium Scale Business Enterprise” has defied a concise, central and one generally acceptable definition. Obeleagu-Nzelibe (1990), reiterates that there has been no consensus among researchers and practitioners on what constitutes a small-scale business. However, the characteristics are similar in the various definitions. Highnet Resources Ltd (2017) corroborates that finding a global definition for SMEs has often proved very problematic due to the varying sizes and dept of individual country’s economies. As the IFC (2010) noted, defining SMEs depends on the local banking context and economy size. So while international organizations like the World Bank including the IFC tend to set high sales, assets and staff employment thresholds for SMEs in developed countries definitions vary by country according to the size of the economies and structure of the corporate sector in different countries.

Bearing in mind, therefore, the lack of consensus in the definition of the concept, let us sample the various definitions of SMEs based on the thresholds set by different authorities and local and international institutions such as banks and government agencies in developing economies like Nigeria.

According to Highnet (2022), the Central Bank of Nigeria (CBN) has through its various monetary circulars and intervention fund programmes generally defines Small and Medium

Enterprises (SMEs) as entities with asset base of ₦5,000,000 (Five million Naira), but not exceeding ₦500,000,000 (Five Hundred Million Naira) excluding cost of land and buildings with employees between 11 and 200. She went further to opine that the Central Bank of Nigeria has not formally stipulated the above definition of SMEs for reporting purposes, and so, commercial banks mostly use account debit turnover to determine categories but even such turnover parameter varies widely from bank to bank.

Berg, et al (2012) as cited by Highnet Resources Ltd describes such SME definition variations in Nigerian [commercial] banks which mostly use the account turnover criteria as in the following: “For small enterprises, the median maximum turnover is ₦60,000,000 (Sixty Million Naira); the first quartile is ₦38,000,000 (Thirty-Eight Million Naira) and the third quartile is ₦322,000,000 (Three Hundred and Twenty-Two Million Naira), over five times the median”. For medium enterprises the median turnover is ₦480,000,000 (Four Hundred and Eighty Million Naira); the first quartile is ₦200,000,000 (Two Hundred Million), while the third quartile is ₦2,500 million. She concludes that the third quartile thresholds for both small and medium enterprises lean more towards the World Bank’s SME definition.

The Small and Medium Enterprises Agency of Nigeria (SMEDAN) categorized the sizes of enterprises and allocated different account turnover volumes and uses similar criteria as the Central Bank of Nigeria as in the following table:

S/N	Size Category	Number of Employees	Assets ₦m (excluding land and buildings)
1.	Micro Enterprises	Less than 10 persons	Less than 5,000,000
2.	Small Enterprises	10 to 49 persons	5,000,000 to less than 50,000,000
3.	Medium Enterprises	50 to 199 persons	50,000,000 to less than 500,000,000

The Federal Ministry of Industry Act (FMI) (1972) describes small-scale business as consisting of any business with a total capital investment of

₦2,000,000 (Two Million Naira) with a number of employees not more than fifty (50).

The Nigerian Industrial Development Bank (NIDB) is of the opinion that a project [or business outfit]

whose investment and working capital does not exceed N750,000.00 is a small-scale enterprise.

In her own definition, the Nigerian Bank for Commerce and Industry regards the concept as a firm or company with assets (including working capital but excluding land) not exceeding N750000.00 and paid employment up to 50 persons. On international level, the United Nations Industrial Development Organisation chooses to define SMEs by identifying certain characteristics by which they should be known. These features include:

- Ownership and Management are usually vested in the same individual(s) – that is the management is not independent and the managers are usually also the owners.
- The small and medium scale business control a small share of the market and therefore, constitutes a little quota in the large size market.
- Capital is made available by the owners and policy decisions are in the hands of the individual or small groups of entrepreneurs.
- The area of operation is localized and workers and woners concentrate in the local community. Of course, some do have branches in other

towns but most of such branches serve as mere depots (UNIDO, 2022).

In the United States of America, SMEs are officially defined as any manufacturing plant employing fewer than 500 workers and investing not more than \$800,000 or \$1,000,000, and which does not dominate the market (Nzelibe, 1990). In Japan, the term is defined according to the kind of industry. For instance, small medium enterprises are those companies or firms with N100,000,000 (One Hundred Million Naira) paid up capital and 300 employees, while those in whosale track should have N30,000,000 (Thirty Million Naira) paid up capital and 100 employees (Nzelibe, 1990). Britain defined SMEs as an industry with an annual turnover of £2,000,000 (British Pound Sterling) or less, and with fewer than 200 paid employees. India believes that SMEs are businesses with investment, turnover, and workforce below a certain threshold. In India SMEs comprise both manufacturing and service enterprises. Small and medium enterprises are categorized based on the composite criteria of annual turnover and investment in plant and machinery or equipment as shown in the table below:

Classification of companies	Investment threshold	Turnover threshold
Small Enterprise	Between Rs.1 crorer and Rs.10 crore	Between Rs.5 crore and Rs.50 crore.
Medium Enterprise	Not more than Rs.50 crore	Not more than Rs.250 crore

Source: <https://www.bajajfinserv.in> – what-is-sme (accessed Dec. 4, 2022).

In Netherland (Holand), SMEs industries are seen as those in which the manager personally performs all the functions of management without taking actual part in the production processes. They are also those companies that employs between two to 249 persons, as well as companies with one employee that are not classified as a freelancer/self-employed person (Statista, 2022). Malaysia defines SMEs as establishments or enterprises with a shareholder's fund or owner's fund not exceeding Ms250,000 and not requiring a manpower of more than 50 employees.

A critical examination of the various definitions of SMEs reveals that each was either defined in terms of number of employees, sales volume, assets employed, or a combination of these. Obelegau-Nzelibe (1990), citing a research result

carried out by the Centre for Management Development (CMD), said that small business cannot be adequately defined in terms of number of employees, sales volume, assess employed or a combination of the above because of the inherent fallacy that would be embedded in such a definition.

Having regard to this, therefore, it becomes an uphill task to find one definition of SMEs that would gain universal acceptability. If SMEs are defined in relation to the number of employees, then we have not reckoned with the effect of technology and office automation which reduce to a great extent the use of human labour in industries. If they are defined with regards to the financial strength or capital employed, there is still a problem because world currencies are not equally valued, some are more valued and stable than the others.

There is also the issue of high inflation rate, especially in the developing countries that rubbishes the value of capital employed. In Nigeria, for instance, the Naira is yet to find its feet in the league of world currencies. As far back as 1987, Abiola Oloke asserted that when the US Dollar sneezes, Naira catches cold. Then US\$1 exchanged for ₦18.55. The Naira has consistently degenerated so much so that prior to the news of Naira redesign in 2022, US\$1 exchanged in the parallel market (black market) for as much as about ₦750.00 or more and in the official market for about ₦444.2. However, getting the currency at the official market price is as difficult as a camel passing through the eye of a needle. If the term is defined according to the rate of turnover or sales volume, then we deny the fact that there are many variables which could influence rate of turnover or sales volume, such as strategic location of the business, aggressive advertisement or marketing promotions, and etcetera.

However, in order to provide a basis for this study, the researcher favours the definitions of the term as provided by the Nigerian Industrial Development Bank (NIDB) which defines SMEs as one whose cost (investment and working capital) does not exceed ₦750,000.00. The reason the researcher favours this definition is because, while it provided a ceiling over which a business ceases to be SMEs, there is no bottom limit. The implication inherent in this, is that a business outfit employing as little as ₦5,000.00 and requiring only the

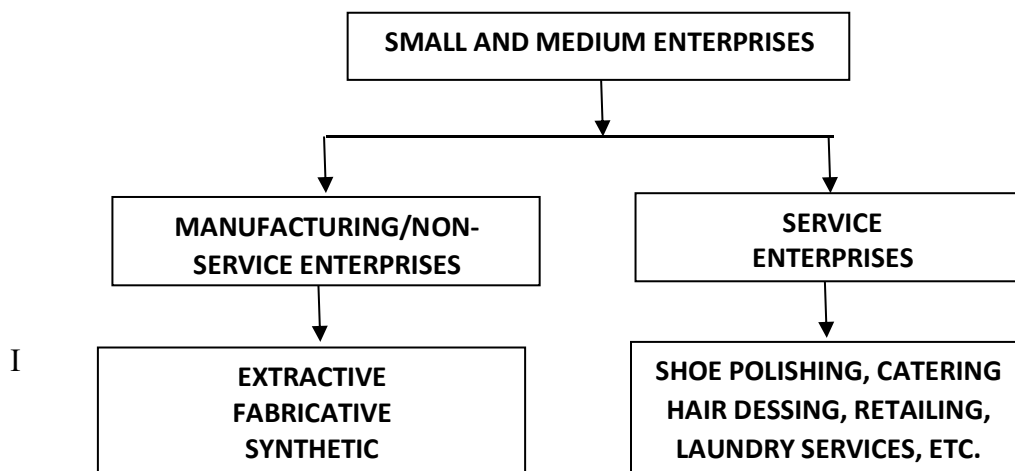
proprietor to manage qualifies as Small and Medium Scale Enterprise.

### Types of Small Scale Businesses

According to Oshagbemi (1983), there are thousands of enterprises in Nigeria which fall into the category of SMEs. They include weaving, carpentry, pottery and ceramics, farming, fishing, piggery and animal husbandry, poultry, wood and metal works, retail trade, tailoring and dress-making, mechanic and repair workshops, bricks and block-making, transportation, and etcetera.

Ogbugo (1994), explains that these businesses could be classified in many ways, namely, by nature, by type of raw materials used or by form. When classified according to nature we have Manufacturing/Non-Service and Service industries or organizations. She further explains that manufacturing businesses are further classified according to processes, namely, Extractive, Analytical, Synthetic and Fabricative Enterprises. Extractive industries are those involved in the extraction of oil from palm kernel or groundnuts or cashew nuts for instance, whereas synthetic industries are concerned with the putting of two or more things together to produce another, like the production of asbestos through a synthesis of fibres and cement or the making of soap or body creams, etc. Fabricative industries relate to such enterprises like shoemaking, furniture and woodworks, fashion designing/tailoring among others.

The above classifications could be diagrammatically represented as shown below:



In a list of industries with scope for SMEs operations published by the Federal Ministry of Commerce and Industry, the industries were classified according to their nature, namely, Agro-based, Forest-based, Marine-based; and Mineral-based. Those which could not be grouped under the above heads were listed under the heading other industries. All the industries listed are manufacturing outfits. The diagram below explains this better.

### MANUFACTURING ENTERPRISES

AGRO-BASED	FOREST-BASED	MINERAL-BASED	MARINE-BASED
Fruit Juice Rice Milling Cattle & Poultry Feed Coconut Processing Cashew Shell Oil	Wooden Furniture Sawmilling Wooden Stationery Arts Bambo Board Photo Frames Tooth Picks	Concrete blocks Plastic Containers Polyethylene Bags Ceramic Tableware Low Tension Insulators	Fish Meal & Fish Manure Fish Canning & Freezing Salts Potassium Chloride Fish Sausage

Furthermore, SMEs could be classified according to forms, namely, Sole Proprietor-ship; Partnership, Cooperative Society, Private Limited Liability Companies; Public Limited Liability Companies and Corporation (Obeleagu-Nzelibe, 1990). These also could be represented schematically thus:

### FORMS OF SMALL & MEDIUM SCALE ORGANISATIONS

Sole Proprietorship	Partnership	Cooperative Society	Private Limited Liability Company	Public Limited Liability Company	Corporation
---------------------	-------------	---------------------	-----------------------------------	----------------------------------	-------------

**Sole Proprietorship.** Unamka and Ewurum (1995:51), assert that basically, the Sole Proprietorship is characterized by the existence of a single owner, or proprietor, who both owns and operates the business. He may be assisted by others. But sole ownership of the business; sole right of the profits of the firm, individual authority, with the right to open and close when he or she thinks desirable are some of the characteristics of this organization.

**Partnership.** Samuelson (1980:97) asserts that any two or more people can get together and form a partnership. He said that each agrees to provide some fraction of the work and capital, to share some percentages of the profits, and of course to share the losses or debts. He further explains that a purely oral agreement will do; but it was more business-like and makes for less misunderstanding if a lawyer was consulted to draw up the Partnership Agreement. Unamka, et al (1995), reiterate that partnership is a business organization with two or more owners, but not more than twenty

persons, and that at least, one of them must be known as a general partner.

**Cooperative Society.** According to Ogbu (2022), Cooperative Society is a business organisation formed by group of persons with common interest and social affinity, mainly to serve the economic, cultural and social interests of its members. The International Cooperative Alliance (ICA) defines cooperative society as an association of persons who have voluntarily joined together to achieve a common objective through the formation of a democratically controlled organisation making equitable contributions to the capital required and accepting fair share of the risks and benefits of the undertaking in which members actively participate. He further defined the concept as a form of business organisation voluntarily established by persons who have common economic, social and cultural interests in order to promote these interests. Thus any number of persons that possess similar interests may decide to start a cooperative society to promote such interests, enjoy the gains and also bear the risks therein. The society is formed on the basis of



equality as initial capital contributions or subscription is equal for every member.

Cooperative Societies deviate a little bit from other forms of businesses. For instance:

1. the owners are also mainly the customers;
2. the cooperative is not specifically established as a profit-making venture, though surpluses might result in the cause of operation and when this is the case they are shared equitably among the members, according to the strength of their purchases;
3. the operations of cooperatives are based on democratic principles of equality and friendliness;
4. the capital base of a cooperative society is created through the contributions of agreed sum of money by each of the members or by means of sale of shares to members. If the capital is raised through the sale of shares, then any surplus/loss is shared according to a ratio correspondent to the strength of individual members' shareholding, otherwise, it would be shared equally.

**Private, Public Limited Liability Companies and Corporations.** Each of these forms of organizations are essentially the same with some little difference. What actually bind them together is how the law sees them. Each of them is a legal personality. According to Unamka, et al (1995), each of these is defined in legal parlance as an artificial being, invisible, intangible and existing only in the eyes of the law. They further explained that it is a legal person possessing most of the same rights, privileges and obligations of real persons. This means that they can sue persons or other businesses and can also be sued. The difference between private and public limited liability companies is that while shares are not transferable in the former, it is in the later.

### **The Role of SME Businesses in the Development of Economy**

Ezeanyagu (1995), is of the view that the important role that could be played by SME industrial establishments in a developing economy could not be over emphasized. He asserts that the rapid development of the economics of countries like Japan, China and India was traceable to an immense role played by SME firms in these countries. Among the roles played by these firms, according to Ezeanyagu include:

**Capital Formation.** He opined that it was one of the excellent means of capital formation. He explained that the proprietor's own funds, reinvested earnings, or borrowings from

relatives and friend were by and large, the main sources of financing SMEs ventures, which he said were additional capital which would otherwise remain uncommitted to productive investment.

**Complementarities with Large Firms.** Another important roles of small scale businesses in the development of an economy is that they complement the efforts of large industries. Ezeanya quoted the work of Robert W. Oliver that the number of small manufacturers supplying various products to the following American Companies: Ford Motor Company, United Steel Corporation, and United States Rubber Company was 20,000, 50,000, and 14,000 respectively.

**Manpower Development.** He further explained that one of the most important contributions which the small industry could make to the national economy was in the area of manpower development. According to him, economic growth requires, on a continuing basis, an appreciable number of men with personal qualities of initiative and leadership, combined with skills in organization and management, which, he said, small factories could provide a channel through which suitably talented and motivated individuals could find their way to new and construction types of economic achievement.

### **Decentralization of Industrial Development and Checking Rural-Urban Migration.**

Ezeanyagu opines that the role of small scale firms is significant in matters of decentralization of industrial development and checking rural-urban migration. He said that economic development planners in developing countries like India, Greece, Malawi and Tanzania have evolved well defined development programmes aimed at ensuring an equitable regional development through selective establishment of small industries.

Eze (1991) quotes Professor Peter Drucker as saying that the most important economic event of the last few years, in fact, was the emergence of entrepreneurial trend, which in the past decade had created over 20 million new jobs in the United States. He further explained that these businesses belonged to the small scale [or medium scale] category.

Udeh (1990) opines that in the United States, individual investors and small companies were

responsible for more than half the major technological advances. He added that apart from significant contribution to technological breakthroughs, small business enterprises bring about increased employment opportunities and make for a healthy competition between the various categories of business enterprises.

In corroborating the above, Quinn (1953), reiterates that individuals and small business firms are the source of many discoveries which are later developed and manufactured by large business concerns. He further asserts that basic research and inventions were more likely to come from individual investors than from corporate research.

Rachman and Mescon (1995:100) equally agree that the roles of small-scale business enterprises are enormous. They assert that about 60 per cent of all new jobs in the United States are generated by small businesses. They explain that though the vast majority of the jobs small businesses create are low-paying service positions such as clerks, waiters, or waitresses, these nevertheless are jobs that help put bread on peoples' tables.

Furthermore, they agree that another important way small businesses contribute to

economic growth is by fostering innovation, in area of creation of new products and services.

They continued by saying that besides providing new products and services and new jobs, small businesses fill an important role in the operation of large corporations. They explained that in the United States, General Motors (large corporation) buys goods from more than 32,000 small companies more than 50 per cent of which have fewer than 100 employees. Conversely, General Motors sells its cars through some 10,000 independent dealers. They conclude that large and small companies are in many cases interdependent, with each needing the other to an equal degree. Also, small scale business enterprises provide specialized personal services.

### The decision to go into business

Oshagbemi (1983), states that a number of reasons have been given by people as the motivating factors for their business pursuits. In a research, he carried out in this respect; he recorded the following results against the questionnaire items used:

**Table 4.1 Percentage Distributions of the Motivations for Business Pursuits by a Selected Sample of Entrepreneurs**

S/N	REASONS FOR GOING INTO BUSINESS	NUMBER	PERCENTAGE
1.	Financial attraction (to make more money)	24	38.10
2.	Independence/Security in Self-employment	17	26.98
3.	Failure in educational pursuits	5	7.94
4.	Parents' or friends' influence	6	9.52
5.	Inability to secure good employment	3	4.76
6.	Other factors	8	12.70
	<b>Total</b>	<b>63</b>	<b>100</b>

*Source: Adapted from Oshagbemi (1983), Modern Management in Africa: Small Scale Management in Nigeria, p.17.*

In the above table, about 40 per cent of the respondents chose the attraction of larger income as the primary motivation, while about 30 per cent chose independence and security of self-employment as their reasons for going into business. About 8 per cent, 10 per cent and 13 per cent of the respondents chose for their reasons for joining business were failure in educational pursuits;

parents or friends influence; inability to secure good employment, and other factors, respectively.

Irving (1979) offers some reasons why people go into business to include the following:

1. Strong desire to be one's own master, independent, not taking orders from others and relying on one's habits;

2. The feeling that one would like to operate at one's own pace;
3. The chance to work at something one enjoys, instead of settling for second, or third best because of a desire for security in the form of a regular, steady income;
4. A yearning for recognition and prestige;
5. A powerful drive to accumulate wealth and the opportunity to earn far more than one ever could working for others;
6. The discovering of an opportunity that others have overlooked or ignored; and
7. The challenges of putting one's resources and skills against the environment.

He went further to warn that these desires are not roses without thorns. He opines that being in one's own business brings with it the corollaries of long hours of work, possible loss of capital investment, agony of missing regular income, crippling weight of responsibilities and decision-making; performance of abhorrent tasks and less time for fun.

Obeleagu Nzelibe (1990) reiterates that apart from sheer quest for status and independence, one's desire to own a business may also be derived from one's longing to escape the frustrations inherent in working for others.

### **Factors responsible for business failures**

Baumback (1983) succinctly recognizes that business is a hard competitive struggle. He alerts that there would always be elephants and lions and tigers in the economic jungle and that businesses that were poorly-operated would fail, while those that were well-managed would succeed. He states that the mortality rate among the newer smaller enterprises is high, particularly during the first year of operation. He carried out a research in which he established that the major cause of business failures was poor management, which is evidenced in owner's lack of experience in the business; lack of management experience or "know-how"; or unbalanced management training or experience – that is, knowledge or experience not well-rounded in sales, finance, and production.

He insists that the basic difficulty in business is bad management, though many business owners would not accept that they are bad managers, but would instead attribute their failures to other reasons such as poor location, excessive competition; difficulties relating to receivables and inventory, and, for whatever reason, inadequate sales.

Baumback further explained that poor management in the failed or failing firms is evidenced by conditions such as:

***Inventory Imbalance.*** Many business failures, he said, were the result of poor judgement in buying. He said that some small business operators are tempted to overstock a particular item because someone offered them a good deal. Others have made quantity purchases that they could not sell or use within a reasonable period. They may not have realized it because they did not actually see the cash going out, but it was costing them money just to hold such slow-moving items in stock.

***Over Extension of Credit.*** He said that business was dependent on constant rotation or turnover of capital, that is a business was to pay its own bills, regularly, it must in turn receive prompt payment for the goods it sells or the services it renders. He laments that some small businesses get into hot water because they extended unwarranted credit in their eagerness to make sales.

***Excessive Overhead Operating costs.*** Some small businesses tie up too much money in fixed assets (buildings and equipment), others lack adequate expense controls and operational expenses become too heavy.

***Cash Flow Difficulties.*** Some of the firms suffer from what he calls "hardening of the business arteries", whereby their financial circulatory system, so to speak, slowed down to a dribble or came to a complete halt as a result of one or more of the three previous conditions. In cases where a firm's need for cash is greater than its cash inflows, the firm is not able to pay its bills when they become due and therefore is technically insolvent, though the value of its assets may exceed its liabilities.

***Competitive Weakness.*** Among the contributory causes of business failure is competitive weakness, which manifests itself in a variety of ways. One is the inability of the business to overcome the cost of its more efficient competitors. Another is poor location, which all too often in small businesses is determined to a large degree by personal, or non-business, considerations; this sometimes results in the owner's locating the business originally in and subsequently refusing to move from an area



from which a substantial portion of the market has departed.

Competitive weakness is also the result of the failure of some small scale business operators to understand the changing world about them. Environmental conditions change so rapidly that, unless they keep abreast of developments, even a good start is lost. Business management calls for constant reorientation. Those who own and operate their own businesses or who manage someone else's business must recognize the changing economy, the new social structure, and the new forms of competition, and they must be prepared to respond accordingly. Otherwise, they will lose out in the competitive struggle.

Rachman and Mescon (1985) listed the following as constitution top reasons why small businesses fail:

*Plunging in without first testing the waters on a small scale.*

*Under pricing goods or services;*

*Underestimating how much it will take to build a market;*

*Starting with too little capital;*

*Starting with too much capital and being careless in its use.*

*Going into business with little or no experience and without first learning something about it.*

*Borrowing money without planning just how and when to pay it back.*

*Attempting to do too much business with too little capital.*

*Not allowing for setbacks and unexpected expenses.*

*Buying too much on capital.*

*Expanding credit too rapidly.*

*Failing to keep complete, accurate records, so that the proprietor drifts into trouble without realizing it.*

*Carrying habits of personal extravagance into the business.*

*Mistaking the freedom of being in business for oneself, for liberty to work or not according to whim.*

### **Factors responsible for success in Small/Medium Business**

Baumbach (1983) Small and Medium Enterprises succeed in direct proportion to its highly motivated owner's possession of certain essential talents of modern business operation. These include:

1. Alertness to change.
2. Ability to adjust or to create change oneself.
3. Ability to attract and hold competent workers.
4. 180 degree vision with respect to operating details, and;

5. A knowledge of the market – one's customers and their needs.

He further explains that the purpose of the economy was to satisfy the wants of people and as such, every business function, every business institution, every person engaged in performing these functions in or for a business institution was seeking to satisfy human wants and needs, and that to the extent that consumer wants and needs were satisfied effectively, economically, and therefore, profitably, these businesses were successful and remain in existence, otherwise, the business becomes deficient and it soon cease as an economic institution.

Knowledge of the market and the customer is very important for success in business, he said, adding that planning is an absolute must, if "having the right goods at the right place at the right tie and price" is the accepted goal of a business. Controls, he said, were indispensable and these include financial controls as well as good records.

The need for adequate capital, a good location, a needed product or service is also obvious. He summarizes the factors for successful small scale business by the following list:

1. Careful study of markets.
2. Wise planning of activities.
3. Vigilant control of investment, merchandise, personnel, equipment, and buildings to ensure maximum use for production.
4. Adequate expense records.
5. Thoughtful selection of goods.
6. Strategic location with particular reference to the market, but also bearing in mind resources and transportation of goods.
7. Sound policies, unalterable in general objective, but flexible and adjustable to meet obvious business expedencies.
8. Strong working relationships with suppliers.
9. Judiciously controlled credit.
10. Customer selection and market concentration.
11. Skillful selected personnel.
12. A well-planned sales promotion programmes.

### **Statement of the problem**

A cursory examination of the trend of the Nigeria economy since independence in 1960 to date will immediately reveal government's preference of the public sector as a better catalyst for economic development instead of the private sector. Consequently, the economy of the nation had been over dominated by the public sector over the years as it continued to enjoy undue favour and advantage from the government in terms of budgetary and credit allocations. This is contrasted

to the little or no attention which government gives to the private sector. Perhaps government is yet to appreciate the potentialities of the private sector to contribute meaningfully and effectively to the nation's economic development.

The above views were corroborated and reemphasized by the then Chairman, Nigerian Association of Chambers of Commerce, Industry, Mines and Agriculture (NACCIMA), Chief Kola Daisi who called on the government to allow for a greater private sector role in the economic development of the nation.

He opined that the proportion of domestic bank credit that goes to the public sector in Nigeria is in the region of 50 per cent of the total credit availability. He observed that in spite of this undue advantage the public sector has over the private sector, there are ample evidences that its contributions to the nation's economic growth are not only far away from being commensurate to the huge resources invested in it, but that it constitutes in itself a major impairment on the nation's overall growth rate.

He went further to explain that the public sector investments had the largest share of the nation's debt burden. The nation's external debt stock estimated at ₦28,060 billion as at December, 1996 out of which the Parish Club component was \$19.091 billion, or 68.04 percent, was largely a consequence of public sector misinvestment. Also, he said that much of the huge resources that accrued to the public sector since the 1970s had been squandered on projects that made little or no contributions to the nation's economic development, such as the Ajaokuta and Delta Steel Plants, the various steel rolling mills, the Iwopin Paper Mill and the National Identify Cards projects. He lamented that the obvious poor and inefficient performance of the sector, leading to huge losses are securely covered by the budgetary provisions and domestic financing system which often leads government to record large fiscal deficits and reduced public expenditure in some other vital sectors of the economy. This also not only increases the cost of production of these enterprises by about 20 percent, but also reduces the availability of credit to the private sector. (The above statistics provided by Kola Daisi 26 years ago has worsened

**H<sub>01</sub>** There is no significant evidence that SMEs contribute to employment creation in Enugu Metropolis.

**H<sub>02</sub>** There is no significant evidence that SMEs contribute to improved standard of living of the citizens of Enugu Metropolis.

ever since that as at September 20, 2022 the current debt burden of Nigeria public sector stood at a frightening ₦42.84 trillion (Balogun, 2022).

The problem on ground, therefore, is that, to the extent of the knowledge of this researcher, there is no known study that has analysed the contributions of Small and Medium Scale Enterprises as they pertain to Enugu Metropolis, Enugu State of Nigeria to draw the attention of Government to the great potentials of SMEs to turn the fortunes of the metropolis and those of the State and Nigeria around if half the attention given to the public sector investment is extended to the private sector investment. It is for this reason that the researcher is motivated to embark on this study in order to close this knowledge gap.

### Objectives of the study

The objective of the study is simply to analyse the contributions of SMEs in the development of the economy of Enugu Metropolis in Enugu State of Nigeria, adopting three economic development indicators, namely, employment creation, creation of wealth and enhanced standard of living,

### Research Questions

We formulate hereunder the following research questions to guide the study.

- i. Do Small and Medium Scale Enterprises create employment opportunities and thereby reduce unemployment rate in Enugu Metropolis?
- ii. Do Small and Medium Scale Enterprises contribute to improved standard of living of people in Enugu Metropolis?
- iii. Do the activities of Small and Medium Scale Enterprises promote wealth creation in Enugu Metropolis?

### Research Hypotheses

We shall subject the outcome of the descriptive statistics of this study to empiricism by testing the following null hypotheses.

**H<sub>03</sub>** There is no significant evidence that SMEs contribute to increased wealth creation in Enugu Metropolis.

### Research Procedure

A survey design is adopted for this study. The instrument for data collection is a structured questionnaire with **Yes** or **No** response pattern. The respondents, numbering 136, were drawn from 12 business enterprises considered to fall under the category of SMEs in Enugu State Metropolis, using Accidental Sampling Method.

### Data Analyses Technique

Frequency distribution tables and percentages were adopted for analyses of data, while Chi Square ( $X^2$ ) Statistic was used for hypotheses testing. The Chi-Square statistic is given as follows:

$$X^2 = \sum_{i=1}^K \frac{(O_i - E_i)^2}{E_i} \dots\dots\dots equa. 1$$

where  $X^2$  = Chi-Square Statistic

O = Observed frequency

E = Expected frequency.

K = Degree of freedom which is given as  $(r-1)(c-1)$ , where r = number of rows and c= number of columns. The test shall be based on 95% Confidence Interval, that is, alpha level of 0.05.

**Decision Rule:** If the calculated  $X^2$  at  $k - 1 = 1$  degree of freedom is more than the critical or table value at 0.05 alpha level, we shall reject  $H_0$  (that there is no evidence that SMEs contribute to any of the concerned variables of interest) and accept  $H_a$  (that they do contribute to any of the concerned variables of interest).

### Data Presentation and Analyses

**Table 1.13: Distribution of responses on each of the three variables of interest**

S/N	QUESTION	FREQUENCY		%
1.	Do Small and Medium Scale Enterprises create employment opportunities and reduce unemployment rate in Enugu Metropolis?	YES	121	89
		NO	15	11
		TOTAL	136	100
2.	Do Small and Medium Scale Enterprises contribute to improved standard of living of people in Enugu Metropolis?	YES	82	60
		NO	54	40
		TOTAL	136	100
3.	Do the activities of Small and Medium Scale Enterprises	YES	98	72
		NO	38	28

	promote wealth creation in Enugu Metropolis?	<b>TOTAL</b>	<b>136</b>	<b>100</b>
--	--	--------------	------------	------------

*Source: Field Survey by the Researcher, 2022*

## Results

We note that Expected Frequency in  $X^2$  is derived by dividing the total number of respondents by the number of rows in the data analyses table. We have two rows, namely, YES and NO rows, therefore our expected frequency of respondents for each three variables of interest is “E” =  $\frac{\text{Number of Respondents}}{\text{Number of Rows}} = 136/2 = 68$  respectively.

**Testing of Hypothesis 1 ( $H_{01}$ ).** We hereby re-state the first hypothesis below:

**$H_{01}$  There is no significant evidence that SMEs contribute to employment creation in Enugu Metropolis.**

Reference is made to table 1.13, item 1 as shown below.

S/N	QUESTION	FREQUENCY		%
1.	Do Small and Medium Scale Enterprises create employment opportunities and reduce unemployment rate in Enugu Metropolis?	YES	121	89
		NO	15	11
		TOTAL	136	100

*Source: Field Survey by the Researcher, 2022*

The data distribution in this table show that we have two rows and two columns, therefore, applicable degree of freedom is  $(r-1)(c-1) = (2-1)(2-1) = 1 \times 1 = 1$ .

**Computation of  $X^2$  Statistics – Refer to equation 1 above.**

Response	O	E	O – E	(O – E) <sup>2</sup>	(O – E) <sup>2</sup> /E
Yes	121	68	53	2,809	41.3
No	15	68	-53	2,809	41.3
<b>Total</b>	<b>136</b>			<b>5,618</b>	<b><math>X^2 = 82.6</math></b>

**Decision:** Reference is made to our decision rule above. Since our calculated  $X^2 = 82.6$  is far greater than the critical table value of 3.84 we reject hereby  $H_0$ , and accept  $H_a$  that **there is significant evidence that SMEs contribute to employment creation and reduction of unemployment in Enugu State Metropolis.**

**Testing of Hypothesis 2 ( $H_{02}$ ).** We hereby re-state the first hypothesis below:

**$H_{02}$  There is no significant evidence that SMEs contribute to improved standard of living of the citizens of Enugu Metropolis.**

Reference is made to table 1.13, item 2 as shown below.

S/N	QUESTION	FREQUENCY		%
2.	Do Small and Medium Scale Enterprises contribute to improved standard of living of people in Enugu Metropolis?	YES	82	60
		NO	54	40
		TOTAL	136	100

*Source: Field Survey by the Researcher, 2022*

**Computation of  $X^2$  Statistic – Refer to equation 1 above.**

Response	O	E	O – E	(O – E) <sup>2</sup>	(O – E) <sup>2</sup> /E
Yes	82	68	14	196	2.9
No	54	68	-14	196	2.9

<b>Total</b>	<b>136</b>		<b>392</b>	<b><math>X^2 = 5.8</math></b>
--------------	------------	--	------------	-------------------------------

**Decision:** Reference is made to our decision rule above. Since our calculated  $X^2 = 5.8$ , which is far greater than the critical table value of 3.84, we reject  $H_0$ , and accept  $H_a$  that *there is significant evidence that SMEs contribute to improved standard of living of the citizens of Enugu Metropolis.*

**Testing of Hypothesis 3 ( $H_{03}$ ).** We hereby re-state the third hypothesis below:

**$H_{03}$**  *There is no significant evidence that SMEs contribute to increased wealth creation in Enugu Metropolis.*

Reference is made to table 1.13, item 3 as shown below.

S/N	QUESTION	FREQUENCY		%
		YES	98	
3.	Do the activities of Small and Medium Scale Enterprises promote wealth creation in Enugu Metropolis?	NO	38	28
		TOTAL	136	100

*Source: Field Survey by the Researcher, 2022*

**Computation of  $X^2$  Statistic – Refer to equation 1 above.**

Response	O	E	O – E	$(O - E)^2$	$(O - E)^2/E$
Yes	98	68	30	900	13.2
No	38	68	-30	900	13.2
<b>Total</b>	<b>136</b>			<b>1,800</b>	<b><math>X^2 = 26.5</math></b>

**Decision:** Reference is made to our decision rule above. Since our calculated  $X^2 = 26.5$ , which is far greater than the critical table value of 3.84 at 1 degree of freedom and 95% Confidence Interval, we reject  $H_0$ , and accept  $H_a$  that *there is significant evidence that SMEs contribute to increased creation of wealth in Enugu Metropolis.*

### Discussions

There are assumed great arrays of anecdotal contributions by Small and Medium Scale Enterprises to development of any economy in the literature. What this research aimed at was to isolate three of such assumed contributions from among the great arrays of contributions by SMEs and subject them to scientific process in order to make them empirical and this has been achieved by the results of the descriptive statistics and the testing of the hypotheses in which each of the null hypotheses was rejected in favour of the alternate equivalents to scientifically affirm that actually SMEs constitute a bedrock for economic development. In fact, most developed countries such as United Kingdom and United States of America depend on the SMEs to drive their economy, and this should

be the case in Nigeria and other developing economies.

### Conclusions

The results obtained from the test of the three hypotheses inherent in this study are empirical evidences that SMEs contribute significantly to the development of Enugu State Metropolis, and by extension to the entire State and Nigeria in general through generation of employment opportunities that reduce the unemployment rate and thus forestall to a great extent social vices occasioned by unemployment; engenders improved living standards of the citizens and promotes wealth creation. These SMEs also contribute to the development of the economy of Enugu State and Nigeria through tax payment, levies, and rates which have the multiplier effects as government uses such fund to build good roads, bridges, electricity extensions, good schools and other development projects, provision of quality and affordable goods and services, which enhance the living standards of the people, maintenance of clean



and healthy environments, which enhances peoples well-being, and etcetera.

### Recommendations

In view of the fact that SMEs have made great and praiseworthy contributions towards the development of Enugu Metropolis and in other nation's economies as evidenced in the above conclusions, there is every need that government and private venture capitalists should give attention to this class of private sector business enterprises in order make them function more effectively and efficiently. In the light of this, therefore, the study recommends as follows:

**Provision of Basic Management/Organisation Training:** The major reason for high mortality rate of SMEs is lack of management training. Government should, therefore, design, sponsor or finance appropriate training programmes for the owners and managers of these enterprises for sustainable business operations.

**Access to Fund:** The current interest rate for credit facility and the outrageous collateral stipulations leave much to be desired. For example, the Commercial Banks in Nigeria charges as much as 28 per cent or more interest rate per annum and impose collateral which these business operators could ill-afford. Government and Central Bank of Nigeria should review these draconian policies and replace them with ones that should make access to fund from commercial banks less cumbersome. As a matter of fact, in many developed countries commercial banks grant loans with interest rate as little as 5% per annum and in some cases complete interest-free loans to SMEs operators.

**Restriction of Importation of foreign Goods that have local equivalents:** The local business enterprises or industries that are into manufacturing should be protected from competition emanating from foreign goods that compete with local equivalents in the local market. This is achieved by government banning importation of such goods.

### References

Abdulkadir, G. (1997). Economic Development: NACCIMA Calls for Greater Private Sector Role", reporting Chief Kola Daisi, the then Chairman of Nigerian Association of Chambers of Commerce, Industries, Mines and Agriculture, *Business Times*, Monday, May 5.

Abiola, O. (1987). *Newswatch*. Newswatch Communication, Lagos, December 7.

Akpomujere, (2017). Contemporary issues in diversification of Nigerian Economy through Entrepreneurship. *Journal of Technology Management and Business*, 4(2), 40-49.

Albassam, B. A. (2015). Economic diversification in Saudi Arabia: Myth or reality? *Resources Policy*, 44, 112-117.

Anyanwu, (1996). Problems of Credit Administration for Small Scale Industries. Bullion, a Central Bank of Nigeria Publication

Bamhart, C. I. (ed.) (1974). *The Word Book Dictionary*. Field Enterprises Educational Corporation.

Baumback, C. (1983). *Basic Small Business Management*. Printice-Hall Inc. Englewood.

CBN (1994). Monetary Policy Circular", No. 28.

Ezeanyanwu, (1995). *Projects Packaging for Small Scale: Methods and Case Studies*. Precision Printers and Publishers, Enugu.

Ezeh, J. A., (1991). Small Scale Business Management. Unpublished Manuscript, University of Nigeria, Enugu Campus.

Imaga, E. U. L. (1994). The Theory and Practice of Production Management. Unpublished Manuscript. University of Nigeria, Enugu Campus.

Irving, B. (1979). The Small Business Hand Book – Comprehensive Guide to Starting and Running Your own Business. Prentice-Hall, Inc., New Jersey.

Nzeneri, I. S. (1994). *An Introduction to Education Research Methods and Statistics*. Goodway Press Limited, Onitsha.

Obeleagu-Nzelibe, C. G. (1990). *Management of Small Scale Business in Nigeria*. Fourth Dimension Publishing Company Limited, Enugu.

Ogbugo, M. C. (1994). *The Impact of Small Scale Business Enterprises on the Development of Enugu Urban: Selected Case Studies of Small Business Enterprises in Enugu Urban*.

- Oshagbemi, T. A. (1983). *Modern Management in Africa: Small Scale Management in Nigeria*. Longman Group Limited, Ibadan.
- Quinn, T. K. (1953). *Giant Business*. New York
- Samuelson, P. A. (1980). *Economics*. McGraw Hill, Limited, Tokyo.
- Udeh, J. (1980). *Entrepreneurship: A practical Guide to Developing and Managing Your Own Business*, JONS & LORS Publications, Jos.
- United Nations Industrial Organisation (UNIDO) (1989). *Industrialisation of Developing Countries: Problems and Prospects of Small Scale Industry*, Vienna, Austria.