

Role of Government, Financial and Support Institutions to Small and Medium Scale Industrialists in Nigeria

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ABSTRACT

Small and Medium Scale Enterprises are the engine of economic growth. They have been accepted worldwide as instruments of economic growth and development. In developing nations, governments have made tremendous efforts and establish policy to enhance the capacity of small and medium enterprises. Government over the years has formulated a number of policies aimed at developing small and medium enterprises. While most policies actually failed due to poor implementation, others however succeeded. This necessitated the appraisal of role of government and support institutions to Small and Medium Enterprises in Nigeria.

The paper concluded that a lot still need to be done by Government in terms of policy formulation and sensitization of the general public on how to access fund for SMEs industrialists in order to meet the financial needs.

Key Words: government support institutions, SMEs, economic growth, industrialist.

INTRODUCTION

Small and Medium Enterprises occupy a place of pride in virtually every country or state. Because of their (SMEs) significant role in the development and growth of various economics they (SME) have aptly been referred to as “the engine of growth” and catalysts for socio-economic transformation of any country (Ihua, 2009). Apulu (2012) opined that SMEs represent a veritable vehicle for the achievement of national economic objectives of employment generation and poverty reduction at low investment cost as well as the development of entrepreneurial capabilities including indigenous on recognition of the enormous potential roles of SMEs various special measures and programmes have been designed by government. The highlights of this measure include:

- i. Financial incentives and protective fiscal policies.
- ii. Specialized financial institutions and funding scheme for the SMEs.
- iii. Favourable tariff structure and;
- iv. The selective reservation of items for exclusive manufacture in the SMEs sub-sector.

This paper will therefore review literature on Small and Medium Enterprises

in Nigeria vis-à-vis roles played by the government, financial and support institutions in achieving development in Nigeria.

REVIEW OF LITERATURE

Many scholars have written on Small and Medium Enterprises in Nigeria. This fact underscores the essence, importance and relevance of this sub-sector in the development of any given economy. (Onugu, 2005).

Many International Development Agencies, organization and financiers not only appreciate the great roles played by SMEs in poverty alleviation and overall economic development.

In recognition of the crucial role SMEs play in economic growth and development the Bank of Industry granted over seventy percent of entire loan to SMEs in 2006 (Muktar, 2009).

Oni & Daniya (2012) asserted that the role of government in SMEs in Nigeria became significant only after the Nigeria Civil War (1967-70).

Since the Mid 1980s there has been increased commitment of government to entrepreneurship development especially after the introduction of the Structural Adjustment Economic Program (SAP) in 1986. Added to this is Small and Medium Enterprise Development Association of Nigeria (SMEDAN), SMEEIS etc (Esiomo, 2010).

Nigerian government promotes entrepreneurial culture through initiatives that builds business confidence, positive attitude, encouragement of new idea, social responsibility, providing technological

supports, encouraging in inter-firm linkages and promotion of research and development.

It also established Small and Medium Scale industrial development to facilitate training of Small and Medium Scale industrialists in Nigeria (Uboh, 2003).

The financial institutions play significant to SME industrialists in Nigeria. These financial institutions provided services to encourage Small and Medium industrialists in Nigeria. They are:

1) **Nigeria Bank for Commerce and Industry**:-Nigeria Bank for Commerce and Industry was established jointly by the federal government of Nigeria and the Central Bank of Nigeria (CBN) in 1978 as the apex institution for financing Small and Medium Scale Enterprises. The rationale for establish for establishing the bank was to bring financial discipline to bear and to hopefully ensure a more efficient utilization of scarce financial resources for the development of viable Small and Medium Enterprises. Bank was also vested with the power to administer the Federal Ministry to Commerce and Industry's special funds for small and medium scale industrialist under a soft loan agreement. Central Bank (Hassan, 2003).

2) **Commercial Banks**: The Nigeria Commercial Banks render services and products to SMEs to meet the statutory requirements and also carry out instructions of CBN. They provide financial advice which ensures viability, sustainability and growth of SMEs. Since 2010, Diamond Bank has been partnering with Enterprise Development Centre (EDC) of the Pan Atlantic University, for the provision of support services to SMEs's industrialization

in Nigeria. The Bank gave three million to each of prospective Small and Medium Business Industrialists in 2013.(Field Work,2014).However commercial banks which remain one of the biggest sources of funds to SMEs have in most cases, shield away because of perceive risks and uncertainties in the sector.

3) **The Central Bank:-** Central Bank serves as principal agent for promoting improved access to credit for industrial development particularly to Small and Medium Scale industrialists. They provide loans and advances to Small and Medium Scale Industrialists. To improve access to finance for SMEs, the Central Bank approved the sum of five hundred million naira debenture stock for SMEs in 2010.Also, this year the governor Central Bank approved the sum of two hundred and twenty billion naira to Small and Medium Scale Enterprises in Nigeria

4)**World Bank:-**The World Bank promotes this growth of Small and Medium Scale Enterprises in Nigeria the Federal Government of Nigeria also negotiated additional financial assistance from the World Bank to complement other sources of funds available to Small and Medium industrialists. This was resulted into a loan of \$270 million which was managed directly by Small and Medium Enterprises apex unit with the Central Bank. (Kayode, 2001).International Finance Corporation also granted 12 billion naira loan to SMEs in Nigeria in 2014 (Fieldwork, 2014).

OTHER FINANCIAL INSTITUTIONS FOR SMES

The under listed are some other financial institutions from where SMEs could source their funds

- (i) Nigerian Industrial Development (NIDB)
- (ii) World Bank Facility for SMEs
- (iii) Nigerian Agricultural, co-operative and Rural Development Bank
- (v) Microfinance Banks
- (vi) Small-scale Industries Credit Loan Schemes and;
- (vii) Small-scale Industries Credit Loan Schemes (NOUN, 2013).

SUPPORT INSTITUTIONS FOR SMES

According to NOUN (2012), the following are some of the support institutions that render technical assistance to SMEs.

- (1) **Institute for Entrepreneurship and Development Studies (IFEDS):** IFED was established in 1968 within the faculty of social science, university of Ife (now O.A.U) a pioneer Institute that will look into the massive development of small scale industries that will create jobs and rapid industrial transformation in Nigeria. The centre has now groomed to a full-fledged centre within the University system.
- (2) **Project Development Agency (PRODA) Enugu:** PRODA was established in 1970. Its aim was to ensure the development of the nation in technology by producing local

materials, equipment and appropriate machinery.

- (3) **National Directorate of Employment (NDE):** NDE was established in 1987 with the aim of reducing unemployment through development of SMEs by designing some programmes. The main objectives of the programmes are to provide training opportunities through the provision of finance and management support service to entrepreneurs.
- (4) **Investment Information and Promotion Centre:** The centre was founded in 1966 as part of Federal Ministry of Industry. The centre provides potential investors (especially SME operators) with useful information on the general economic situation.
- (5) **Industrial Development Centre (IDC):** In 1962, the first Industrial Development Centre was set up in Owerri by the Eastern Nigerian Ministry of Trade and Industry. The aim was to render techno-managerial assistance to SMEs in the states towards establishment of new SMEs and modernization and development of existing SMEs.

Despite the contribution of these institutions to SMEs, there are still many problems facing

Small and Medium Scale Industrialist in Nigeria such as: lack of access to finance, lack of

enabling environment, low level of entrepreneurial skills, shortage of manpower e.t.c.

Conclusion

Sequel to review literatures on the subject matter of this paper, it is very clear that government in Nigeria have formulated various policies to help small scale industrialist. But Nigeria is still a mirage since several policies aimed at small and medium scale enterprises development did not stand the test of time due to poor implementation, erratic financing of schemes initiative by the government and other administrative bottle-necks.

These have made it difficult for small and medium industrialist to have easy access to fund their businesses. Of course economy will never thrive. If government and financial institutions continue to pay lip services to the development of small and medium industrialists.

Recommendations

In the light of the findings from literature review, the following recommendations are considered pertinent:

- 1) Government should find lasting solution to the state of infrastructural development especially electricity.
- 2) The Central Bank of Nigeria (CBN) and financial institutions should embark on extension sensitization of entrepreneurs on the operation of banks.
- 3) Government and financial institution should develop a holistic approach to scheme initiated by them.
- 4) Interest which disastres people with business ideas should be reduced to a

bearable level so as to make borrowing cheaper.

- 5) The security situation of the country need to be improved so as to make business more effective in Nigeria and;
- 6) The Central Bank of Nigeria should compel all financial institutions to adhere to adhere strictly to banking policies and regulations.

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