

PROBLEMS AND PROSPECTS OF SMALL AND MEDIUM SCALE INDUSTRIES IN
NIGERIA.

BY

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BENIN CITY.

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A PROJECT TO BE SUBMITTED TO THE DEPARTMENT OF ECONOMICS UNIVERSITY
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DECLARATION

I, **OKAFOR LAURA ISIOMA**, do hereby declare that this project work is entirely my own work and composition. The work contained in this project has not been submitted in candidature of any degree and is not concurrently being submitted for any other degree.

Acknowledgements have been accorded to whom it is due with respect to all citations and references used in the course of this project.

_____ DATE: _____

OKAFOR LAURA ISIOMA

(PROJECT STUDENT)

CERTIFICATION

This is to certify that this project work was carried out by **OKAFOR LAURA ISIOMA** of the Department of Economics, Faculty of Social Sciences, University of Benin, Benin City. It is adequate in scope and quality in partial fulfillment of the requirements for the award of B.SC degree in Economics.

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DEDICATION

This project work is dedicated to God Almighty for His unfailing love, care, wisdom and grace upon my life and also to my late mom Mrs Blessing Okafor.

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ABSTRACT

The problems of Small and Medium Scale Industries (SMIs) in Nigerian cannot be understated as a number of factors tend to limit their growth potentials. They're still faced with the issue of large capital outlay and to overcome this problem, external borrowing has become inevitable. Commercial banks appear to be the most likely source of funds. Thus, the overall objective of this research is to identify ways and means by which the vibrancy of small and medium scale industries will be sustained so that they can play the expected role as one of the engines for growth in Nigeria's economic development effort. While a descriptive statistics research design was adopted in the investigation. Outcome of the study indicates that, there exists an inverse relationship (though not statistically significant) between the amount of domestic credit made available to SMI's and the output of SMI'S in Nigeria. This trend has shown the poor attitude of commercial banks towards the granting of loans to SMI's in Nigeria. Conclusively, the inability of our commercial banks to grant effective loans to SMI's have translated to low level of output of SMI's to GDP. This in turn has impacted negatively on average capacity utilization. While commercial banks are expected to come to the rescue of SMI's, the truth must be said, that these institutions are profit oriented and may not be in a vantage position to give long term loans with depositor funds that are predominantly short tenured. Based on the findings of study, this paper recommends that, the intervention programs put in place to reduce the problems of the SMI's should be strengthened. Lastly, the Bank of Industry (BOI) should be properly positioned in its mandate of providing financial assistance for the establishment of large, medium and small projects as well as the expansion, diversification and modernization of existing enterprises and to rehabilitate the ailing ones.

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CHAPTER ONE.

INTRODUCTION.

Focus has been placed on the growth and liberalization of Nigeria's small and medium-sized industries since the introduction of the Third National Development Plan (1975–1980) and Second National Development Plan (1970–1974), with the goal of using these sectors as effective engines for socioeconomic development. As a result, since the 1970s, various definitions of what constitutes a small- and medium-scale industry have been offered. According to the National Council of Industries, a small or medium-sized business is one whose total cost, excluding land, is less than 200 million Naira. Although small and medium-sized businesses are thought of as important growth and development engines, they have experienced slow and even stunted growth for a variety of reasons. Due to issues and difficulties, SMIs have come under criticism for their efficacy and performance. This close examination has taken place against the backdrop of SMIs' poor performance. Deplorable infrastructure, funding and financing issues, a lack of managerial and entrepreneurial skills, corruption, contradictory government policies, class inversions, etc. are a few of the issues. Every country strives to have a place in the global economy, and this may be done through engaging in international trade and offering top-notch goods.

Nigeria has continued to advocate for better SMI support mechanisms through advocacy and capacity building efforts because these businesses serve as important steppingstones for economic development. Therefore, the government formed the Nigeria Bank for Industry and Commerce, which had an initial operating capital of 50 million Naira, to encourage businesspeople and institutions to purchase small and medium-sized enterprises. Small and medium-sized businesses foster entrepreneurship and domestic technological development while

providing employment at cheap investment costs. They reduce the movement from rural to urban areas and can easily be established with the least possible skill. Most small and medium scale industries take the form of sole proprietorship business and are generally categorized into commercial, industrial and agricultural categories with regards to their activities, though commercial SMI's constitute more than 90% of the population of industries. Despite the presence of large number of small and medium scale industries in Nigeria, the high rate of unemployment in the country and various obstacles faced by the SMI's. It is against this background that it becomes to critically analyze the problems and prospects of small and medium scale industries in Nigeria. In Nigeria today, SMI's are common but have not efficiently attained her goals.

1.1 BACKGROUND TO THE STUDY

Nigeria has shifted its focus decisively away from large-scale, capital-intensive industrial projects based on the theory of import substitution strategy since the implementation of the economic reform program in 1986 and toward small and medium-sized businesses with excellent potential for building domestic connections for rapid, sustainable industrial growth. In addition to their potential to ensure a self-reliant industrialization by being able to rely largely on local raw materials, small and medium-sized businesses are better positioned to increase employment, ensure a more equitable distribution of industrial development across the country, including the rural areas, and increase non-oil exports. Even if small and medium-sized businesses are crucial to the nation's social and economic development, purposeful action is still needed with both short- and long-term objectives in mind. Every huge business started off as a small one, operated by an entrepreneur who first earned little to no money. Unproven theories develop into annulations, which subsequently give rise to ideas that change the corporate environment. Small

and medium-sized industries constitute the foundation of the economies of many industrialized and developing countries. The success of a small or medium-sized business is a result of entrepreneurship. Entrepreneurship is the process of producing new ideas, reducing risk, and innovating. Combined with continuing government programs targeted at reducing social tensions among young people without jobs, Nigeria has a high rate of unemployment. (Ihua 2009) Small and medium-sized industries in Nigeria have operated at a very complex level. In a struggling nation like Nigeria, the SMIs' poor performance has exacerbated poverty, unemployment, and a low standard of living. The issues mentioned above have made the economy less capable, and small and medium-sized businesses are considered as tools for intervention and reducing these long-term issues with the economy. When thinking about the country achieving the MDGs by 2030, the challenges associated in resolving the issues of hunger, poverty, and unemployment are of great concern. Improving the capabilities of small and medium-sized companies is one of the ways Nigeria can meet the millennium development goals by the year 2030. The issues with SMIs are closely related to some economic factors that govern the economy. High unemployment rates, high poverty rates, a decline in industrialization capacity, insufficient funding, unfavorable government regulations, subpar infrastructure, and insecurity are just a few of the issues. Along with other important economic factors, the internal characteristics of small and medium-sized industries are also very important for the capacity utilization of the economy. challenges with limited knowledge, poor equity capital, and a lack of management and business abilities, among others. Despite these issues, Nigeria is currently undergoing economic reforms aimed at reducing poverty and unemployment as well as strengthening key institutions and subsectors of the economy. These efforts are geared toward expanding the capacity of Nigeria's small and medium-sized businesses. Concerning the reasons why SMIs operate badly in Nigeria,

the association of Nigeria Development Finance Institutions stated the following in 2004:

"Finance is typically seen as the key restrictions of SMIs. While this may be the case, actual data indicates that roughly 25% of the performance of SMIs can be attributed to finance. As a result, for SMIs to succeed in Nigeria, other suitable support systems and an enabling environment must be established.

1.2 RESEARCH PROBLEM

A survey of small and medium-sized industries in Nigeria shows that, in addition to a severe lack of managerial talent, poor management, an unfavorable environment, and inconsistent government policy, capital is a major source of worry for industrial sector entrepreneurs. The challenge facing Nigeria's private sector, particularly its small and medium-sized businesses, stands out in a continent where financing is a significant barrier to development. A successful firm needs a solid financial outlook and capital base. Government has created regulations to support small and medium-sized businesses as a result of underfunding in this sector.

Additionally, there have been financial incentives, grants, and assistance from bilateral and multilateral organizations as well as specialized institutions, all oriented toward enhancing the effectiveness of the SMI sector. Promoting the welfare of SMIs has been a top priority, for sure. According to research, there is a strong association between a country's level of hunger, poverty, unemployment, and style of living. The fall in per capita income from \$870 in 1981 to \$260 in 1998 and \$205 in 2004 as well as the lack of agricultural, industrial, and infrastructural development are all alarming indicators that also play a role in the underwhelming performance of small and medium-sized businesses. According to the aforementioned, the main areas where SMIs fall short are as follows:

- i) Less than 5% of SMI survive past the first year of their existence.

- ii) Contribution to industrial employment: SMIs account for 64% of industrial employment in developed countries, compared to 31% in Nigeria, or less than half of that in developed nations.
- iii) Contribution to industrial production and GDP in general: For the past few decades, the majority of Nigeria's industries have been operating at or below capacity. The capacity utilization has occasionally been as low as 30%. While many SMIs went out of business, only global corporations survived.

Access to funding is restricted, equipment and funds are expensive, infrastructure is lacking, there are numerous taxes and levies, the judicial system is unsatisfactory, and the government does not purchase things made locally. Many other nations have been successful in reviving and changing their SMI sub-sector's success by bringing down unemployment and poverty rates to the absolute minimum.

1.3 RESEARCH QUESTIONS

- i. How has a lack of finance impacted Nigeria's small and medium-sized industries?
- ii. Why have small and medium-sized businesses failed?

Does the performance of small and medium-sized enterprises face a significant challenge as a result of many taxes and inadequate social infrastructure?

- iii. How do government policies affect Nigeria's small and medium-sized industries' performance?

1.4 OBJECTIVES OF THE STUDY

The main goal of this research is to find strategies for maintaining the vitality of small and medium-sized businesses so that they may continue to serve as one of Nigeria's economic development effort's growth engines. The research will make the following attempts to do this:

- i. To identify the main issues, difficulties, and limitations that Nigeria's small- and medium-sized businesses have faced.
- ii. To identify the major instances of SMIs underutilizing the Small and Medium Industries Equity Investment Scheme.
- iii. To offer suitable suggestions for resolving or at least lessening the SMIs' difficulties and obstacles.
- iv. To order the recognized issues facing the poor SMI's in Nigeria.
- v. To highlight the prospects of small and medium scale industries.

1.5 RESEARCH HYPOTHESIS

Ho: Access to finance/capital does not represent the greatest problem confronting SMI's in Nigeria.

Ho: Energy supply does not represent the greatest problem facing SMI's in Nigeria.

1.6 SIGNIFICANCE OF THE STUDY

The significance of the study is to provide a detailed analysis on the problems and prospects of small and medium scale industries in Nigeria. The findings in this study will enable the students, policy makers, Nigeria government and entrepreneurs who may want to know the extent to which SMI's have operated below full capacity utilization level. The findings in this study intends to express quantitatively the extent in which various government policy has affected the

SMI's. In addition, this work would contribute to knowledge. It would serve as reference materials for any further study.

1.7 SCOPE AND LIMITATIONS OF THE STUDY

The report looks at the challenges and the potential for Nigeria's small and medium-sized industries. The primary limitations of this study would, however, be the inability to collect data from all SMIs in Nigeria due to time constraints. Therefore, the National Bureau of Statistics and the world bank data would be the study's primary sources of data. This research is never flawless. Due to the high data gaps and scarcity, the researcher was

- i. unable to obtain and collect concrete data, which is one of the drawbacks of this work.
- ii. Time, financial, and logistical restrictions
- iii. The respondents' resistance.
- iv. Inadequate literature on the severity of the issues SMIs in Nigeria face.

1.8 STRUCTURE OF THE STUDY.

This study comprises of five chapters. Chapter one introduces the research topic, background to the study, objectives of the study among important sub headings. Chapter two is the literature review where a conceptual framework on the research topic is evaluated. Also, previous research on the topic is also reviewed theoretically and empirically. Chapter three is the research methodology used in the study. Chapter four involves the data analysis and discussions. The last chapter summarizes the findings of the research, recommends solutions to the problem and concludes the study.

1.9 DEFINITION OF TERMS.

An industry: is a collection of businesses that create or offer comparable products or services.

Industries are categorized as primary, secondary, tertiary, and quaternary in economics.

Government: A government is an organization or system made up of a number of individuals who look after or manage a nation or a state. It is the institution, system, or agency that a political unit uses to carry out its duties and exercise its authority; it is typically categorized based on how power is distributed within the unit.

Small industry: An enterprise with total costs between ten million and one hundred million naira, including working capital but excluding cost of land.

A medium-sized industry: is one whose total costs, excluding land costs but including working capital, are greater than \$100.

NACCIMA: National Association of chamber of Commerce, Industry, Mines and Agriculture.

NASSI: Nigeria Association of small and medium scale industries

BOI: Bank of Industry

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents findings from articles on issues that pertain to the study's concern. The study focuses on the problems and prospects of Nigeria's small and medium-sized industries.

2.2 THEORETICAL AND CONCEPTUAL FRAMEWORK

Companies in small industries have fewer than 50 employees, while those in medium-sized industries have less than 250 workers. International organizations like the World Bank, European Union, and World Trade Organization all use the acronym SMI.

In Nigeria, SMI varies from time to time according to institutions. For instance, CBN monetary policy circular No:27 of 1988 defines SMI'S in (exchange general commerce) as an enterprise in which investment (including land and working capital) do not exceed five hundred thousand naira and the annual turnover do not exceed twelve million naira. The NBCI came on board in October, 1973 to strengthen the process of indigenization of the nation's economy. The FUSSI, NBCI, CMC, SAP and various in Nigeria all have varied definitions of a small and medium scale industry.

The twin oil shocks during the 1970's led to the reappraisal of the problems and prospects of small and medium sized industries in the economy. According to (John, 1999), It is an established fact that, the developing nations especially in Africa are faced with the choice of development plans that would lead to industrialization and improvement in the standard of living of the population at large.

(oshinowo,1997), asserted that the trend in the growth pattern of the industrial sector indicates that the independence era in Nigeria experienced little or no manufacturing activities. The economy was mostly dominated by the exportation of agricultural and manufacturing goods such as cocoa, coffee, groundnut and gold.

The post-independence era was aimed at the conservation of foreign exchange while infant industries were protected from competitions abroad through high import duty

The oil boom of the 1970's increased government investment in heavy industries such as steel, vehicle assembly plants, refineries and the petrochemical industries

However, in order to address the issue of foreign investment in the Nigerian economy, the indigenization policy was introduced through the indigenization decree 1972 and 1977. The main aim of the policy was to bring about greater opportunities to participate in the productive resources sector of the economy.

In this study we will review briefly, the pecking order theory, financial led growth theories and the active learning model of Erickson and Pakes

The Pecking Order Theory, also called the Pecking Order Model, is concerned with the capital structure of a business. Stewart Myers and Nicolas Majluf popularized this theory in 1984. It contends that managers prioritize their sources of funding from internal (cash flow or an entrepreneur's own capital) to external funding and that managers consider sources of funding in a hierarchical order.

Financial Led Growth Theory believes that the activities of the financial institutions serve as a useful tool for increasing the productive capacity of the economy. They argued that countries with better developed financial system tend to grow faster.

The active learning model of Erickson and Pakes which states that a firm explores its economic environment actively and invests to enhance its growth under competitive pressure from both within and outside the firm. The potential and actual growth changes over time in response to the outcomes of the firm's own investment and those of other actors in the same market.

With the use of formal education and training that boosts their endowments, small and medium-sized businesses may increase their efficiency, and the government could assist them by fostering an atmosphere that is supportive of their endeavors. Therefore, it would be predicted that business owners or managers of SMEs with more formal education, work experience, training, and government support will expand more quickly than those lacking these attributes.

This suggests that SMIs in Nigeria only have a chance to flourish and significantly contribute to the creation of jobs if the proper investments are made in them by all the stakeholders. The ideal way for the government to accomplish this would be to become involved and provide resources, social infrastructure, training for small and medium sized business owners, and favorable taxation policies.

2.3 HISTORY OF SMALL AND MEDIUM SCALE INDUSTRIES IN NIGERIA.

The history of SMEs in Nigeria can be traced back to the pre-independence era and has evolved through various stages since then.

overview of the history of small and medium scale industries in Nigeria:

Pre-independence Era (Pre-1960s):

Before Nigeria gained independence in 1960, the economy was predominantly agrarian, with limited industrialization.

Small-scale industries existed, mainly focused on agriculture, local crafts, and trading activities. These industries were largely informal and traditional, with minimal access to modern technologies and capital.

.Post-independence Era (1960s-1980s):

Following the independence, the Nigerian government recognized the importance of industrialization for economic growth and development.

Efforts were made to promote small and medium scale industries through policies and programs.

The establishment of the Nigerian Industrial Development Bank (NIDB) in 1964 aimed to provide financial support to SMEs.

The Nigerian Enterprises Promotion Decree of 1972 encouraged the local participation of Nigerians in the industrial sector, including SMEs.

In the 1980s, during the oil boom period, the government implemented policies to reduce dependence on oil revenues and promote diversification, which further supported SME growth.

Structural Adjustment Program (SAP) Era (1980s-1990s)

In the late 1980s, Nigeria implemented the Structural Adjustment Program (SAP) as part of economic reform measures recommended by the International Monetary Fund (IMF) and the World Bank.

SAP aimed to liberalize the economy, reduce government intervention, and promote private sector-led growth. This period witnessed an increased focus on SMI development through policies, financial support, and capacity-building programs. Microfinance institutions and development finance institutions were established to provide funding to SMIs.

.Post-SAP Era (2000s till date):

In the early 2000s, the Nigerian government launched various initiatives to enhance SMI development and entrepreneurship.

The establishment of the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) in 2003 aimed to coordinate and support SME activities.

The Federal Government initiated programs such as the National Economic Empowerment and Development Strategy (NEEDS) and the Small and Medium Enterprises Equity Investment Scheme (SMEEIS) to promote SME growth.

The growth of technology and internet connectivity has provided new opportunities for SMIs, particularly in sectors such as e-commerce and information technology.

Today, SMIs contribute significantly to Nigeria's GDP, employment generation, and poverty reduction.

Despite the progress, challenges remain for SMIs in Nigeria, including limited access to finance, inadequate infrastructure, regulatory barriers, and a challenging business environment.

However, the government and various stakeholders continue to implement policies and programs to address the problems and create an enabling environment for SMIs to thrive.

2.5 PROBLEMS OF SMALL AND MEDIUM SCALE INDUSTRIES.

The various problems faced by small and medium scale industries in Nigeria have resulted in the shutdown of SMI'S. Despite Nigeria's richness in both human and natural resources, small and medium scale business still lags behind their counterparts.

Also, Nigeria with its enormous natural and human resources cannot be compared with the progress of small and medium scale businesses in other countries such as India, Malaysia etc.

Below are the various problems confronting and hindering SMI'S in Nigeria

(A) INADEQUATE FINANCE.

Finance constraint is indeed a major problem faced by small and medium-scale industries (SMIs) (Osemeke, 2017). Access to adequate and affordable finance is crucial for their establishment, growth, and sustainability (Ezeaku & Ogba, 2019). Below are some key reasons why finance constraint poses a challenge to SMIs

SMIs often struggle to provide the required collateral to secure loans from financial institutions (Ogundele, Olomola, & Oyekunle, 2020). Many SMIs lack the necessary assets or formal property titles, making it difficult for them to meet the collateral requirements set by banks.

Even when SMIs are able to access loans, they often face high interest rates imposed by financial institutions (Agwu & Emeti, 2019). These high rates increase the cost of borrowing and can strain the financial viability of SMIs.

A significant number of SMIs operate in the informal sector, lacking formal registration and financial documentation (Ezeaku & Ogba, 2019). This informal nature makes it challenging for them to access formal financial services and loans from traditional institutions.

Financial institutions often perceive SMEs as risky borrowers due to their limited track record, size, and vulnerability to market fluctuations (Osemeke, 2017). This perception leads to cautious lending practices and makes it harder for SMIs to access finance. Venture capital, which is crucial for early-stage SMIs, is often scarce in many economies (Ezeaku & Ogba, 2019). The lack of available venture capital limits the funding options for innovative and high-growth potential SMIs.

Addressing the finance constraint requires a multi-faceted approach involving various stakeholders, including governments, financial institutions, and development agencies. Measures such as establishing specialized financing programs for SMIs, improving financial literacy programs, creating alternative financing channels, and implementing supportive government policies can help alleviate the finance constraint and promote the growth of SMIs (Ogundele et al., 2020).

(B) INCONSISTENT GOVERNMENT POLICIES.

Inconsistent government policies can have far-reaching consequences for small and medium-scale industries. Uncertainty stemming from frequent policy changes or lack of clarity can disrupt their ability to make long-term plans, investments, and strategic decisions (Smith, 2018). This uncertainty creates an unstable business environment that hampers growth and inhibits the realization of their potential.

Moreover, adapting to changing policies imposes a significant burden on these industries. Compliance costs escalate as businesses invest substantial time, effort, and resources in understanding and adhering to new regulations (Brown & Jones, 2019). These costs

disproportionately affect small and medium-scale industries, straining their already limited resources and hindering their competitiveness.

Inconsistencies in policies can lead to an uneven playing field among businesses, favoring certain industries or market players while disadvantaging others (Mendez & Sepúlveda, 2020). This lack of fairness stifles competition and inhibits the growth and survival of small and medium-scale industries, impeding their ability to thrive in the market.

Furthermore, inconsistent policies discourage investments and expansion plans (Lloyd-Smith, 2021). Small and medium-scale industries rely on stability and predictability to make informed decisions about expanding operations, hiring employees, or investing in new technologies. When policies change frequently, these industries face uncertainty and hesitancy in making growth-oriented decisions, hampering their progress.

The financial burden resulting from abrupt policy changes is another pressing issue for small and medium-scale industries (Mamatzakis, 2019). These businesses often lack the financial resources to adapt their operations, supply chains, or production processes to comply with new regulations. As a result, they face financial instability, struggling to keep up with larger corporations that possess greater resources to weather such changes.

Finally, inconsistent government policies undermine the ability of small and medium-scale industries to develop long-term visions and strategies (Duman, 2020). Without a clear policy framework, these businesses find it challenging to align their goals with the government's objectives, hindering their contribution to economic growth and development.

Addressing these challenges necessitates governments to prioritize policy consistency and ensure clear communication and consultation processes with stakeholders (Kowalski et al., 2019).

Taking into account the specific needs and constraints of small and medium-scale industries during policy formulation and implementation is crucial for fostering an environment conducive to their success and economic advancement.

© TAXES AND TARRIFS

Small and medium-sized Industries (SMIs) have faced a number of difficulties as a result of taxes and tariffs. The following are some major issues SMI's have with taxes and tariffs:

Small businesses may have constrained financial resources and slim profit margins.

Government-imposed taxes and tariffs may raise the overall cost of conducting business for SMEs (Bird & Zolt, 2019). The cost of inputs, raw materials, and imported items are directly impacted by higher tax rates, import tariffs, and customs taxes, making it harder for SMEs to maintain their competitiveness.

For SMEs with limited administrative resources, tax legislation and reporting requirements can be complicated and time-consuming (Kirchler, Muehlbacher, & Wahl, 2010). Tax rules may be difficult for SMEs to comprehend and follow, which could result in penalties and fines for non-compliance. Tax compliance's administrative demands might take SMEs' time and focus away from their main commercial endeavors.

Since taxes are frequently based on profits or sales, SMEs may need to set aside a sizeable amount of their cash flow to satisfy their tax responsibilities (Chetty & Hamann, 2018). For SMEs, this can lead to cash flow issues that limit their capacity to invest in expansion, buy new machinery, or recruit more staff.

Due to tariffs imposed on imported or exported goods, SMIs involved in international trade may encounter difficulties (International Trade Centre, 2017). Tariffs can make it more expensive to

export goods or import critical supplies, which has an impact on SMIs' capacity to compete profitably in international markets. SMIs involved in cross-border trading may face additional challenges because to the complexity of customs regulations.

Taxes and tariffs may make it more difficult for SMIs to compete against larger businesses (OECD, 2019). The impact of taxes and tariffs may not be as great for SMIs due to a lack of resources or economies of scale. As a result, SMEs may find themselves in a less favourable position in the market and less able to effectively compete with bigger rivals.

In order to invest in growth, innovation, and new enterprises, SMEs may be deterred by higher tax rates and tariffs (Bird & Zolt, 2019). Taxes and tariffs' rising costs and unpredictability may make it more difficult for SMEs to raise funding for expansion.

(D) INADEQUATE INFRASTRUCTURE

The lack of suitable infrastructure is a serious issue for small and medium-sized businesses (SMEs). Here are some significant difficulties that SMEs face as a result of inadequate infrastructure:

SMIs frequently need effective transportation networks to convey their resources and goods. Transport delays, higher transportation costs, and challenges in accessing markets or suppliers might result from inadequate road, rail, or port infrastructure (Asian Development Bank, 2019). This hurts SMIs' capacity to compete and make money, especially those engaged in manufacturing and distribution.

Energy infrastructure that is unreliable or insufficient can interfere with SME operations.

Voltage fluctuations or power outages can interrupt work, harm equipment, and add to costs.

Small and medium-sized enterprises (SMEs) would be required to invest in backup power solutions, raising their costs and weakening their competitiveness overall (World Bank, 2017).

For SMIs to operate profitably, connect with clients and suppliers, and participate in e-commerce activities, access to dependable telecommunications and internet services is essential. SMIs may have slow or unstable internet connections in places with poor infrastructure, which makes it harder for them to participate in the digital economy (World Economic Forum, 2019).

Particularly if they operate in industries like manufacturing or food processing, SMIs must have an adequate infrastructure for water supply and sanitation. The quality of products, hygiene standards, and regulatory compliance can all be harmed by inadequate sanitation facilities and water supply (United Nations Industrial Development Organization, 2018).

Well-planned industrial zones or business parks provide SMEs with access to necessary resources as well as specified areas for manufacturing and storage. In nations with limited or underdeveloped industrial zones, SMIs may find it difficult to locate areas that are suitable for their operating needs, which could limit their growth and productivity (United Nations Economic and Social Commission for Asia and the Pacific, 2019).

GOVERNMENT REGULATORY AGENCIES FOR PROMOTING SMALL AND MEDIUM SCALE INDUSTRIES IN NIGERIA.

In Nigeria, there are several government regulatory agencies and bodies that play a significant role in promoting and supporting small and medium-scale industries (SMEs). Here are some key agencies in Nigeria:

Small and Medium Enterprises Development Agency of Nigeria (SMEDAN)

SMEDAN is the primary agency responsible for the promotion, development, and coordination of SMEs in Nigeria. It provides business development services, capacity building programs, access to finance, and other forms of support to SMEs (Ogujiuba et al.,2021).

Bank of Industry (BOI)

BOI is Nigeria's oldest and largest development finance institution. It offers various financial products and services specifically tailored to meet the needs of SMEs, including loans, grants, and equity financing (Abdulai et al.,2020).

Nigerian Export Promotion Council (NEPC)

NEPC focuses on promoting and developing non-oil exports from Nigeria. It provides export-related assistance, capacity building, market intelligence, and export promotion services to SMEs looking to expand their businesses internationally (Adejumo et al.,2020).

National Agency for Food And Drug Administration and control (NAFDAC).

The manufacture, importation, exportation, distribution, advertisement, and usage of food, pharmaceuticals, cosmetics, medical equipment, and chemicals in Nigeria are all subject to

regulation and oversight by NAFDAC. It guarantees that SMEs operating in the food and pharmaceutical industries adhere to all applicable norms and laws (Mohammed et al., 2017).

Corporate Affairs Commission (CAC)

The regulatory authority in charge of registering and regulating businesses and organizations in Nigeria is the Corporate Affairs Commission (CAC). According to Ismail and Abraham (2018), it offers SMEs business registration services such as company establishment, business name registration, and the issue of a variety of business-related certificates.

Industrial Training Fund (ITF)

ITF focuses on promoting and supporting industrial skills development in Nigeria. It provides training programs, vocational skills development, and financial assistance to SMEs for capacity building and human resource development (Nnanna et al., 2019).

Federal Ministry of Industry, Trade and Investment (FMITI)

FMITI develops and carries out policies and programs to promote trade, investment, and industrial development in Nigeria. Through a number of activities, including access to finance, market connections, and trade facilitation, it offers SMEs policy guidance and support.

Nigerian Bank for Commerce and Industry (NBCI)

In order to provide financial services to the local business community, particularly small-scale businesses, the NBCI was established in 1973 (via the 22 decree). The NBCI has since been amalgamated with the NIDB and NERFCN to create the new bank of industry.

The Nigerian industries development Bank (NIDB)

The NIDB which was established in 1964, by the federal government to provide credit facilities to industries especially to the medium and large scale industries. Some small scale industries also have benefited from it (Adesids & Ayoade, 2018).

The Central Bank of Nigeria (CBN)

since 1970, the central bank of Nigeria has been a major instrument in promoting and developing small and medium scale industries particularly.

The CBN credit guidelines stipulates the allocation of quota allocated to the industrial sector.

The CBN in 1971 – 1980 directed that at least 10% of the loans should be directed to small scale industries. It was subsequently increased to 16% and minimum of 20% of total loans from April 1980 and 1990 respectively

Family Economic Advancement program (FEAP)

The failure of FEAP was due to exclusive government initiatives; unwillingness to repay loans in the belief that it was their share of the “National cake”.

There was as the problem of poor project appraisal and lack of entrepreneurial and technical skills.

The National Economic Re-Construction Fund (NERFUND)

national re-construction fund (NERFUND) was established on the 26th January 1989 with the aim of providing small and medium funds to long term funds to small and medium scale industries such as the manufacturing sector, mining, quarrying, and leasing of equipment

The State Governments

The state government supports the growth of small and medium-sized companies through the ministries of trade and industry. By assisting small-scale industries with technical and financial support, the state government invests in this.

Together with other governmental organizations, these agencies aim to foster an environment that supports SMIs in Nigeria and gives them the resources and assistance they require to prosper and help the nation's economic development.

Empirical Review

Here, related studies are briefly reviewed below

Ikon and Chukwu (2018) did a study on the Infrastructural problems challenging the efficient performance of SMIs in the country. Findings of study revealed that manufacturing SMIs has a statistical significant relationship with industrial growth in Nigeria.

Okuneye, and Ogunmuyiwa (2016) examined the factors that determine the growth of SMIs in Nigeria for the period 1980-2013. The study suggests that credit facilities, interest rate as well as inflation rate are key determinants of the growth and survival of SMIs in Nigeria.

By Kanu Success Ikechi and Nwadiubu Anthony in Nigeria, they discuss how small and medium-sized businesses (SMIs) fare when given commercial bank loans. In their 2014 study, Ogbuanu, Kabuoh, and Okwu studied the contribution of SMI manufacturing to the expansion of the Nigerian economy. The study's findings demonstrated that the GDP growth that had been occurring gradually had been significantly impacted by the manufacturing of SMIs.

Afolabi (2013) looked into how finance for SMEs contributed to Nigeria's economic growth. The study's findings showed that factors such as commercial banks' lending to SMEs, the value of the naira relative to the US dollar, and the contribution of SMEs to GDP through their production in the retail and wholesale sectors.

Onyeiwu (2012) examined how SMI funding affected Nigeria's economic expansion. The study's findings showed that factors other than money supply and deficit financing, such as loans to SMIs, had a beneficial effect on GDP growth.

The effect of financial reforms on the development of small and medium-sized industries in Nigeria was studied by Duru and Lawal in 2012. According to the report, in order to lower the cost of doing business in Nigeria, the government should provide an enabling environment.

In Lagos and Ogun state, Nigeria, Abiola et al. (2011) looked into how microfinance banks helped SMEs develop. The findings indicated a weak positive association between microloans obtained by business owners and MSMES firm expansion in Nigeria.

PROSPECTS OF SMALL AND MEDIUM SCALE INDUSTRIES IN NIIGERIA

Small and medium-sized businesses (SMIs) are essential to a nation's economic expansion and development. Because of their enormous contributions, they are frequently referred to as the foundation of the economy. Here are several small- and medium-scale industry prospects in Nigeria;

1. SMIs are a significant source of job creation, especially in developing nations. Many people, including skilled, semi-skilled, and unskilled workers, have access to employment prospects thanks to them (Ministry of Micro, Small, and Medium Enterprise, 2021). As SMIs expand, unemployment rates decline and living standards rise.

2. Development of the local and regional economies: SMIs play a role in this process. By building industries in rural and impoverished areas, they encourage decentralization and lessen regional inequities (Pradhan, 2021). This promotes local economies, discourages migration to urban regions, and aids in sustainable regional growth.
3. Innovation and entrepreneurship: Small and medium-sized businesses are frequently more adaptable and agile than big businesses. They encourage entrepreneurship, innovation, and creativity (Keshari and Mukhopadhyay, 2020). SMIs are typically more willing to try new things and are better equipped to adjust to shifting market dynamics and developing technologies.
4. Niche markets and specialized products: According to Obamuyi (2018), SMIs can develop unique products and cater to niche markets that may not be commercially viable for larger companies. They can offer tailored products, react rapidly to market demands, and gain an edge over competitors by concentrating on particular client requirements.
5. Export potential: SMIs can increase exports and generate foreign cash. The performance of SMIs in global markets has been seen in numerous nations (Aneja, 2018). SMIs frequently take part in export-focused activities that increase the nation's export competitiveness and aid in achieving a favorable trade balance.
6. Value chains and industrial linkages: SMIs are a crucial component of the industrial environment. They establish reciprocal connections with various industries, including distributors, service providers, and raw material suppliers (Sevon and Halila, 2017). This strengthens the entire supply chain, encourages industry diversification, and has a multiplier effect on the economy.

7. Socio-economic empowerment: By offering chances for self-employment and revenue generation, SMIs empower people and communities. They increase social mobility, especially for rural and underrepresented groups, women, and marginalized groups (Adetiloye et al., 2019). SMIs support social inclusion, socioeconomic development overall, and the reduction of poverty.
8. Resilience and financial security: SMIs are frequently more resilient than major firms during economic downturns, according to Djankov and Ramalho (2020). They can swiftly adapt, reduce operational expenses, and alter output levels to persist under trying conditions. A strong SMI sector mitigates the consequences of economic shocks and contributes to overall economic stability.

In conclusion, there are many chances and benefits for both people and the national economy that come with small and medium-sized firms. They create employment, innovation, regional development, and export growth in addition to providing socioeconomic empowerment and resilience. Governments and authorities routinely undertake supportive measures and policies to encourage the expansion and sustainability of SMIs since they are significant.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 SOURCES OF DATA

In order to identify the many strategies that could enhance the performance of SMIs and guarantee the full capacity utilization of resources in the industrial sector, this study assesses the issues and future possibilities of small and medium size industries in Nigeria. Secondary data are the type of data used in this study. These facts include information on credit and advances, energy supplies, inflation, interest rates, and currency exchange rates.

The method adopted in carrying out this work is descriptive analysis. The secondary source of data is based on the use of relevant books, journals, magazines, unpublished works, newspapers, periodicals, government publications, official website of the central bank of Nigeria.

Secondary sources of data play a major role in research because it allows researchers gain an in depth knowledge on “how” and “why” a certain phenomenon occurs in a system. The use of this method is likely to give important insights to the problems and prospects of small and medium scale industries in Nigeria.

Descriptive analysis is used to deepen the researcher's knowledge and comprehension of the challenges and opportunities facing Nigeria's small- and medium-sized businesses.

3.2 RESEARCH METHODOLOGY

The research instrument used in this study is descriptive statistics and trend. The trend shows the movement of the variables during the period of study in the form of line graph to analyze the problems facing the SMI's in Nigeria. The use of trend helps us see the relationship among the

variables used in this study. The trend depicts the line graph of all the variables and the bar chart of the variables.

The specific descriptive statistics used includes measures of central tendency (mean, median), measures of dispersion (standard deviation, range), and measures of association (correlation coefficients), maximum and minimum limits of the variables, kurtosis which is the tail movement of the graph, skewness which represents the distribution of the variables, the Jarque-Bera which shows the test of normality that is, an asymptotic test.

Various graphical representations, such as histograms, bar charts, scatter plots, or pie charts, are utilized to enhance data interpretation and understanding. The benefits of data visualization in identifying patterns, trends, and relationships are emphasized.

CHAPTER FOUR

ANALYSES AND DISCUSSIONS

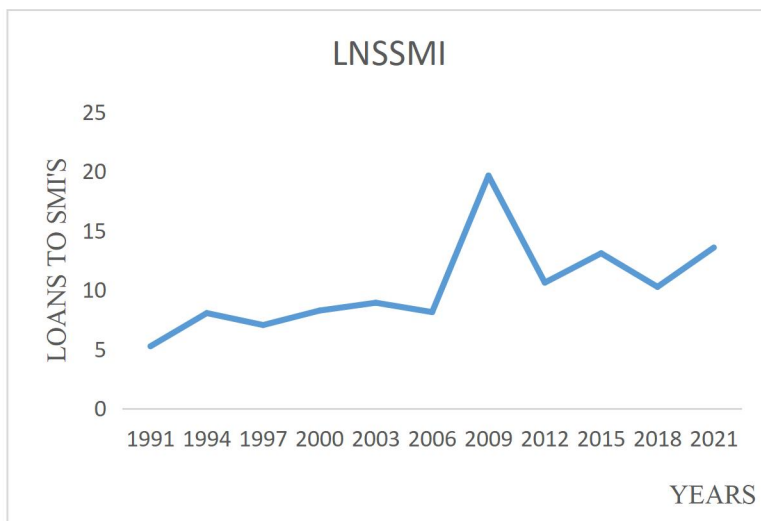
4.1 INTRODUCTION

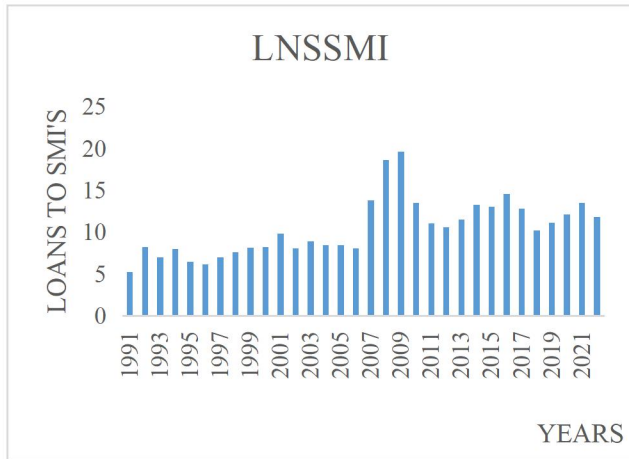
In this investigation, secondary sources of data were used. The loans to SMIs, inflation, interest rates, exchange rates, and electricity are the secondary data that were employed in this study.

This study assesses the challenges and prospects faced by Nigeria's small and medium-sized industries in order to gauge the magnitude of the impact and provide potential solutions that may lessen those challenges.

In the sections below, we look at the trend of each chosen variable employed in this study.

Figure 1: L0ANS TO SMI's





The trend of domestic lending to small and medium-sized businesses in Nigeria is depicted in Figure 1.

According to the graph above, domestic lending to SMIs increased steadily from 2007 until roughly 2010, after which there was a strong spike through 2011. Between 2011 and 2013, it remained comparatively stable before beginning to exponentially increase until 2014. The amount of domestic credit given to small and medium-sized businesses fell in 2018, but it began to rise again from 2020.

The lack of an effective guarantee program, which has discouraged banks from lending to small and medium-sized businesses, may be to blame for the drop in domestic credit to small and medium-sized businesses in Nigeria. However, we saw an increase in domestic credit, perhaps as a result of the monetary authorities' efforts to support the banking sector through bailout measures.

Figure 2: INFLATION RATE

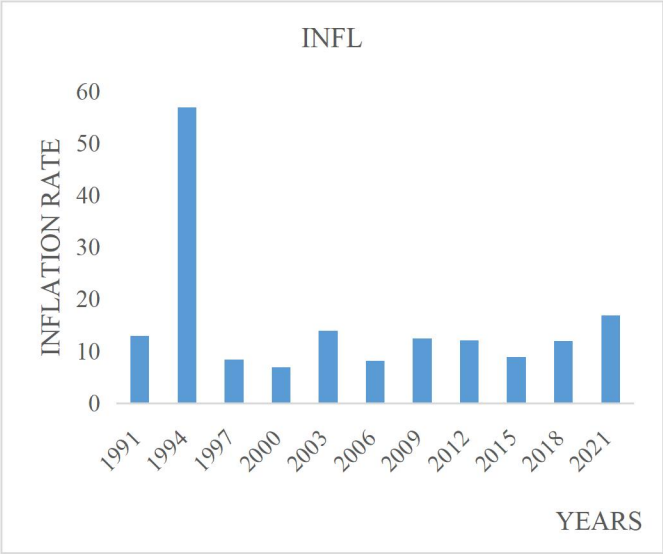
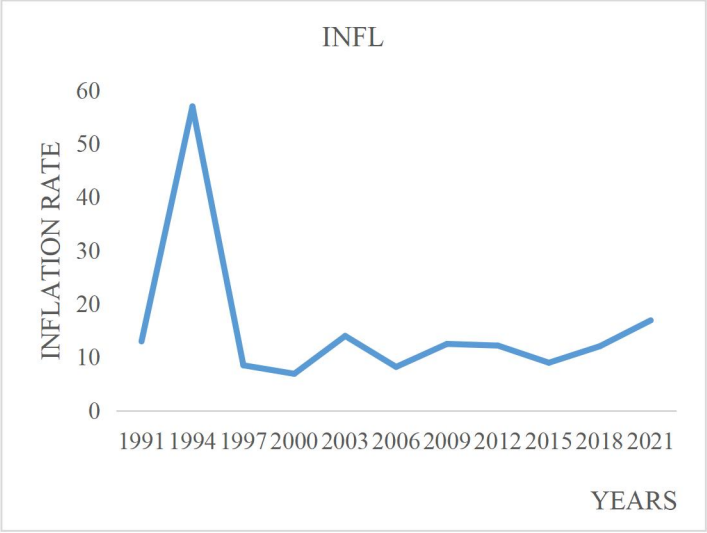
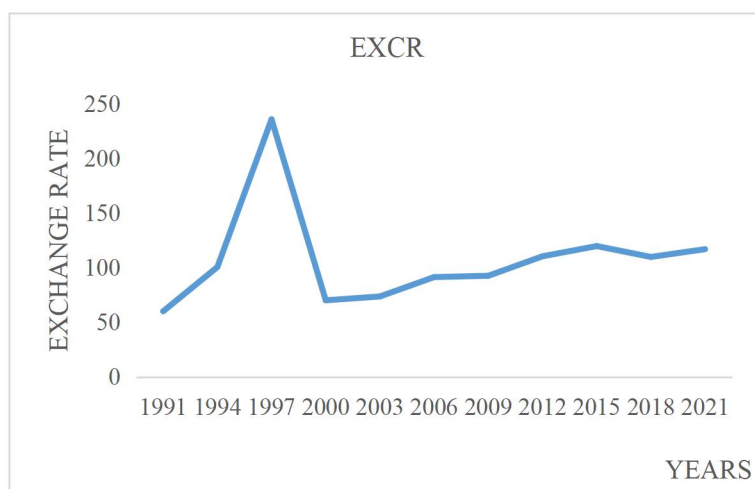


Figure 2 depicts the inflation trend in Nigeria. The vertical axis displays the values of Nigeria's inflation rate while the horizontal axis denotes the length of the time period.

Inflation has been a severe and divisive issue in Nigeria since the middle of the 1960s. Even though there has always been inflation in Nigeria's economy, the current rates have many people quite worried. According to figures from the World Bank, annual inflation in September 1988 was 8.2%, which represents a 0.9% increase over August's inflation rate of 7.3%. between August and, average retail prices dropped by 2.2% September 1998, which was attributed to

improvement in farm harvest. Inflation stood at 15% and went up to 16.5% in February 2004, 17.8% in March, and 18.5% in April and 19.4% in May 2004. However, inflation rate declined to 14% in January 2005 and 12.9% in February and 12.5% in March. It went up a bit to 12.6% in April and to 12.9% in June, but escalated in the months of July and 28% in August 2005. The increase was attributed to the growth in money supply because there was a 24.7% growth in banks credit to domestic economy. Excessive government spending, high cost of inputs (fuel, electricity, transportation, etc) and food were among the culprits. In 2007, the continued implementation of sound monetary and fiscal policies further enhanced the growth prospects of the economy in spite of a reduction in real GDP growth rates during the first half of the year. Good agricultural harvests and sound macroeconomic policies were credited with the decline in inflation. Core inflation was slightly lower than the 10.9% in December 2010 and 11.2% in December 2009, and from 1997 to 2011 it fluctuated between 10% and 13% respectively. Since 2000, it has become moderate, though still above single digit, according to the Bureau of Statistics' consumer price index, which measures in-country prices.

FIGURE 3; EXCHANGE RATE



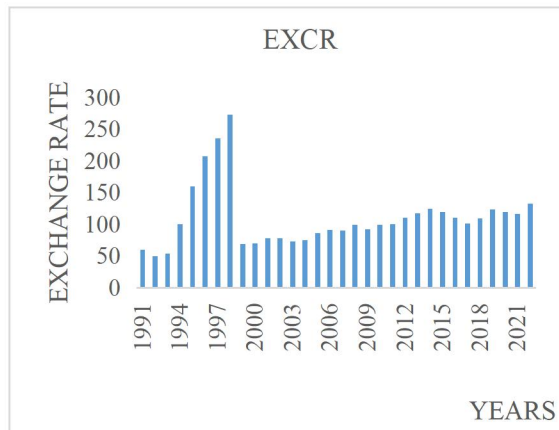


Figure 3 illustrates the trend of the exchange rate in Nigeria. The length of the research period is represented by the horizontal axis, while the vertical axis shows the nation's exchange rate. This period experienced major fluctuations in Nigeria's exchange rate as a result of numerous economic, political, and global factors. In order to preserve the value of the currency, the Central Bank of Nigeria (CBN) makes interventions in the foreign exchange market.

The Structural Adjustment Program was implemented in Nigeria in 1986, and as a result, the Naira experienced a severe depreciation. The exchange rate was 60-59 naira to the dollar in the early 1990s, when it was a little more stable.

In the mid-1990s, Nigeria faced political instability and economic challenges. The exchange rate experienced significant depreciation against major currencies during this period. Here exchange rate was between 236 – 273.0094 naira per dollar.

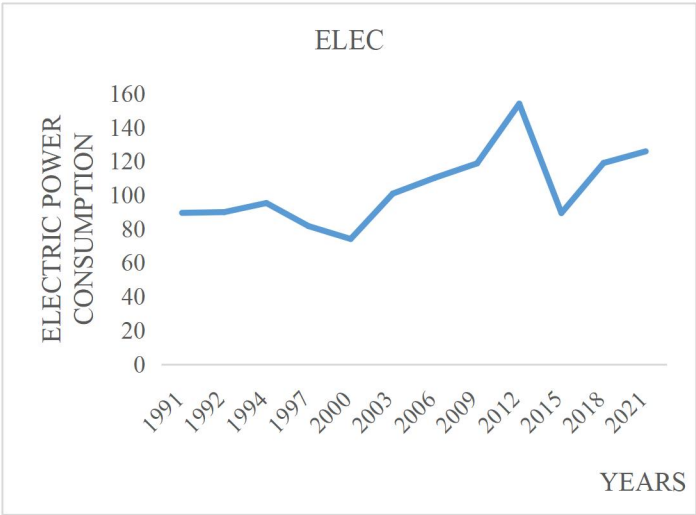
Nigeria witnessed a period of relative stability in the exchange rate in the early 2000s and Naira exchange for 70 naira per dollar. This was partly due to an increase in oil prices and the implementation of some economic reforms.

The Nigerian Naira experienced periods of volatility against major currencies during this period. The fluctuations were influenced by global oil prices, changes in monetary policy, and economic challenges within the country.

In 2016, Nigeria faced a severe currency crisis, and the Naira experienced a significant devaluation of naira which exchanged for 124 naira per dollar. This was mainly attributed to falling oil prices, which adversely affected the country's foreign exchange reserves and led to a shortage of dollars in the market.

From 2017 till 2021, Nigeria has continued to experience a devaluation in our currency which has been a major challenge faced by small and medium scale industries.

FIGURE 4; ELECTRIC POWER CONSUMPTION



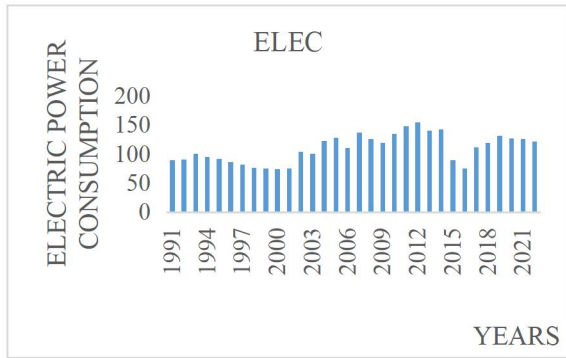


Figure 4, shows the trend of electric power consumption by small and medium scale industries in Nigeria. This data is gotten from world bank statistical bulletin. The horizontal axis represents the duration of time used in the study which is 1991 to 2022 while the vertical axis represents the value of electric power consumption.

However, epileptic electricity supply is common in most developing African nations, and thus hinder substantial contribution to economic development. According to Iwayemi (2018), a total loss of output estimated at US\$470billion (N71 trillion) in terms of gross domestic product (GDP) has been recorded between 1999 and 2015 in Nigerian economy due to power outages. Poor access to electricity supply has been recognized as a deterrent to growth of business activities (Ugwoke et al., 2016; Doe and Asamoah, 2014; Ogundipe and Apata, 2013). Also, World Bank Enterprise Survey in 2014 indicated that 35.5% of the small and medium scale firms in Nigerians indicated electricity outages as worrisome trouble to business operations (WBES, 2014). Seemingly, Adisa et al. (2014) in their study declare that fluctuations in electricity voltage and power outages affect the quality of goods and services. The result implies that electricity infrastructure is a genuine imperative on SME performance.

FIGURE 5; INTEREST RATE

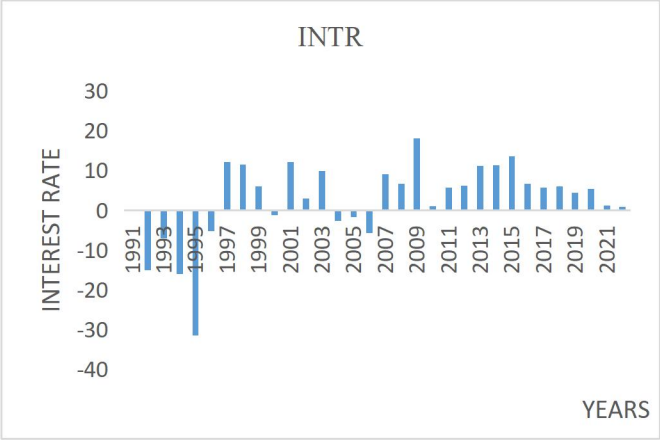
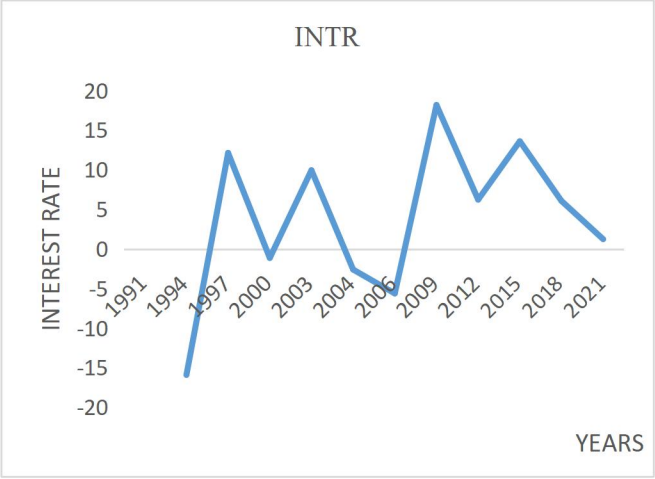


Figure 5, shows the trend of interest rate which is the deposits and lending rates of commercial banks. The vertical axis represents the values of interest rates used while the horizontal axis represents the duration of time study.

A report by world bank, indicated the growth of the country's interest rate from 2007 until 2013, the interest rate averaged 8.98% reaching an all -time high value of 12% in October 2011 and recorded a decline of 6% in July 2009. The monetary policy rate is perceived to be the official interest rate. Experts have argued that Nigeria's interest rate of 12% is the highest in the world.

Interest rate is an important price. This is because whether seen from the point of view of cost of capital or from the perspective of opportunity cost of funds, interest rate has fundamental implications for the economy. By either impacting on the cost of capital or influencing the availability of credit, by increasing savings, it is known to determine the level of investment in an economy.

Interest can be defined as the return or yield on equity or opportunity cost of deferring current consumption into the future (Uchendu 1993:35). This definition clearly shows interest is a concept which can mean different things depending on the perspective it is viewed. Interest rate can therefore be seen as a vague concept, a position affirmed by the availability of different types of this rate. Some of which are; savings rate, lending rate, and treasury bill rate. Apart from this, interest rate can also be categorized as nominal and real. This categorization credited to Irvin Fisher tries to accommodate the moderating influence of inflation on interest rate. Nominal interest rate is the observed rate of interest incorporating monetary effects while real interest rate is arrived at by considering the implications of inflation on nominal interest rate (Uchendu, 1993:35; Essia, 2005; 82).

4.2 DESCRIPTIVE STATISTICS OF VARIABLES

TABLE 2: Results of Descriptive Statistics of Variables from 1991 – 2022.

	INFL	LNSSMI	EXCR	ELEC	INTR
Mean	18.41968	10.48969	110.5116	109.4252	2.620754
Median	12.94178	10.06369	100.5675	111.0141	5.528430
Maximum	72.83550	19.62560	273.0094	154.1723	18.18000
Minimum	5.388008	5.241096	49.77631	74.14614	-31.45257
Std. Dev	16.24845	3.413377	49.10871	24.14489	9.962267
Skewness	2.159182	0.850537	1.787027	0.034758	-1.452034
Kurtosis	6.622813	3.441197	6.196247	1.785177	5.725428
Jarque-Bera	42.36405	4.117746	30.65314	1.974170	21.14876
Probability	0.000000	0.127598	0.000000	0.372662	0.000026
Sum	589.4296	335.6701	3536.373	3501.605	83.86412
Sum Sq. Dev	8184.378	361.1855	74761.62	18072.25	3076.650
Observations	32	32	32	32	32

It is evident from Table 2 above that the mean of all variables (INFL, LNSSMI, EXCR, ELEC & INTR) are positive, this suggests that there are more of increase than decrease in the changes of all variables over time. The standard deviation of INFL, LNSSMI, EXCR, ELEC & INTR are moderate, which suggest that the degree of variability in the distribution of the variables are satisfactory. The range of variation between maximum and minimum is also reasonable for each variable as data points are within. All the variables are positively skewed except for interest rate which suggest that the majority of the distribution will be to the left, and the high values in the distribution are relatively few.

Furthermore, the results show the kurtosis which measures the tail shape of histogram. Variables with values of kurtosis less than three are platykurtic (fat or short-tailed). On the other hand, variables whose kurtosis value is greater than three are called leptokurtic (slim or long-tailed) and all the variables are qualified for this. The probability values and the Jarque-Bera test of

normality, which is an asymptotic test, from Table 2, it is clear that the residuals are normally distributed, as the probability values for all the variables are very low, close to zero.

CHAPTER FIVE

SUMMARY, RECOMMENDATIONS AND CONCLUSION

5.1 SUMMARY

The major goal of this study was to use descriptive statistics to determine the issues and future prospects of small and medium-sized businesses in Nigeria. If at all possible, recommendations were also made regarding how to address these issues.

It was demonstrated, in particular, that top financial institutions and government organizations must have a sufficient cadre of professionals on staff in order to create project profiles and feasibility studies for small- and medium-sized companies. They should be responsible for undertaking project idea analysis and viability testing. The government is responsible for addressing the ongoing infrastructure issues faced by small businesses. After obtaining funds, the importance of monitoring small and medium-sized projects has been highlighted. After approving and disbursing loans, a financial institution's obligations do not stop. To verify that the funds have been used for the intended purpose and that the project is implemented on schedule, there should be close monitoring and oversight of its progress. It is suggested that the government shoulder a larger portion of the cost of supervision. Due to the financial burden and well-established nature of their businesses, small and medium-sized industries may require specific assistance in obtaining required foreign currency. The ideal strategy for attaining the industrialization of the nation cannot be determined simply, it must be kept in mind.

5.2 RECOMMENDATION

The purpose of this research study is to discuss the problems and prospects of small and medium scale industries in Nigeria. The current challenges posed by the small and medium scale industry

require a much better understanding of appropriate policy measures. Some recommended policy which can be applied to SMIs in Nigeria are enumerated as follows:

Governments should create specialized funds or financial institutions that cater specifically to the financing needs of SMIs, offering them easier access to capital at favorable interest rates.

Enhance financial literacy programs to educate SMIs about various financing options and help them develop robust business plans to attract investors and lenders.

Infrastructure development should be prioritized, focusing on improving transportation networks, power supply, and communication facilities in industrial clusters and rural areas where SMIs are concentrated. Public-private partnerships can be established to fund and execute infrastructure projects, ensuring timely and efficient implementation.

Governments and industry associations should provide technical assistance and incentives for SMIs to adopt modern technologies. This can be done through subsidies, training programs, and partnerships with technology providers. Encourage collaboration and knowledge sharing between SMIs and research institutions to foster innovation and technology transfer.

Governments should review and simplify regulations, reducing bureaucratic red tape and administrative burdens on SMIs. Provide tax incentives and exemptions for SMIs to promote their growth and competitiveness. Establish platforms for regular dialogue between SMIs, government representatives, and industry associations to address concerns and shape favorable policies.

Governments can support SMIs by facilitating access to domestic and international markets through trade fairs, exhibitions, and trade missions. Develop logistics and distribution networks, especially in remote or rural areas, to help SMIs reach customers effectively.

Promote collaboration among SMIs through the establishment of industry clusters, where enterprises can share resources, collaborate on research and development, and collectively address common challenges. Create platforms and associations that facilitate networking, knowledge sharing, and mentoring among SMIs, encouraging best practices and fostering a supportive business ecosystem.

Governments and industry associations should provide funding and support for SMIs to engage in R&D activities, encouraging innovation and product diversification. Establish technology parks or innovation hubs where SMIs can access shared R&D facilities and collaborate with research institutions.

By implementing these recommendations, governments, industry stakeholders, and SMIs can work together to address the problems faced by small and medium scale industries and unlock their full potential, paving the way for sustainable growth, job creation, and economic development.

5.3 CONCLUSION

In conclusion, small and medium-scale industries (SMIs) play a crucial role in the economic development of any nation, providing employment opportunities, fostering innovation, and contributing to the overall industrial landscape. However, they face several challenges that hinder their growth and sustainability.

The problems faced by SMIs, such as limited access to finance, inadequate infrastructure, technological obsolescence, and skilled labor shortages, are significant obstacles that require immediate attention. Moreover, unfavorable government policies and competition from larger enterprises compound their difficulties.

On the bright side, there are several prospects and opportunities that can be harnessed to empower SMIs and drive their success. Governments can play a vital role by introducing supportive policies, financial aid, and facilitating infrastructure development. Embracing technological advancements and encouraging innovation will enhance their competitiveness and adaptability.

Collaboration among SMIs and the establishment of clusters can foster knowledge sharing, resource optimization, and improved market access. Additionally, the rising demand for sustainable and niche products, along with the growth of e-commerce and export opportunities, can open new avenues for SMIs to expand their reach and tap into global markets.

To unlock the full potential of SMIs, a multi-stakeholder approach is essential. Governments, industry associations, financial institutions, and the private sector must collaborate to create an enabling environment for these enterprises to thrive. Supporting SMIs is not only crucial for their individual growth but also for fostering economic resilience and inclusive development in the broader economy.

By addressing the challenges and capitalizing on the prospects, Small and medium scale industries can emerge as dynamic contributors to economic progress, generating employment, driving innovation, and fostering sustainable economic development. As key drivers of economic diversification and decentralization, SMIs can play a transformative role in shaping a vibrant and inclusive industrial landscape for the future.

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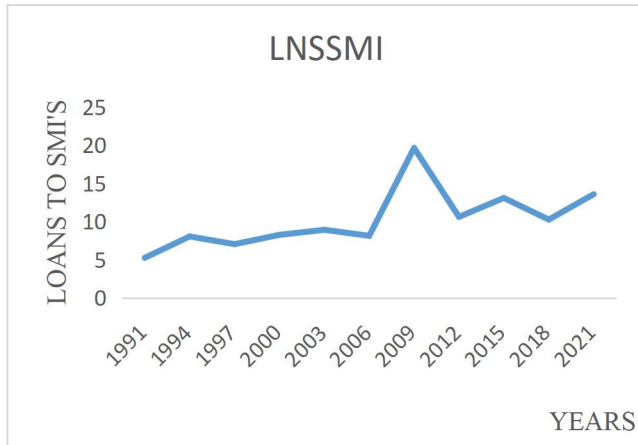
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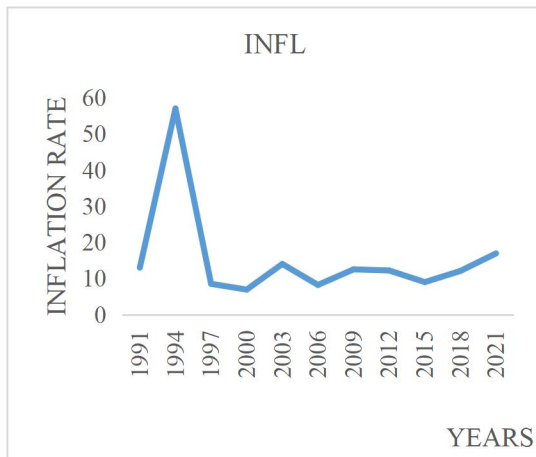
APPENDIX I

FIGURE 6; SHOWS THE TREND OF ALL THE VARIABLE TAKEN TOGETHER

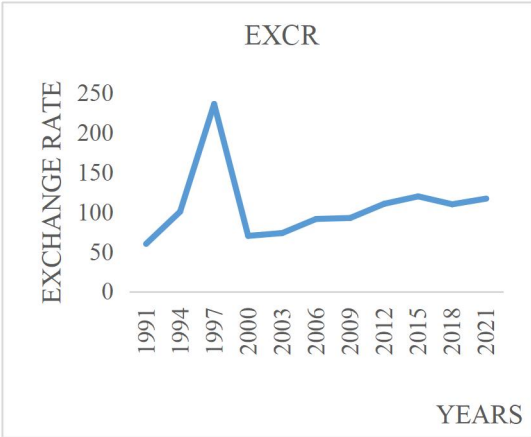
LNSSMI



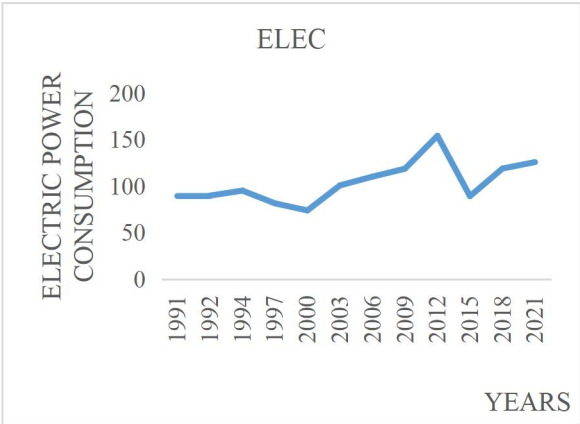
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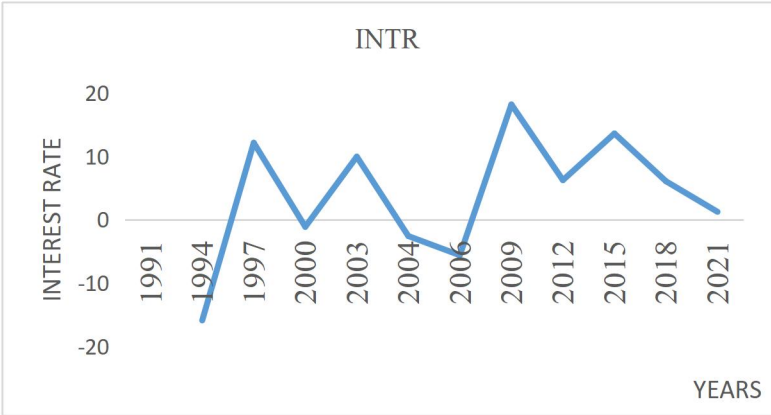
EXCR



ELEC



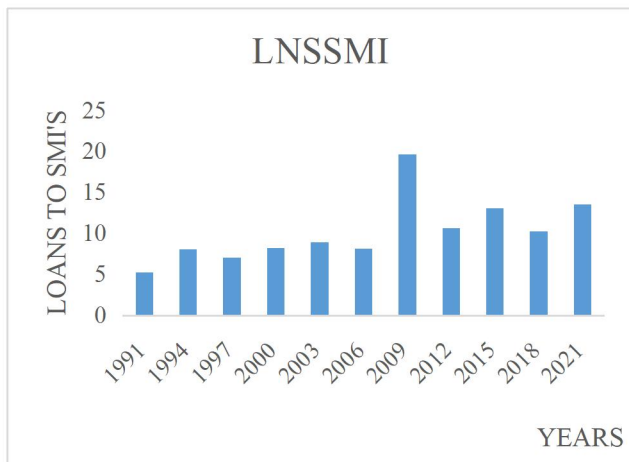
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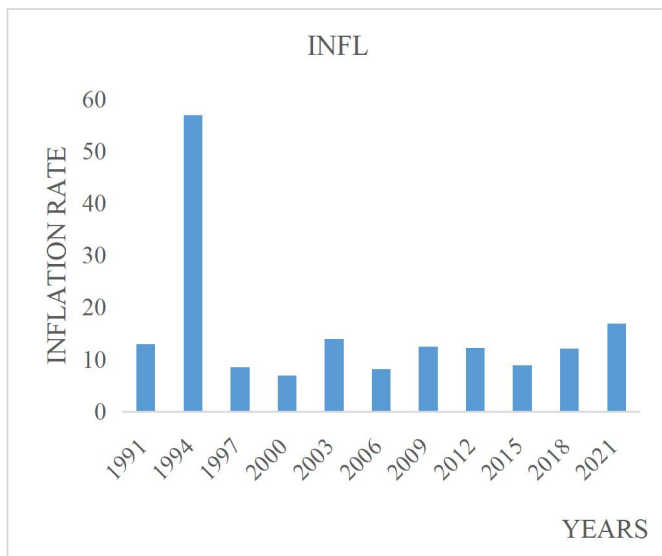
APPENDIX II

FIGURE 8; SHOWS THE TREND OF ALL THE VARIABLE TAKEN TOGETHER IN THE FORM OF A CHART

LNSSMI



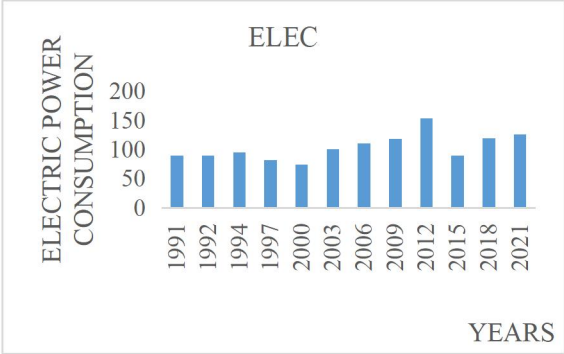
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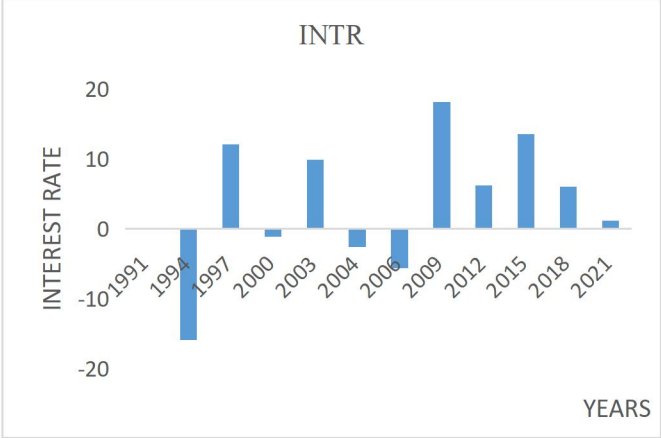
EXCR



ELEC



INTR



APPENDIX III.

YEAR	INFL	LNSSMI	EXCR	ELEC	INTR
1991	13.0069731	5.241096469	60.10075973	89.58353637	
1992	44.58884272	8.234513857	49.77630647	90.03609379	-14.98716799
1993	57.16525283	7.007718165	54.43982164	100.8119983	-7.052474658
1994	57.03170891	8.037288168	100.6309639	95.41409171	-15.92023297
1995	72.8355023	6.508711496	160.1778302	91.28586906	-31.4525655
1996	29.26829268	6.174443942	207.5102736	85.68247161	-5.260784138
1997	8.529874214	7.030590147	236.0301935	81.76380558	12.12661189
1998	9.996378124	7.619452394	273.0093698	76.72430856	11.48466906
1999	6.618373395	8.168807855	69.19717298	75.49151884	6.047248346
2000	6.933292156	8.248988698	70.16122217	74.1461367	-1.140888642
2001	18.87364621	9.880807397	78.18199812	75.1153297	12.1387025
2002	12.8765792	8.084342998	78.4193303	103.8639119	3.023542275
2003	14.03178361	8.909484726	73.67177436	100.9917375	9.935713387
2004	14.99803382	8.461664055	75.31762734	122.3339105	-2.60484706
2005	17.86349337	8.435095263	86.26756093	127.8305054	-1.593680481
2006	8.22522152	8.120360453	91.44098798	110.3653159	-5.627968049
2007	5.388007969	13.79701693	90.53005895	137.0790198	9.187171228
2008	11.58107517	18.6330147	99.56165997	125.4802832	6.684908635

2009	12.53782773	19.62560166	92.64204113	118.8857236	18.18000167
2010	13.74005214	13.49074284	100	134.3499018	1.067736064
2011	10.82613719	11.04362961	100.5039535	147.7846401	5.685579859
2012	12.2242413	10.60470377	110.4985462	154.172314	6.224808614
2013	8.495518383	11.53321494	117.5336148	140.3110169	11.20162222
2014	8.04741088	13.29700538	124.8177494	142.1292221	11.35621303
2015	9.00943498	13.07868448	119.8497029	89.48962065	13.59615325
2016	15.69681264	14.60803886	110.8596329	74.6307332	6.686233617
2017	16.50226621	12.85202981	101.4470558	111.662824	5.790566873
2018	12.09510652	10.2465813	109.9028167	119.0979107	6.055977154
2019	11.39642234	11.15755665	124.1903704	131.275116	4.522188497
2020	13.24602343	12.1318506	119.5103892	126.6178157	5.371280212
2021	16.95284572	13.56078968	117.0294268	125.9784771	1.227718531
2022	18.84718778	11.84632014	133.1625231	121.2201195	0.919231895

Source: World Development Indicators, World Bank.

