

## **FINANCING SMALL BUSINESS IN OGUN STATE, NIGERIA: THE CRITICAL ROLE OF THE SMALL AND MEDIUM ENTERPRISES DEVELOPMENT AGENCY OF NIGERIA (SMEDAN)**

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### **ABSTRACT**

*The typical Nigerian budding entrepreneur has always been guided by such institutional credit markets as the Bank of Industry, Microfinance banks and cooperative societies as avenues for improving the wealth-creating potentials of such entrepreneur. Against a background of serious unemployment and dwindling fortunes of small and medium scale businesses all over Nigeria, the study had a main objective of evaluating the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) in her support role as a link between affordable sources of finance and cooperative-financed small and medium scale enterprises in Ogun State, Nigeria between 2005 and 2010.*

*The study, designed as a survey, utilized a two-pronged approach in sourcing primary data through the use of questionnaires. Out of the 140 questionnaires administered, 135 were returned representing 96.4% response rate. 27 respondents were officials of OGSCOFED, the coordinating body of cooperative societies in Ogun State, Nigeria, while the remaining 108 were nonexecutive cooperative members who are owners of small businesses in the State. With a Cronbach  $\alpha$  coefficient of 0.902, the internal consistency and reliability of the questionnaire was confirmed while the data were analyzed using inferential and descriptive statistics such as simple percentages, rating indices, and the Students  $t$  distribution.*

*Among the study's major findings were that  $t$ -calculated values ranged from 0.001 to 1.000 for 26 and 107 degrees of freedom and 5% level of significance compared with  $t$ -tabulated values which ranged from -2.056 to 2.064 in the paired samples tests for the study's sole hypothesis. Because the  $t$ -calculated values all fell within the acceptance region, the study's null hypothesis was accepted. The specific areas in which the agency faltered included non-consultations with international donor agencies as well as not serving as an effective link between small businesses and cheaper sources of finance during the study period.*

*In conclusion, SMEDAN did not quite measure up to public expectation on a major performance index of linking small and medium enterprises (including cooperative societies) with cheaper sources of finance. The study recommended that the Nigerian government institutions as well as the Nigerian public should patronize SMEs as a deliberate state policy. Additionally, the government should link small businesses with cheaper sources of finance. The small and medium enterprise sector, as the nerve centre of most nations' industrial development, needs to be encouraged in order to engage the army of the nations' fresh graduates and subsequently reduce unemployment via youth and women empowerment, cooperative development and foreign direct investment.*

**KEY WORDS: - Sources of finance, small business, cooperative society, foreign direct investment.**

### **Introduction**

According to the International Labour Organization (ILO), nearly 75million young people are unemployed around the world, an increase of nearly around 4 million since 2007 (Hannon, 2013). Out of this figure, these researchers perceive that there are at least 200,000

Nigerian university and polytechnic graduates in various disciplines released into the job market every year. After completing their one-year mandatory National Youth Service Corps (NYSC) programme, it is unlikely that more than 5% of these fresh graduates would be retained by their employers on permanent jobs. The remaining 95% along with other 500,000 secondary school leavers as well as numerous able-bodied men and women who never went beyond primary school, out of a need to survive and stay away from crime, most likely will either learn a trade/skill or establish a small scale business. Alternatively, these graduates may go for higher degrees or simply stay at home, jobless and gradually rot away. Some of them, weary and disillusioned, may try their hands on a vocation from which they hope to earn a living, but these efforts in most cases, are stunted by inadequate infrastructural facilities and unfavourable business climate.

At a recent signing of a Memorandum of Understanding (MoU) between President Goodluck Jonathan of Nigeria and his visiting Brazilian counterpart, Dilma Rousseff, the former identified areas in which the two countries would be collaborating as including agriculture and food security, petroleum, power, bio-fuel, trade and investment, mining, education, aviation, infrastructure management, finance and culture. The Nigerian President said inter alia, "These are areas where we believe that if we work together, we will use them to leverage on the economy of our people, improve the lot of unemployed young men and women and make sure that Nigerians and Brazilians are happy people" Onuorah (2013).

Successive governments in Nigeria have always emphasized the place of the Small and Medium Scale Enterprises (SMEs) as the engine of growth, without concrete action on ways of actively developing the sector. Indeed, all over the world, the growth of SMEs determines the development of countries given the fact that critical mass of people in such countries are captured within this net.

### **Small Scale Business and The Nigerian Situation**

Asaolu (2004) posits that government financing and the development process impinge on one another. The government at all times has evolved instruments of policy to influence the growth path in the economy. According to Due (1993), government may influence private economic activity by subsidies or taxes or they may exercise control over the private sector. Many governments now accept the responsibility of promoting economic growth, sustaining employment and maintenance of a reasonable standard of living for its people. As such, different countries evolve institutional arrangements for promoting and financing development projects.

Since 1946, according to Asaolu (2004), there had been a steady growth in the body of legislation aimed at promoting industrialization in Nigeria. Some examples are the "Aid to Pioneer Industries Ordinance, 1952", the "Industrial Development (Import Duties Relief) Act, 1957", the "Industrial Development (Income Relief) Act, 1958", the "Custom Duties (Lumped and Subsidized) Act, 1958", the "Customs (Drawback) Regulations Act, 1958", the "Income Tax (Amendment) Act, 1958", and the "Nigerian Enterprises Promotion Decree", otherwise known as "Indigenization Decree" of February, 1974. These legislative measures, in addition to other direct incentive measures, had helped the growth and volume of foreign private industrial investments in Nigeria.

The 1955-62 Seven-year Development Plan launched by the Federal and Regional Governments in 1955 represents a first ever attempt by the Federal Government to evolve a planned scheme to assist indigenous businessmen in their attempt at capital formation. During the plan period, various publications were distributed on potential investment opportunities and

how Nigerians as well as foreigners could set up businesses. From 1946 to 1968, many programmes have evolved to prop up the pace of indigenous participation in the industrial development process of the country. Such programmes include the Textile Development Scheme launched in 1946, aimed at encouraging Nigeria in setting up viable small-scale textile project, the Yaba Industrial Estate opened in 1956, to aid would-be-industrialists to secure plots and to maximize external advantages, The Federal Loans Board, the Nigerian Industrial Development Bank (NIDB) established in January 1964, and the Nigerian Bank for Commerce and Industry (NBCI) in 1964 (Diaku, 1979).

The Nigerian Industrial Development Bank, which was established through the takeover and reconstitution of the Investment Company of Nigeria Limited (ICON), had, as its aim, provision of medium and long-term finance to local private enterprises in Nigeria. In the area of small-scale industries development, there was little encouragement on the part of Government. The Federal Loans Board was set up and was expected to assist small-scale Nigerian businessmen.

The Federal Government Policy on the development of small-scale industries and active encouragement of Nigerians in the development process as enunciated in the Second National Development Plan (1971 -1974 document was a considerable improvement over Government's policy measures on this subject in the previous years. In the plan document, the Federal Government proposed to promote the development of small-scale industries through the establishment of industrial development centres. Each centre was to specialize in the activity sectors closely related to the raw materials available and the small-scale industry priorities of their areas of operation. A Small-Scale Industrial Credit Scheme for granting loans to businessmen was to be provided for each state. These loans under the supervision of a technical committee to be appropriated by each state government would be paid directly to suppliers for the purchase of machinery. A marching grant of N1,600,000 (\$10,000) was provided for the scheme by the Federal Government. (Ibid.)

The objectives of the scheme include among others creation of employment opportunities, mobilization of local resources, mitigation against rural – urban migration, and distribution of industrial enterprises in different parts of the country.

### **Small Scale Industrialization – Experiences from Advanced Economies**

Some international experiences tend to bear testimony to the claim that small-scale industrialization can lead to rapid economic progress. U.S.A., Britain and, more recently, Japan, Taiwan, South Korea, Singapore, and Hong Kong are good examples. In the U.S.A., at least 80% of all the parts of an automobile are manufactured by several small firms for the large plants where they are assembled into finished goods. In The Netherlands, the giant electrical and electronics firm, Phillips International, started in a small room in a back street of a small town named Eindhoven. At present, it has grown into a giant firm employing hundreds of thousands of people. In Taiwan, Korea and Hong Kong, economic development is being catalyzed by small enterprises producing many consumers' durables. This had led to their being classified as newly developed countries (Ajala, 1992).

At inception almost all the present day giant corporations were back-street enterprises growing as their industry grew and through their sheer ability either to produce existing products more cheaply or improve their utility (Storey, 1994) Even at the country level in the early stages to her industrialization, Japan's economy was dominated by traditional enterprises and by a large

number of small firms drawing their strength not from an abundance of capital, but rather from her vast supply of labour. During the inter-war years and later, government policies accorded and continue to accord due priority to the country's small scale enterprises (Owuala, 1987) This was due to their recognition as the fountain head of vitality for her national economy.

In concrete terms, small scale enterprises in Japan account for about 99.4% of the non-primary business establishments, employing 81.1% of the country's labour force and contributing to 51.8% of the shipment value of all her manufactures (Ikhide and Yinusa, 1998).

Small scale enterprises in the United States of America have been intricately interwoven with other national problems, hence the establishment of the Small Business Association. According to Ogunleye, (2004), the United States of America has a small business sector that has about 22 million enterprises, generating more than a half of the country's GDP, employing about 53% of the total private workforce, and is responsible for creating majority of all new jobs. Of the 3.3million jobs created in 1994, small-scale industries and business enterprises produced an estimated 62%. Similar steps at enhancing industrial development have been taken by the Western industrialized nations of Germany, France, Canada, and the United Kingdom.

A few examples of developing countries which have harnessed the potential of small-scale enterprises in the pursuit of a self-reliant industrialization strategy can be cited. In his study of small-scale enterprises of two emergent industrial Third World countries of Taiwan and Korea, Ho (2004) noted the transition from a traditional to a modern economy in which the small enterprise sector continued to be important. For Taiwan in particular, he observed that the wider dispersal of industry resulting from the linkages between small and larger manufacturing enterprises had important positive effects in some areas. These were the development of rural and regional industries and on employment and income distribution in the countryside.

In terms of technology transfer among developing countries, Bhattasali (1982) demonstrates vividly that India's recent economic fortunes can be attributed to her small-scale industries. This is contrary to the widely held views in which industrial development was equated with large enterprises because of the considerations of economies of scale and the belief that the existence of money in small enterprises is a sign of technological backwardness and an index of underdevelopment. However, their complementary roles as earlier discussed have gained wider recognition. They are now regarded as veritable instruments to achieving economic self-reliance and rural development.

Amana (2004) posits that apart from employment, SMEs are also important because they are the engines of innovation in any economy. Even in developed economies, most innovative companies started up as SMEs before they grew over time into the large companies that we see and observe today. For example, Hewlett Packard (HP) Company, a Fortune 100 Company that is the second largest computer company in the world, started in a garage in California as an SME founded by two friends, Bill Hewlett and David Packard in the 1950s with only \$5,000 in borrowed funds. Today, Hewlett Packard has US\$60 billion in sales turnover. (Ibid.)

The implications of the issues examined here for a viable small scale enterprises sector in a country like Nigeria in dire need of a self-reliant industrial strategy to turn her economy round and save her from the instabilities inherent in a mono-cultural economy, are far-reaching to warrant the attention of not only policy makers but academicians. The merits of such an action are very compelling not only because this sector accounted for 53.6% of value-added in manufacturing in 1978 but also that 45% of total employment of industrial establishments in Nigeria are provided by this sector. It is known that at the end of 1979 over 80% of all establishments registered under the Factory Act were small-scale enterprises (Asaolu 2004).

### **SMEDAN – Nigeria’s Equivalent of America’s SBA**

In order to enhance the survival of small and medium scale enterprises, the SMEDAN Act of 2003 established the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN). The Agency, an equivalent of America’s Small Business Administration (SBA), is expected to give lifeline to small businesses which are regarded as the bedrock of most industrialized economies. Among other responsibilities of the SBA, it partly guarantees loans to small businesses. When a small business applies to a lending institution for a loan, the lender reviews the application and decides if it merits a loan on its own or if it requires additional support in the form of an SBA guarantee. In guaranteeing the loan, the SBA assures the lender that, in the event the borrower does not repay the loan, the government will reimburse the lending institution for a portion of its loss. By providing this guarantee, the SBA is able to help thousands of small businesses every year get financing they would not otherwise obtain. According to Wikipedia (2010), the SBA has directly or indirectly helped nearly 20 million businesses in 2008, had a loan portfolio of roughly \$84 billion making it the largest single financial backer of businesses in the United States.

The Agency seeks to promote the development of the Micro, Small and Medium Enterprises (MSMEs) of the Nigerian Economy. Among the services SMEDAN is expected to provide are the following:-

- Compile, review and update all existing economic policies, regulations, incentives, and legislation affecting MSME operations.
- Source and make available information on international markets, products standards/specifications and regulations.
- Advise on regulatory and standardization frameworks and collate all relevant business information that could be useful to SMEs.
- Organize trade and investment exhibitions and interactive fora.
- Develop and apply standards and quality control measures for technologies and products of SMEs.
- Improve the financial management skills of MSMEs through training workshops.
- Develop and implement effective strategies for opening up domestic and international markets for MSMEs products.

In her role as a link between MSMEs and sources of finance, SMEDAN is expected to perform the following functions:-

- Liaise with financial institutions to harness and pool resources for utilization by MSMEs.
- Develop and implement a strategy for the effective and timely disbursement of SMIEIS funds.
- Hold regular consultations with international donor agencies, trade groups, relevant ministries, research institutes, states and local governments with the view to sharing ideas and partner in implementing programmes for the development of MSMEs.
- Attract foreign investments and funds for the development of the MSMEs sub-sector.

In active collaboration with SMEDAN in developing the MSME sector in Nigeria is the Bank of Industry. In order to align with the rest of the world in growing the SME sector, the present government in Nigeria, through one of its financial institutions, the Bank of Industry (BOI) recently took a bold step in reviving this comatose sector. In June 2010, the bank approved loans of more than N16 billion to various co-operative groups across the country, to assist Small and Medium Entrepreneurs. According to the report, which appeared in *The Guardian* newspaper of June 18, 2010, the bank has also trained almost 10,000 small and medium

entrepreneurs within the last three years on how to establish and run bankable small businesses. This information was disclosed by the bank's Managing Director, Ms Evelyn Oputu at an Entrepreneurial Development Workshop/Boot Camp organized by the bank and the Embassy of the United States in Nigeria.; she further explained that "the products of the workshop and boot camp series formed the nucleus of BOI's cooperative lending programme, under which the bank lends to specially formed cooperatives that comprise mainly women and youths under a collective guarantee arrangement."

### **Study Objectives**

This study aims at measuring SMEDAN against some of its stated objectives in terms of being a conduit for the sourcing of financing for small businesses in Nigeria; the study however focuses on Ogun state, a compelling investment destination in Nigeria. It is worthy of mention that during former President Clinton's visit to Nigeria to commission the EKO Atlantic City Project in February 2013, Ogun State was the only state he visited aside Lagos before returning home.

In summary, the objectives of this study are principally the following:-

1. To appraise the success of SMEDAN in her role of liaison with financial institutions to harness and pool resources for utilization by MSMEs.
2. To determine how regular SMEDAN had been in her consultations with international donor agencies for the purpose of development of MSMEs.
3. To determine the effectiveness of SMEDAN's consultations with trade groups, relevant ministries and research institutes with the view to sharing ideas on the development of MSMEs.

### **Hypothesis**

The study's sole hypothesis is:-

- H<sub>0</sub>:- SMEDAN was not a significantly effective link between small businesses and sources of finance in Ogun State between 2005 and 2010.

### **Methodology**

The study, a survey, was designed in a way that data were obtained from small business owners in Ogun State in South-western Nigeria. The survey instrument, the questionnaire, contained specific questions targeted at eliciting response from the respondents on the ability or otherwise of SMEDAN as specified on her website to act as an effective conduit in the sourcing of finance for MSMEs in Nigeria, especially in Ogun State, the focus of the study. The cooperative enterprise, as an emerging area of study in Nigeria, comprises the authors' primary area of focus. Officers of the Federating body of cooperatives in the state as well as less literate ordinary members of cooperative societies in Ogun State who are also business owners were interviewed in order to obtain a balanced view of their opinions on the effectiveness of SMEDAN as an effective link between small businesses and sources of finance between 2005 and 2010.

It is the considered opinion of the authors that these groups of respondents would be able to adequately assess the performance of the subject matter of the study more so as the respondents are equally representatives of individual cooperative societies in the state as well as small business owners.

### **Analysis of Data**

Data obtained from the questionnaires were analyzed using both qualitative and quantitative methods. Rating indices were used to evaluate some of the responses to the questions in order to show the weights that the respondents attached to the various responses. Data were analyzed using both inferential and descriptive statistics. The data were obtained from two strata of respondents – the first stratum comprised of 30 (Thirty) officials of Ogun State Cooperatives Federation Ltd. (OGSCOFED). The second stratum comprised 108 ordinary members of cooperatives societies in Ogun State, Nigeria, who are equally owners of small businesses. The main line of distinction between these two strata is their level of education which also affects their ability to complete the study questionnaire; hence the slight difference in the mode of information collection from these two sets of people. Data obtained from the thirty OGSCOFED officials were analyzed using the Students t-test, since this is the most appropriate for small samples. Employing a 95% confidence level, the research variables were tested; the respective mean, standard deviation and standard error mean values were subjected to appropriate interpretation according to existing decision rules. The study’s hypothesis was subsequently accepted or rejected depending on the computer-generated values of the variables tested.

**RESTATEMENT AND TEST OF HYPOTHESIS**

**Ho:- SMEDAN was not a significantly effective link between small businesses and sources of finance in Ogun State, Nigeria between 2005 and 2010.**

According to the computer-generated table of paired samples test for the study’s hypothesis below, at a confidence level of 95% and the respective degrees of freedom for each of the pairs, the results of the 2-tail test are displayed hereunder in Table 1.1. The t-tabulated values for 22 and 24 degrees of freedom at 5% level of significance are 2.074 and 2.064 respectively. The acceptance regions will therefore fall within a range of -2.074 and +2.074 and -2.064 and +2.064 for 22 and 24 degrees of freedom respectively. The computer-calculated values of the respective pairs range between 0.005 and 1.000 which all fall within the acceptance region.

Decision Rule: Where t-calculated value falls within the acceptance region, Ho is accepted. Therefore the study’s fourth null hypothesis which states that:-

**The Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) was not a significantly effective link between small businesses and sources of finance in Ogun State, Nigeria between 2005 and 2010,** is accepted for the first stratum of respondents.

**Table 1.1**

**Paired Samples Test – Stratum One**

	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference		t	df	Sig. (2-tailed)
				Upper	Lower			
Pair 1	-.16000	.55377	.11075	-.38859	.06859	-1.445	24	.161
Pair 2	-.28000	.45826	.09165	-.46916	-.09084	-3.055	24	.005
Pair 3	.04348	.36659	.07644	-.11505	.20200	.569	22	.575
Pair 4	-.26087	.54082	.11277	-.49474	-.02700	-2.313	22	.030
Pair 5	-.12000	.52599	.10520	-.33712	.09712	-1.141	24	.265
Pair 6	.26087	.54082	.11277	.02700	.49474	2.313	22	.030
Pair 7	-.04348	.36659	.07644	-.20200	.11505	-.569	22	.575
Pair 8	.30435	.55880	.11652	.06271	.54599	2.612	22	.016

Pair 9	.00000	.42640	.08891	-.18439	.18439	.000	22	1.000
Pair 10	-.30435	.63495	.13240	-.57892	-.02977	-2.299	22	.031

**Source:- Computer-generated from data input (2011)**

A restatement of the study’s hypothesis reads thus:-

**SMEDAN was not a significantly effective link between small businesses and sources of finance in Ogun State, Nigeria between 2005 and 2010.**

From the second stratum of respondents, the following descriptive statistics and paired samples test were generated from the input of data into the computer.

From the results of the paired samples test below, it is obvious that even for the second stratum of 108 respondents, it was observed that at a 5% level of significance and 107 degrees of freedom for each of the pairs, the results of the 2-tail test as displayed in Table 1.2. below revealed computer-calculated t-values ranging from 0.000 to 0.320, which all fall within the acceptance region.

**Table 1.2 Hypothesis Four - Paired Samples Test – Stratum 2**

	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference		t	Df	Sig. (2-tailed)
				Lower	Upper			
Pair 2	-.12037	.32691	.03146	-.18273	-.05801	-3.827	107	.000
Pair 3	-.07407	.26311	.02532	-.12426	-.02388	-2.926	107	.004
Pair 4	-.06481	.24735	.02380	-.11200	-.01763	-2.723	107	.008
Pair 5	-.07407	.26311	.02532	-.12426	-.02388	-2.926	107	.004
Pair 6	-.12037	.32691	.03146	-.18273	-.05801	-3.827	107	.000
Pair 7	-.07407	.26311	.02532	-.12426	-.02388	-2.926	107	.004
Pair 8	-.06481	.24735	.02380	-.11200	-.01763	-2.723	107	.008
Pair 9	-.07407	.26311	.02532	-.12426	-.02388	-2.926	107	.004
Pair 10	.04630	.21111	.02031	.00603	.08657	2.279	107	.025
Pair 11	.05556	.23013	.02214	.01166	.09945	2.509	107	.014
Pair 12	.04630	.21111	.02031	.00603	.08657	2.279	107	.025



Pair 13	.00926	.09623	.00926	-.00910	.02761	1.000	107	.320
Pair 15	-.00926	.09623	.00926	-.02761	.00910	-1.000	107	.320

**Source:- Computer-generated from data input (2011)**

From the above statistics, an application of the decision rule at this stage will be in order:

Decision Rule: - Where t-calculated values fall within the acceptance region of the t-tabulated,  $H_0$  is accepted. Therefore the study's second null hypothesis which states that:-

**SMEDAN was not a significantly effective link between small businesses and sources of finance in Ogun State, Nigeria between 2005 and 2010** is accepted for both strata of respondents.

**Discussion of Results and Policy Implications**

The study revealed inter-alia, the abysmal failure of SMEDAN to be a major link of small businesses to cheaper sources of finance than the conventional sources –viz. banks and other finance houses. The state government, by its recent provision of N25 million low-interest loan to OGSCOFED is filling in the gap where SMEDAN has faltered. The amount has since doubled to N50 million; when cooperative societies can successfully utilize these funds through their members in viable small businesses throughout the state, then the government would have succeeded in stemming the cases of business failure which has to a large extent dislocated the economy of the state and if not checked promptly, can lead to a worsening social upheaval in the state in particular and the country in general. There is no gainsaying the fact that the cost of doing business in Nigeria is still high due to operational infrastructural deficiencies and weak operating capacities of the MSMEs. Expenses such as payment of commercial prices for training and capacity building sessions, meeting the registration conditions of such bodies as Corporate Affairs Commission (CAC), NAFDAC, as well as the Standards Organization of Nigeria (SON) can be mitigating factors for small businesses to thrive and prosper. If all these deficiencies can be taken care of by the State government and other regulatory bodies, no doubt, the State can maximize its potential and become a force to reckon with in the comity of economically buoyant states in the Nigeria.

**Summary, Conclusion and Recommendations**

The purpose of the study was to, among other things, use scientific and empirical means to authenticate the effectiveness of the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) as a viable link of small businesses to cheaper sources of finance in Ogun State, Nigeria; and appraise how regular SMEDAN had been in her consultations with international donor agencies for the purpose of development of MSMEs in the State. The study also, by empirical means, tried to determine the effectiveness of SMEDAN's consultations with trade groups, relevant ministries and research institutes with the view to sharing ideas on the development of MSMEs in Ogun State, Nigeria, between 2005 and 2010.

The study revealed inter alia that, SMEDAN was not an effective link between small businesses and cheaper sources of finance; respondents were not sure if the Agency ever consulted with international donor agencies on their behalf, or at least, no evidence to this effect was seen in their interaction with the Agency over the entire study period. Though there were some consultations between the Agency and trade groups especially women in cooperatives, and the Federating body of cooperatives societies in Ogun State, OGSCOFED, these did not translate to any cogent support for small businesses, especially those financed wholly or partially by cooperative societies during the study period. The study revealed inter-alia that SMEDAN as a

body, had funding as a major challenge; this translates to a serious handicap in carrying out its responsibilities in covering a large country like Nigeria. Other challenges, though not identified in the report, but are generally identified with government establishments, include lack of qualified personnel to drive its operations, the usual high-level corruption within the system, undue politicization of crucial issues like appointments, lack of political will to let the agency work, etc

From the results of the study, it is obvious that SMEDAN has not been of much support to cooperative-financed businesses and other small businesses in Ogun State, Nigeria by way of being an effective link to cheaper sources of finance as well as being an effective collaborator with donor agencies within the 2005-2010 study period.

The researchers hereby make the following recommendations:-

- (a) Non-government agencies in Nigeria should also be empowered to complement government efforts in supporting small businesses by way of training, staff recruitment and other forms of support.
- (b) The Nigerian Government, in her avowed bid to actualize the Vision 20:2020 Agenda, should give SMEDAN the necessary tools it needs to perform her support role to small and medium enterprises not only in Ogun State, but in the entire Federation.
- (c) Micro, Small and Medium Enterprises, as the nerve-centre of most nations' industrial development, need to be encouraged with cheaper sources of finance and other forms of support in order to engage the army of the nation's fresh graduates and subsequently reduce unemployment.
- (d) The Federal Government of Nigeria should put in place the necessary infrastructure like regular power supply, good roads, water, and enhanced security across the states in order to encourage setting up of businesses.
- (e) The government, through its agencies, should link small businesses with cheaper sources of finance. The non-interest banking being currently promoted by the Central Bank should, as much as it is feasible, should be encouraged among small businesses.
- (f) SMEDAN should dialogue with the Central Bank of Nigeria (CBN) and the Bankers Committee on how to make the Equity Investment Scheme work. A Credit Guarantee Scheme, which will be a risk-mitigating mechanism for SMEs, will make it more convenient for the banks to grant credit to small businesses.
- (g) Government institutions as well as the Nigerian public should patronize SMEs, as a deliberate state policy. The various levels of government in Nigeria are big spenders; no doubt, if the SMEs are guaranteed substantial patronage by government at all levels, the impact on the profitability and prospects of SMEs would be salutary.
- (h) Nigerian banks, insurance companies and all tiers of government should collaborate to develop Business Parks in all the states of the country. Such industrial parks should have full complement of necessary infrastructural support facilities such as electricity, water supply, transportation, telecommunication, roads, waste management, security, etc. The SMEs including cooperatives would have access to the parks under a lease-or-hire agreement and would serve as avenues to boost job creation as well as accelerate the poverty reduction process.
- (i) In view of the fact that Foreign Direct Investment (FDI) could accelerate the development of SMEs through the inflow of investment capital and technological transfer, SMEDAN, in collaboration with the Nigeria Investment Promotion Commission (NIPC) as well as the Nigerian Export Promotion Council (NEPC) and Nigeria Export-

Import Bank (NEXIM), could facilitate partnership and cooperative programmes between foreign and local investors for the benefit of technological acquisition. It is on record that such South-east Asian nations as Singapore, Malaysia, South Korea etc. owe their industrialization and technological acquisition to the growth of Foreign Direct Investment.

- (j) Active collaboration of SMEDAN with the Organized Private Sector, Bank of Industry as well as the Federal Ministry of Trade and Investment could go a long way in ensuring that the objectives of this Agency are realized for the benefit of the average Nigerian small business as well as cooperatives.

Globally, employment generation is one of the most important reasons for promoting the development of SMEs. There is no gainsaying that Ogun State, a neighbouring state to Lagos, Nigeria's commercial capital, stands to ameliorate the nation's unemployment situation if her SMEs including cooperative societies, enjoy the necessary support from SMEDAN. Consequently, the SME sector would be on course in creating the right environment for jobs and the nation will also be on her way to meeting the Millennium Development goals on sustainable development.

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