Effect Of The Naira Devaluation On Small And Medium Scale Enterprises In Nigeria

(A Case Study Of Selected Mini Importers In Lagos)

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CERTIFICATION

This project titled **EFFECT OF THE NAIRA DEVALUATION ON SMALL AND MEDIUM SCALE ENTERPRISES IN NIGERIA (A CASE STUDY OF SELECTED MINI IMPORTERS IN LAGOS) prepared by OKERE CHIKA CHIGOZIE**, 16020301002 in partial fulfilment of the requirement for the degree of **BACHELOR OF SCIENCE (ECONOMICS)** is hereby accepted.

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DEDICATION

I dedicate this project to my parents, Mr. and Mrs. OKERE, for their unending support and assistance in facilitating all of my endeavours, and to my father in heaven for assisting me in achieving all of my academic, career, and family goals, as well as to my hardworking and motivating supervisor for all of his assistance.

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ABSTRACT

This study examines the effect of devaluation in Nigeria by means of selected mini-importers in Lagos Nigeria to small and medium-sized enterprises. The aim of this study is, evaluate the extent to which SMEs depend on foreign goods and services, determine the impact of the naira devaluation on Nigerian SMEs' financial performance, assess the impact on import volume of SMEs in Nigeria of the naira depreciation, Examining Naira's effectiveness in encouraging the development of indigenous small and medium-sized enterprises in Nigeria, with respect to methodology. This study focused on the effect of the naira devaluation on the output of small and medium-sized 34 companies in Lagos state. The respondents were mainly importers of businessmen and women in Lagos. And they were drawn from business men and women mostly importers in Lagos. A total sample size of two hundred (200) respondents selected from the research population using the convenient sampling method, The findings show that the naira depreciation has both negative and positive effect on the businesses and Nigeria as a whole. Gathered through the use of primary data (questionnaire).

The study recommended to the government and the general public that, Value Creation should be the trademark of Small and Medium Scale enterprises in Nigeria. Goods and services that can attract foreigners should be produced to reduce the effect of the naira devaluation.

Therefore, Policies should be designed and implemented to fast track the diversification of the Nigerian economy. Other areas such as agriculture, tourism, education should be explored to attract more foreign exchanges and revenue and Enabling environment for business to strive should be created.

Key words: Devaluation of currency, small and medium scale enterprises, Nigeria economy.

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CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND TO THE STUDY

Because of its rich natural resources such as crude oil, Nigeria is considered to be fortunate. Her huge economic capabilities have brought her to a high level among the oil-producing nations of the world. 1 Her oil and gas sector, characterized as the country's financial lifeblood, has helped her to play this enviable role. This and its role and significance in today's Nigeria are discussed in several journals. This has resulted in the division of Nigeria's four major economic segments: oil-related operations, the public sector (governments and parastatals - which are also heavily reliant on oil derivatives), the structured private sector, and the informal sector (World Bank 2012).

The first six economic sectors rely heavily on petroleum. 1 Because oil now accounts for over 80% of export income in the country, the dominance of the industry is best demonstrated by its share of oil revenues, which are growing as a percentage of exports. The recent decrease in oil prices has brought into crisis economics countries such as Nigeria, which has an oil-based economy and an undiversified economy. The risk posed by exchange-rate fluctuations would ultimately depreciate Naira. This influenced the demand and supply aspects of the economy. The present government in Nigeria generally uses crude-oil foreign-exchange reserves to deal with excessive exchange volatility, and recently crude oil prices have collapsed. This has a significant impact on the devised income. The ability to finance the exchange market of the Central Bank of Nigeria (CBN) was challenged. A low exchange reserve is the cause for the free movement of the currency. There are also growing demand issues in the last five (6) years a high demand for the exchange of devises has resulted in volatility in the exchange market due to factors such as strong dependencies on imported finishing goods, reliance on imports with other inputs of raw materials and the revolution in capital flow by investors and high specific demand (CBN report, August 2013). The increased demand for foreign exchange therefore leads to exchange volatility in the face of unstable supply. Devaluation refers to a sharp currency decrease at a fixed exchange rate. Agriculture, formerly the economic centre of the economy, showed a greater decrease in 1960 after independence. The result was the discovery of the worldwide economic value of crude oil. In terms of social and economic growth, crude oil revenue seemed to have supported the Nigerian economy instead of agriculture. As a result, farming operations have been neglected. As a result, agriculture's contributions 1to the Gross Domestic Product (GDP) were negligible! The following are the regressive trends: agriculture's contribution to GDP dropped from 39.9% in 1971 to 18% in 1974, with occasional increases. Nigeria's devaluation was extremely high during this period. Devaluation of currencies is a macroeconomic monetary policy aimed at decreasing the value and profit in local currency. The costs of goods and services are lower in a country where the currency has been devalued than in a country where the currency has not been devalued. Reduced prices of goods and services will help boost regional trade with the ultimate aim of boosting economic growth and development to help alleviate poverty. Campbell (2004) defines currency depreciation in the official exchange rate of government as a deliberate downward shift against a certain standard or other currency. The scholastic debate above clearly means that monetary depreciation is about encouraging the export and the reduction in imports of goods and services so that sustainable development may be achieved and ultimately poverty reduced.

1.2 STATEMENT OF THE PROBLEM

Nigeria's economy is also heavily reliant on imports. As a result of the naira's devaluation, her high reliance on goods and services from other countries could have more negative than positive consequences. While some financial and economic analysts have praised the Central Bank of Nigeria's Monetary Policy Committee (MPC) for devaluing the naira in late 2014, the question remains whether the government has done enough to build an enabling climate for companies to produce locally and earn more foreign exchange? Without a doubt, devaluation can be used as a fiscal policy tool to deter imports, achieve balance of payment, and enable and promote businesses, but Nigeria isn't there yet, as most SMBs still depend on goods and services from other countries to stay afloat.

The devaluation of the naira has the effect of raising the cost of imports. Nigeria, as an import-dependent economy, cannot afford to devalue its currency because the country does not manufacture a commodity that would draw buyers from other countries, and the government has not adequately prepared SMEs to produce these goods.

Since importing goods and services from China, the United Kingdom, the United States, and other countries is cheaper than producing locally, the majority of SMEs continue to rely on them. Overdependence on foreign goods by SMEs is dangerous, as a decrease in the value of the Naira would result in higher sales costs and other operational/manufacturing costs. To purchase products and services from other countries, SMEs would have to invest more money. This can lead to inflation, decreased demand for goods and services, and the failure of small and medium-sized enterprises.

1.3 OBJECTIVES OF THE STUDY

This study focuses on the impact on Nigeria's SMEs of the naira devaluation by using mini-importers in Lagos as a case study. The research is carried out in Nigeria. The study's specific goals are as follows:

1. Determine the extent to which SMEs are reliant on imported products and services.

2. To ascertain the impact of the naira depreciation on the financial results of Nigerian SMEs.

3. To investigate the impact of the naira depreciation on the amount of SMEs' imports in Nigeria.

4. To assess the impact of the naira depreciation on the development of indigenous small and medium-sized businesses in Nigeria.

1.4 RESEARCH QUESTIONS

The following research questions were formulated in order to achieve the paper's goals and guide the thesis in the right direction:

1. How reliant are Nigerian SMEs on imported products and services?

2. How does the naira's devaluation impact the financial output of Nigerian SMEs?

3. How did the naira devaluation affect the import quantity of Nigerian SMEs?

4. How was the devaluation of naira successful in promoting small and medium-sized Nigerian business development?

1.5 RESEARCH HYPOTHESIS

The study formulated the following hypotheses:

Ho: SMEs are highly reliant on external goods and services.

Hi: SMEs rely on goods and services from abroad is low.

Ho: No significant relationship exists with the financial performance of SMEs in Nigeria between the naira devaluation.

Hi: Naira devaluation and financial performance of small and medium-sized enterprises in Nigeria are significantly connected.

Ho: The naira devaluation and import volume of SMEs in Nigeria are not significantly related.

Hi: The naira devaluation and import volume for SMEs in Nigeria have a significant connection.

Ho: The devaluation of naira did not promote the growth of indigenous small and medium-sized enterprises in Nigeria.

Hi: The devaluation of naira has helped promote the growth of small and medium-size indigenous enterprises in Nigeria.

1.6 THE STUDY SIGNIFICANCE

The study is important because it adds to the current Naira literature and how it impacts SMEs and Nigeria's economic developments. For people interested in learning more directly about the naira devaluation it will serve as a starting point for further analysis, academical work and self-study material.

It is also hoped that Nigerian policymakers will find this helpful in formulating, implementing and facilitating Naira depreciation policies.

1.7 LIMITATIONS AND STUDY SCOPE

The investigation examines the impact of the Naira depreciation on small and medium-sized businesses in Nigeria with a case study using responses from the selected mini-imports of electronic gadgets such as tablets, iPads, computers, TVs and general goods in Lagos state.

There is a limit to every research project. To meet the defined objectives of the study, the scientist had to deal with financial and time constraints. The disadvantages of the study were a lack of funding for printing and distributing questions and short breaks.

1.8 TERMS AND CONDITIONS DEFINITION

SME: Small and medium-sized businesses, with little labour and finances, are small organizations.

Devaluation: Devaluation in the context of contemporary monetary policy represents a careful reduction of the value for those goods, services or other units that can be exchanged in a particular currency. The lowering of the exchange rate reduces the value of the currency.

Exchange rate: the currency exchange rate is the value of one country versus another country's currency. Most exchange rates are volatile, with supply and demand rising and decreasing.

Import: The import consists of the import into another country for a fee of material goods and services.

Export: The term export means the export from one country to another of goods and services. The seller of these goods and services is known as "exporting agent" in which the foreign buyer is based is known as "importer."

Trading of products and services via computer Internet connections and the worldwide Internet. E-Commerce: Electronic commerce.

Jumia: an e-commerce site where goods or household appliances are being purchased and sold.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.0 INTRODUCTION

This chapter provides an overview of numerous studies undertaken by renowned scholars, as well as definitions of terms related to the impact of devaluation on small and medium-sized businesses.

The chapter also provides a summary of the problem's past and current state, as well as a detailed overview of recent research into closely related issues.

2.1 THEORETICAL REVIEW

Dependency Theory has accurately captured this study when it is adopted as an economic system in which one country relies for economic growth and growth. Economic relationships are the key element in this theory of dependence. The nations dependent on the peripheries or less developed nations referred to in this theory are (LDCs). The theory is that developed countries externally formulate and dictate their economic policies which regulate the economic activities of the less developed nations (DCs). In this case, policies fluctuate from the developed to the less-developed countries, thereby allowing for inclination. This is because the least developed countries are fenced in with the existing global economic policies, thus representing the master-servant relationship between the advanced and the poorer developed nations. Due to the lack of consensus on policy, scholars including: Baran (1957) and Amin (1976), Gunder(1967) and Meier (1983), Wallerstein (1974 and 1975), and Dos Santos (1971), Richard(1991), Fanon (1966), and Offeng (2001) and Chuke (1996), argue that the policy-making policy will not benefit the less developed economies, but the world's industrialized countries.

Their argument is from the perspective of democratic participation in public policy and decision-making, which guarantees the participation of the citizens in the development process (Iyoha, 1999). Words that, if politics lack the involvement of the public, its objective is hardly fulfilled, because the citizens' wishes and aspirations are excluded. Amin(1976) believes that the approach to dependency will result in a non-equal exchange between core regions, which he calls unequal international expertise. This unequal interchange as demonstrated by the approach of dependency leads to the center’s use of the periphery. This exploitative relationship will develop into a situation in which advanced countries become richer at the expense of developing nations while developing countries become deeply poverty-ridden.

Indeed, from the point of view of global financial institutions, such as the IMF and the World Bank, which externally dictate the Third World's economic policies without regard to its environmental variations, an appreciably dependence approach is driven by wealth, science and technology.

This theory is based on the situation in Poverty Rising Programmed, established in third world countries, especially in Nigeria, where programs such as, the National Poverty Eradication Program (NAPEP) and the National Employment Directorate (NDE) operate in a harsh manner as a macroeconomic policy formulated for Nigeria by the IMF and the World Wide Web (WWW). Under the guidance of the global monetary devaluation policy, the operators and the target group intended to help the programmers. Due to the externally dictated currency devaluation policy, it delayed the effectiveness, thus leaving Nigeria among the poorest nations in the world, of the establishment of poverty reduction programmers. Because policy is externally dictated, Nigerians are not able to address the problem of poverty in the environment.

2.2 CONCEPTUAL REVIEW

Plethora's of concepts have been documented in this regard. Osoba (1987), for example, argued that financing power is the most important determinant of small and medium enterprise development in developed countries. Yue and Ma (2008) investigated problems related to the long-term growth of technical innovation in small and medium-sized businesses (SME). They concluded their research by arguing that the long-term development of technological innovation in SMEs is a structural engineering problem that involves a variety of factors such as technical level, key research and development personnel's skills, funding for research and development, and market development, among others.

SMEs must formulate and execute strategies based on their unique characteristics and aim for long-term development that cannot be achieved in a short period of time.

Increased raw materials use, employment creation, rural development promotion, business development, local savings mobilization, links with larger industries, regional equilibrium provided by more evenly spreading investments, and self-employ opportunities and prostitution, Oluba reports (2009).

Entrepreneurial orientation, according to Ogunsiji and Ladamu (2010), is the panacea for declining efficiency. They believe that in Nigeria, there is a need for continuous development, as well as a harmonious and balanced blend of capital with other growth engines. Each of these growth engines, such as people, market, money, technology, and organization, can only flower and blossom to their full potential where human resource skills are effective.

2.2.1 OVERVIEW OF SMALL AND MEDIUM SCALE ENTERPRISE

There has been no agreement about what a small business is in precise terms all over the world. This is due to: -Differences in overall manufacturing and economic development patterns. -Capital and personal size differences. -Under-standard quality standards for commercial enterprises - worldwide disparities in policy and environment, etc. However, in the Third Nation Development plan (1970-80), small firms are defined as "a production facility with less than 10 employees and with investments in machinery and equipment lower than N600,000,00" (six hundred thousand naira). In its credit guidelines, the Central Bank of Nigeria (CBN) describes small businesses as having an annual turnover of less than N500 000.00. (1983). (Five 100,000 Naira). The Federal Ministry of Industry in 1973 described a small business as 'any production company with a total capital expense of up to N60, 000,00 and an employee paid up to N60, 000,00.' However, in 1983 it characterized "a small sector industry" as "the ones that have total investment between N100 000.00 (100,000 naira) and N2000 thousand 000.00 (2 billion naira), exclusive of land and working capital, because of changes in economy and, above all, because of its implementation by the Structural Adjustment Programme (SPA). A "small-scale business enterprise" should have at least two of the following features, according to the Economic Development Committee (ED) of the United States. You are: —Style of ownership. -A single person or a small group provides capital and owns the business. -By individual standards, the company is small. -Area of operation in their local area via their commodity. -There is a lot of personalization in the management. -Area of operation in their local area via their commodity. -Extremely high mortality rate. We must agree with Osaybemi (1983), who described a small-scale business as one whose scale of operations is less than the average, in light of the difficulty of providing an agreed concept of small-scale business and following the contribution of the United States, Committee for Economic Development.

All that is required is to take an average value for a specific variable, and all businesses that fall below this average are classified as small-scale businesses.

2.2.2 FEATURES OF SMALL AND MEDIUMS SCALE ENTERPRISES IN NIGERIA

1. The majority of small and medium-sized businesses are sole proprietorships and partnerships. Some, on the other hand, are formed as limited liability companies.

2. Labor-intensive manufacturing processes and centralized management are common in SMEs.

3. The employer-employee relationship is essentially unstructured.

4. Access to long- and short-term capital is restricted for SMEs.

5. There is no division of ownership and control, and the management structure is straightforward, allowing for quick decision-making.

6. SMEs are prevalent in a wide range of economic activities, including manufacturing, transportation, and communication.

7. The majority of SMEs depend heavily on locally sourced raw materials.

8. Uses low-cost, locally available technology (usually very simple), but the number of them is growing. 1. Uses low-cost, locally available technology (usually very simple), but the number of them is growing.

2.2.3 THE CONTRIBUTION OF SMALL-SCALE BUSINESS TO THE ECONOMIC GROWTH OF NIGERIA

There are many reasons for emphasizing conscious planning and growth of small-scale business industries in Nigeria; some will be enumerated in this project, as discovered during the course of this research those small-scale businesses may help to change a depressed Nigerian economy. The following are examples of such contributions: - There are many reasons for emphasizing conscious planning and growth of small-scale business industries in Nigeria; some will be enumerated in this project, as discovered during the course of this research those small-scale businesses may help to change a depressed Nigerian economy. The following are examples of such contributions: -

- **Employment Creation**

Small-scale enterprises provide employment to Nigerians, reducing reliance on the government to provide jobs for all and, to a large degree, reducing government spending in order to contribute to an economy with an equitable budget. In any country, the most difficult task obstacle in industrial promotion is the ability to build jobs without risking an unmanageable high rate of inflation. Between 1984 and 1986, Nigeria experienced a time of job retrenchment in both the private and public sectors of the economy, as well as a large number of graduates from our tertiary institutions each year. Unemployment has reached an unprecedented and intolerable amount. Energetic men and women could be seen every day on the streets of urban cities and towns, struggling to sell items such as cigarettes, biscuits, and drinks in order to make a living. However, the government did not continue to rely solely on large corporations to provide private jobs to the general public. It is to this end that the following questions arise:

(a)How quickly could new jobs be generated to absorb a large number of graduates from tertiary institutions, especially retrenched workers?

(b)How quickly could new jobs be created to fill the void left by unemployment? In response to this issue, it became clear that a plan aimed at getting the unemployed to start and manage their own small businesses in order to generate employment for themselves and others was needed. As a result, the National Directorate of Employment (NDE) was formed with the sole purpose of training men and women to create new jobs in the development of workforce.

The National Economic Reconstruction Fund (NERFUND) in December 1996 indicates that one thousand three hundred one (1301) or an average of fifty (50) workers or employees per enterprise expected to generate work in the first twenty-six companies that received credit approval. Small scale industries are generally labour intensive, which directly increases employment opportunities by a given unit of investment in the sector.

SMEs' other role and contribution to Nigeria's economy is:

1. They act as Catalyst for Technological Development: In most cases SMEs use less complex information can help to promote needed technology and leads to innovation.
2. Employment Opportunity: SMEs have a higher capacity for generating employment as their modes of operation are more labor intensive. They are found in virtually all areas of economics activities and everywhere even in the rural areas.
3. They provide training ground for the establishment and management of the large firm: over time some of these firms grow in size by expansion or by merging with other firms. As these enterprises grow in size, the managers learn on the job.

4. They encourage and promote private sector initiatives and development: all SMEs are privately owned and managed; their continued existence improves the level of private sector participation in economic development.
5. SMEs help to fill the gap left and subserviced by the large firms.
6. SMEs help to tap the relatively ignored and other unexploited resources and areas of production.
7. They are major sources of domestic’s capital formation through their mobilization of private savings and channeling of such into productive investments.
8. SMEs aid the process of redistribution of incomes in many countries both in purely financial terms (wages and profit) and in terms.
9. SMEs act as industrial links between local producers of raw material and large industrial concerns.
10. SMEs have positive implication for improving the standard of living of the citizen and generation of foreign exchange through export.

2.2.4 THE CONCEPT OF CURRENCY DEVALUATION

A repentant fall in the currency was originally referred to as a depreciation at a fixed exchange rate. After independence in 1960, agriculture, once the backbone of the economy, started to deteriorate. This is due to the discovery of the global economic value of crude oil. In terms of social and economic growth, crude oil income seemed to have helped Nigeria's economy rather than agriculture. This has neglected farming operations. As a consequence, the contribution of agriculture to the GDP was insignificant! There are thus retrogressions; between 1971 and 1974, farming' s contribution to the Gross Domestic Product decreased by 39.9% to 18% at times. The devaluation in Nigeria was very high during this period.

Devaluation of currencies is a macroeconomic monetary policy which is geared towards lowering the value of local currency to increase profits for commercial products. The cost of goods or services is lower in a country in which currency has been devalued than in a country in which currency has not been devalued. Reduced prices for commodities and services will help stimulate trade in a region in order to ultimately boost economic development and growth to help alleviate poverty. The government of Babangida under the leadership of the Babangida administration became popular with the Structural Adjustment Program in Nigeria in 1986. This is part of a strategy to help Naira achieve a fairer exchange rate, which was at that time overestimated. The risk to economic growth and development in Nigeria is poor because an overvalued currency compounds the balance of payments problem in Nigeria (Todaro,1989). The nation was urged as a necessary condition for economic recovery to adopt the devaluation strategy.

2.2.5 THE NAIRA DEVALUATION

Fitch Ratings-London-27 November 2014: The Central Bank of Nigeria's (CBN) move on Tuesday to devalue the naira and raise interest rates will have only a limited impact on Nigerian banks at present, but FX risks are Fitch Ratings says high for the sector. Nigerian banks are low (in the 'b' scale) and integrate a challenging and volatile operating environment in Nigeria, which reflect their intrinsic credit strength, making it unlikely the policy move will change the ratings.

Almost40% of Nigerian banks' loans are in foreign currencies, but have small net, long foreign-exchange bilateral positions. The impact of the weaker naira will thus probably be manageable on banks' credit risks, liquidity and solvency. The CBN devaluated N155/USD to N168/USD and significantly enlarged the band in the middle of Naira's official trading band.

The CBN also increased the benchmark interest rate from 12% to 13%, the first change since October 2011, and the CRR on private sector deposits to 20%. (From 15 percent). The increase in the interest rate would not necessarily result in higher loans being impaired, but higher financial costs would reduce the margins.

For certain banks, higher rates will lead to a loss of government securities in portfolios available for sale in a market-by-market way, although the impact on capital is probably moderate. We expect that funding costs will increase as inter-bank liquidity increases further as a result of the higher CRR. The CRR on deposits in the public sector remains the same at 75%. With banks' debt and lending financing rising recently, banks are more vulnerable to FX risks, particularly when further devaluations are in place. Nigerian banks, helped by stronger investor appetite for Nigerian debt, have increased funding internationally last year.

The CBN cut the foreign-development borrowing limits of banks to 75% and introduced an open-position cap of 20% (1% open-place net limit on trade units remains unchanged) on the entire foreign currency assets and liabilities of late October. All Fitch banks are below these new limits, but we believe that only four are able to raise benchmark volumes in line with the restrictions.

The new net open position cap will also likely curb the US dollar's growth, mainly in the oil, gas and electricity sectors, with strong demand. Typically, Nigerian banks lend only to major companies with a US dollar income in foreign currencies. However, the devaluation may impact its debt maintenance capabilities and increase the risk to banks of asset quality as corporate bodies extend their FX borrowings. Devaluation inflationary pressures may also affect consumer disposable income and retail loans from banks.

The FX limit could make it more difficult for banks to collect Tier 2 capital to comply with regulatory requirements. With the implementation in 4Q14 of Basel II and a revised capital rule, capital ratios may decrease to between 200 and 300 bp in certain low banks in Nigeria, close to or below 15 percent. As risk-weighted assets of foreign currency loans rise, this devaluation will also impair capital ratios. However, we expect this negative drag to be modest and largely compensated by re-appraisals and income gains from long FX positions. If the FX limit restricts banks' ability to raise subordinates of Tier 2 capital internationally, the capital shortages may be addressed through raising common equity because local exchange markets are not established for debt to tap.

2.3 REVIEW EMPIRICAL.

The study examined the empirical and theoretical analysis of the devaluation of currencies in Nigeria and in other parts of the world. Iyoha(2019) found that the IMF and World Bank call to eradicate poverty by means of poorer access to services and infrastructure was in contradiction with the SAP terms and conditions that stipulates currency devaluation in his empirical study on local government and rural development. His study found that devaluation of Nigeria's currency has caused tremendous inflationary pressures on the economy; a situation where the discharge of its statutory functions by local authorities is restricted. He emphasizes further that currency devaluations have reduced local authorities' purchasing power to the detriment of the grassroots population.

The overall result of his findings is that Nigeria's currency depreciation exercises poverty.

Voir (2017) examines the effect of devaluation on small-scale companies in Burkina Faso, using cost of production and profitability for small companies. Voir (2017) In his study, Voir (2017) examined the impact of devaluation on small enterprises in Burkina Faso using cost of production and profitability of small-scale companies. He found that the turnover rate in business activities fell by 22 percent, while the price of imports increased as well. As we have seen, there was profit made in dolotiers and construction companies, whereas small-scale business owners such as restaurant owners, provincial retailers, blacksmiths, mechanics and craftsmen, were exposed to the flare of devaluation. However, the depression of urban markets with the decrease in household purchasing power has weakened many small businesses that do not produce export products. (Voir,1997)

The FEWS NET is a USAID-funded activity with a mandate to evaluate and report the update on the food safety situation in Nigeria. FEWS Network. In its effort to conduct a cross-state survey of the impact of devaluation upon food prices in February 2009, it was noted that both wholesale and retail market prices for maize and sorghum increased sharply between December 2008 and January 2009, significantly above the average of five-year prices (2003/08) over the same period (FEWS NET, 2009).

In the same vein, the Naira devaluation has a negative impact on all Nigerians, argues Egedegbe (2009). That is, businesses, especially the poor. Devaluation made companies operate loss of their electronics, cars, and even rice prices a staple food in Nigeria, which has affected the poor negatively, because of high cost of imports that make their main portion of net income up into smoke (Egedegbe,2009).

In assessing the impact of the devaluation of naira, Abayomi (2007) believes that Nigeria can only make goods and services expensive as a dependent economy and devaluation. Besides the falling Adebayo Naira exchange rate, Nigeria's inflation has the crippling effect (Adebayo 2009). The devaluation of Naira has enriched the rich by importing rice which, because of its high prices, is a staple food in urban areas but hard to purchase for the poor. Devaluation generally leads to inflation, which hurts the poor especially hard.

A variety of methods were explored, including commonly less sol, two less square stage, three less square steps, error corrections model, pooled regression, fixed effect and dynamic model, among other methodologies, to determine the effects of exchange rate volatility on business performance. In addition, the literature has used various measurements of exchange rate volatility, including changes in the exchange rate, variance and exchange rate standard deviations. The choice is driven by a number of factors, including the time horizon (short-run vs. long-run). Often, a variance of the standard difference in the annual or monthly exchange rate is incorporated into the volatility measure. Jasen (1989) stated that these approaches overlook stochastic information, since it constitutes an unconditional measure, by which the exchange rate is produced. Following the study by Engle (1982), we are mainly concerned with volatility in the exchange rate by autoregressive models and subsequent generalizations of conditional heteroscedasticity (GARCH, IGARCH, TGARCH etc.).

Mustafa and Rebecca (2008), using sector data from 1994-1999, investigated the relationship between the exchange rate volatility and capital behavior of companies in Mexico. A variant of the Campa-Goldberg (1999) model is the econometric model. Investment in the manufacturing sector, sales, actual exchange rates, exchange rate volatility and annual interest rates are the key variables in this report. For measuring exchange rate volatility, the ARCH model was used. The model was analyzed through a panel regression with fixed effect. In this study, the use of static regression would not give a detailed result on the difference in the effect of the currency across which the dynamical model can be used.

In the study Arellano and Bover (1995), Blundell & Bond (1998) and Windmejer (1998) extended Aghionet et. al(2009) to the use of the GMM dynamic panel data estimator developed in Arellano and Bond (1991) (2004). This method reduces the problem of the joint endogenous characteristics of all explicative variables and addresses potential distortions caused by country-specific impacts. GMM methods are more efficient than estimates of 2SLS for endogenousity using Arellano and Bond (1991).

Mustafa and Firat (2011) examined the effects of exchange-rate uncertainty on domestic-to-foreign growth performance in Turkey compared with non-commercial companies. The study employed GMM specifically GMM method based on Bundell and Bond dynamic panel estimations (1998). It was argued that the system GMM method was appropriate for controlling endogenous, state dependence and bias at the same time. The size effects of the spill in exchange volatility on business performance in the tourism industry in Taiwan were investigated by Chang and Hsu (2013). The estimate was based on the volatility specification of BEKK-GARCH and VARMA-AGARCH, two conditional multivariate models. For the 999 companies that cover the period of the global financial crisis, the study used daily data from 1 July 2008 to 29 June 2012.

Other previous studies have shown mixed results on the effects on business variables of exchange rate volatility at company level. While some indicate that the relationship between exchange rates and the performance of businesses is negative and significant, others indicate that the variables are having a positive effect. Tareket al (2005) has shown that the overall effect of the exchange rate on investment is statistically insignificant in Canadian manufacturing industries. The analysis offers various evidence for investments in various sectors. If the volatility of the currency is high, industries are prone to investment reductions. In a low volatility system, manufacturing investments are increasing. Fuentes (2006) studied the effects of uncertainty on investment at plant level using a source of exogenous uncertainty to test main forecasts of investment theory. The reduced investment shape equation estimate indicates that exchange rate uncertainty has a significant and negative effect on investment.

Moreover, Varela (2007) noted that exchange rate volatility had a negative non-negligible effect on output. This effect is independent of the level impact on output of the true efficient exchange rate. The Varga (2012) findings show that Taiwan' s companies are strongly negatively exposed to domestic currency appreciation. The empirical findings indicate the non-linear exposure. The impact of real exchange rate volatility on export operations, according to Mahagankaet al (2009), has a marked indirect impact for the OECD countries. This means that volatility affects export activity negatively. The Mustafa and Firat study (2011) found that while volatility in the exchange rate negatively affects productivity, access to foreign or national stocks or debt markets in Turkey does not ease these effects. These findings show that export-oriented companies are more susceptible to exchange rate volatility, although they are less affected by currency appreciation. Cheung and Sengupta's empirical analysis (2012) reveal that the currency appreciation as well as currency volatility have on average a considerable adverse impact on export shares of Indian firms. Background data analyzes of China, Hericourt and Pencot (2012) companies' export levels confirmed that real exchange rate volatility has a dissuasive effect on trade; this magnitude depends mainly on the extent of financial constraints. It implies that companies tend to export fewer and fewer products to more volatile destinations.

Nevertheless, the empirical findings of Tang (2011) emphasize that the exchange rate volatility has a positive and significant impact on regional production and export networks in South Asia. The Aghionet al (2009) empirical inquiry shows that, the financially more developed a country is, the faster its exchange rate grows. This means that volatility in exchange rates is damaging for companies that have high needs of liquidity in low-developed countries. Anubha (2013) stressed that the actual movements in the exchange rate have a significant impact both via the cost and revenue channel on Indian companies' performance. The impact depends on the import/export share and the market power level.

2.4 SUMMARY CHAPTER

A number of literatures on devaluation and its effects on the economy as a whole, corporate bodies and businesses have been reviewed.

In general, the majority of the reviewed literature is focused on the economy and corporate institutions. This study recognizes the negative and positive effects on small and medium-sized companies of the devaluation of naira.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 INTRODUCTION

This chapter aims to describe clearly the methods and procedures for conducting the study and how data are being collected and organized for proper analysis on the subject of this research study. The methodology used in this research study is explained by the following headings: research design, study population and population methodology, sampling and sample size measurement, data collection methodology, and data sources, tool development, instrument validation, instrument reliability tests, data analysis methods and statistical tools. The data collection procedure and relevant information for the study hypothesis.

3.1 DESIGN RESEARCH

The overall plan to link conceptual research problems to relevant (and achievable) empirical research is research design. In other words, the research design articulates the information required, the methods used for collecting and analyzing this information and how all this will answer the question of the research.

The research design was designed to provide answers to research questions and control the variance in research according to Kerlinger (2012). So descriptive design was the research design adopted in this study. The adoption of the design was notified because the study involved collecting data so that existing phenomena could be described accurately and objectively and how the situation exists in the research population under study.

3.2 THE STUDY AND DETERMINATION METHER OF POPULATION

The study focused on the effect on the performance of small and medium-sized companies in the state of Lagos of the naira devaluation; therefore, the population for the study is the whole town of Lagos. The participants were mainly importers of businessmen and women in Lagos.

3.3 SAMPLING PROCEDURE AND SAMPLE SIZE DETERMINATION

According to Nwana (2014), sampling techniques are procedures adopted to systematically select the chosen sample in a specified away under controls. This research work adopted the convenience sampling technique in selecting the respondents from the total population

A total sample size of two hundred and forty (240) respondents was selected from the research population using the convenient sampling method. A sample of convenience is the terminology used to describe a sample in which elements have been selected from the target population on the basis of their accessibility or convenience to the researcher.

3.4 METHOD OF DATA COLLECTION AND DATA SOURCES

Data collection involves a search for relevant information that will proffer solution to specific problems. Every research effort therefore centers on the search for such information which could be obtained either from primary or secondary sources. However, for the purpose of this study, data were collected using primary data for this study (questionnaire). The questionnaire is the key tool in this study for data collection

3.5 INSTUMENT DEVELOPMENT

A carefully formulated questionnaire was the main instrument used for the research. The instrument has been developed with the help of my supervisory staff, two research and statistical experts as well as a test and measurement expert.

The questionnaire schedule is described by an appeal letter, which briefly describes to the respondents the objective of the data collection. In order for respondents to effectively participate in the exercise, this letter of appeal was required. Participants were also guaranteed anonymity, which helps avoid the false information needed to improve the study's validity and reliability.

The questionnaire was divided into three (2) parts. Part A comprises of respondents personal data. Part B contains many research assertions which helped elicit the effect of the naira devaluation on SMEs.

More so, the research instrument used for this study was a five (5) Likert scale as described below:

Option	**Weight**
Strongly Agree	**5**
Agree	**4**
Indifferent	**3**
Disagree	**2**
Strongly Disagree	**1**

3.6 INSTRUMENT VALIDATION

The tool is said to be valid if what is to be measured is measured (Deng and Ali, 1997). The questionnaire was sent to two Research and Statistical Experts and one expert on testing and measuring to determine whether the elements were measuring what they intended to measure to ensure the validity of the facial and content elements on the instrument measuring different variables in the study. These experts and my supervisor certified the instrument as valid to at least measure the content and the validity of the face.

During the process, their comments and corrections led to changes in word appropriateness and accuracy, sentences and expressions of the items in the questionnaire. Flaws and phraseology errors have been identified and the necessary corrections were made, such as tautology, grammar and the organization of the instrument.

3.7 RELIABILITY INSTRUMENT TEST

The reliability of a test, Nisbet and Entwistle (1977) shows that when it is administered a second time, it provides the same or almost the same result.

Therefore, a test-test approach has been used to access the reliability of the research instrument. Twice in the space of two (2) weeks some respondents received the same questionnaire. The second result was the same as the first. The measurement is therefore consistent over time.

3.8 METHOD OF DATA ANALYSIS AND STATISTICAL TOOL

In order to enhance quick and easy understanding of the replies and views on the subject, data to be collected in the field are presented in tabular form and analysed by means of a single percentage table. However, the statistical took employed to test the earlier stated hypotheses study is the regression and chi-squared, a non-parametric test; chi-square (x^2) tests are on important statistical took used for hypothesis with a view to making inferences. Basically, it is used when one wishes to compare an observed distribution with an expected distribution.

It is often referred to as "a goodness of fit test". The choice of the use of chi-square becomes necessary if our target population is in various area and professions such that a reliable sampling frame will conveniently contain all the elements needed from the population.

The formula for the correlation of x^2 is given as

$$X^2 = \frac{\sum (o-e)^2}{e}$$

Where:

O = observed frequency

e = expected frequency

X^2 = is the chi-square value.

Under the use of chi-square in this study at 95% level of significance is assumed to determine the critical value of decision making. To find the critical chi-square (x^2) distribution table, we begin by finding the degree of freedom. This is found by multiple lying the number of rows in the table less one by the number of columns less one.

That is, degree of freedom (df) = (rows -1) (columns -1), then using the degrees of freedom derived against the 95% level of confidence in the x^2 distribution table, the critical values is obtained.

Decision Rule

The rule when the chi-squared (x^2) is employed to a given hypothesis to accept the null hypothesis (H_0) if the calculated chi-square (x^2) value is less than the chi-square (x^2) critical value and then reject the alternative (Ha) hypotheses, if the calculated chi-square (x^2) value. We reject null hypothesis (Ho) if the calculated chi-square (x^2) value is greater than the chi-square (x^2) critical value and then aspect the alternative (Ha) hypotheses, if the calculated chi-square (x^2) value.

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION

4.0 INTRODUCTION

This chapter covers data analysis, interpretation and the mode of presentation to Explain the effect on small- and medium-sized companies in Nigeria of the Naira devaluation. Therefore, the analyses and discussion of data obtained from selected small importers from different areas in Lago Nigeria are shown in the following sections. There were 200 respondents from business people, traders and e-commerce customers. The 200 respondents answered the various questions posed by the questionnaire because the questionnaires were not returned.

4.1 PRESENTATION OF DATA

SAMPLE SIZE	QUESTIONNAIRE DISTRIBUTED	UNRETURNED QUESTIONNAIRE	TOTAL
200	200	0	200

4.1.1 Bio Data of Respondents

Table 1

Gender Distribution of Respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	183	91.5	91.5	91.5
	Female	17	8.5	8.5	100.0
	Total	200	100.0	100.0	

Source: Field Survey, 2021

The distribution of gender among respondents used for the study is shown in Table 1. 183 respondents, which accounted for 91.5% were males, while the remaining 17, which accounted for 8.5%, were female.

This clearly shows that men's interviewees dominated the study for their females. This is explained by the nature of the business or the task of importing, as more men want to import than women.

Table 2

Age Distribution of Respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1-20 Years	5	2.5	2.5	2.5
	21-40 Years	173	86.5	86.5	89.0
	41-60 Years	20	10.0	10.0	99.0
	60 and above	2	1.0	1.0	100.0
	Total	200	100.0	100.0	

Source: Field Survey, 2021

Table 2 shows age distribution of the respondents. 5 respondents representing 2.5% are between ages 1-20, 173 respondents representing 86.5% fall between ages 21-40 years, 20 respondents representing 10% fall between the ages 41-60, the remaining 2 respondents representing 1% are 60 years and above.

This clearly shows that majority of the respondents fall within the age bracket 21-40 years. This implies that majority of the respondents are still in their youthful ages.

Table3

Educational Background of Respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Basic Education	10	5.0	5.0	5.0
	SSCE	35	17.5	17.5	22.5
	OND	101	50.5	50.5	73.0
	HND	20	10.0	10.0	83.0
	B.Sc.	29	14.5	14.5	97.5
	M.Sc.	5	2.5	2.5	100.0
	Total	200	100.0	100.0	

Source: Field Survey, 2021

The educational background of the study respondents is illustrated in Table 3. 10 of them are in primary education, 35 of them representing 17.5% are SSCE holders, 101 of them are OND holders, 20 of whom represent ten% are HND holders, 29 of whom represent 14.5% are B.Sc. holders, and the remaining 5 of whom make up two and a half% are M.sc Holders.

This shows that the study participants are trained, as most people receive post-secondary education. Many interviewed persons are holders of OND, HND and B.Sc. In other words, they are qualified to take part in the study because they have a good knowledge of economic developments regarding the devaluation of Naira and their company performance at least.

Table 4

Years of Experience in Business

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1-10 Years	165	82.5	82.5	82.5
	11-20 Years	33	16.5	16.5	99.0
	21-30 Years	1	.5	.5	99.5
	30 and above	1	.5	.5	100.0
	Total	200	100.0	100.0	

Source: Field Survey, 2021

Table 4 shows years of business experience of the respondents. 165 respondents representing 82.5% have 1-10 years business experience, 33 respondents representing 16.5 have 11-20 years' experience, 1 respondent representing 0.5% have 21-30 years business experience, the remaining 1 respondent representing 0.5% have business experience of 30 years and above.

This demonstrates clearly that most respondents are experienced over 1-10 years, while a few have more than 10 years. The selected respondents for the study will then be further validated. In other words, respondents have extensive experience in business and will thus be able to answer the various questions asked and help the researcher attain the stated study goals.

Table 5

Location of Respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Ikeja	21	10.5	10.5	10.5
	Agege	42	21.0	21.0	31.5
	Festac	100	50.0	50.0	81.5
	Victoria Island	28	14.0	14.0	95.5
	Lekki	9	4.5	4.5	100.0
	Total	200	100.0	100.0	

Source: Field Survey, 2021

The location of the selected study interviewees is shown in Table 5. 21 respondents representing 10.5% of leave in Ikeja, 42 respondents represent 21% of leave of leave of age, 100 in Festac Town, 28 in Victoria Island, with the remaining 9 respondents representing 4.5% of leave of the time in Lekki.

4.1.2 Analysis of data in line with Research Question 1

Table 6

Do you Import?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	200	100.0	100.0	100.0

Source: Field Survey, 2021

Table 6 shows responses gotten from the respondents when asked if they import goods and services. All 200 respondents representing 100% agreed that they are into the importation business.

This shows that the respondents are into importation business, and hence they are the right people for the study, as the study seeks to examine the effect of the naira devaluation on the performance of small and medium scale enterprises in Nigeria.

Table7

If 'Yes', what type of Product do you import

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Computer Wares	37	18.5	18.5	18.5
	Clothes	121	60.5	60.5	79.0
	Food and Health products	10	5.0	5.0	84.0
	Home Appliances and Gadgets	19	9.5	9.5	93.5
	Automobile Parts	13	6.5	6.5	100.0
	Total	200	100.0	100.0	

Source: Field Survey, 2021

Table 7 highlights they type of products the respondents import. 37 respondents representing 18.5% import computer wares, 121 respondents representing 60.5% import clothes, 10 respondents representing 5% import food and health products, 19 respondents representing 9.5 % import home appliances and gadgets, while the remaining 13 respondents representing 6.5% import automobile parts.

This clearly shows that majority of the respondents selected for the study import clothes from other countries for their sale.

Table 8

I depend largely on other countries for supply of the above products mentioned

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	101	50.5	50.5	50.5
	Agree	87	43.5	43.5	94.0
	Indifferent	8	4.0	4.0	98.0
	Disagree	3	1.5	1.5	99.5
	Strongly Disagree	1	.5	.5	100.0
	Total	200	100.0	100.0	

Source: Field Survey, 2021

Table 8 shows the dependency of the respondents on foreign products. 101 respondents representing 50.5% strongly agree that they rely on other countries for their products, 87 respondents representing 43.5% Agree, 8 respondents representing 4% were indifferent, 3 respondents representing 1.5% disagreed, while the remaining 1 respondent representing 0.5% strongly disagree.

This clearly shows that majority of the respondents strongly agreed and agreed that small and medium scale enterprises in Nigeria largely depend on foreign products for survival. This to a large extent entails that SMEs in Nigeria depend on imports for sales as majority of the respondents asserted to this.

Table 9

I Outsource other stages of production to Foreign Contractors/firms

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	30	15.0	15.0	15.0
	Agree	47	23.5	23.5	38.5
	Indifferent	92	46.0	46.0	84.5
	Disagree	29	14.5	14.5	99.0
	Strongly Disagree	2	1.0	1.0	100.0
	Total	200	100.0	100.0	

Source: Field Survey, 2021

Table 9 shows the level or degree in which SMEs outsource other stages of production such as fabrication, services, branding, marketing etc to foreign firms and contractors. 30 respondents representing 15% strongly agree, 47 respondents representing 23.5% agree, 92 respondents representing 46% were indifferent, 29 respondents representing 14.5% disagree, while the remaining 2 respondents representing 1% strongly disagree.

This means that outsourcing of other stages of production is not really ascertained by the respondents as majority were indifferent when answering the question. However, majority of the respondents on the hand strongly agreed or agreed that other stages of production are usually outsourced to foreign firms and contractors.

Table 10

SMEs in Nigeria depend on foreign goods/services for their growth and survival

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	167	83.5	83.5	83.5
	Agree	27	13.5	13.5	97.0
	Indifferent	3	1.5	1.5	98.5
	Disagree	2	1.0	1.0	99.5
	Strongly Disagree	1	.5	.5	100.0
	Total	200	100.0	100.0	

Source: Field Survey, 2021

Table 10 shows how much small and medium-sized enterprises are dependent on foreign products to grow and survive. 167 people who represent 83.5% are strongly in agreement, 27 of them who represent 13.5%, 3 respondents with 1.5% were indifferent, 2 of them 1% disagree, and the remaining 1 of them with 0.5% disagreement.

This clearly demonstrates that the majority of respondents have affirmed that SMEs largely rely on foreign goods and services for their growth and survival.

Table 11

What Factors account for the dependence of SMEs on Foreign products?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Price	104	52.0	52.0	52.0
	Quality	7	3.5	3.5	55.5
	Lack of Local Substitutes	6	3.0	3.0	58.5
	Easy to Import	83	41.5	41.5	100.0
	Total	200	100.0	100.0	

Source: Field Survey, 2021

Table 11 highlights the various factors that account for dependence of SMEs on foreign products. Among the listed factors from the survey, Price was the major factor as most of the respondents asserted that foreign goods were cheaper than indigenous products. 104 respondents representing 52% asserted to this fact. 7 respondents representing 3.5% indicated quality, 6 respondents representing 3% indicated lack of substitute products, while the remaining 83 respondents representing 41.5% indicated that foreign products were easy to import.

This clearly shows that price is a major determinant of dependency of SMEs on foreign products. This makes sense as majority of products imported from China seems to be cheaper and more favourable for SMEs whose ultimate goal is to maximize profit and minimize cost of sales and production.

4.1.3 Analyses of Data in line with Research Question 2

Table 12

Are you aware of the Current Devaluation of the Naira?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	200	100.0	100.0	100.0

Source: Field Survey, 2021

Table 12 shows the level of awareness of respondents on the issue of the naira devaluation. All 200 respondents representing 100% are aware of the naira devaluation. This shows that the respondents are well qualified to answer questions to achieve research objective 2.

Table 13

The Current Naira Devaluation has affected my Business Negatively

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	173	86.5	86.5	86.5
	Agree	24	12.0	12.0	98.5

	Indifferent	3	1.5	1.5	100.0
	Total	200	100.0	100.0	

Source: Field Survey, 2021

Table 13 shows the effect of the naira devaluation on the financial performance of the respondents. 173 respondents representing 86.5% strongly agree that the naira devaluation has negatively affected their businesses, 24 respondents representing 12% agree, 3 respondents representing 1.5% were indifferent on the matter.

This clearly shows that the naira devaluation has negatively affected the financial performance of SMEs in Nigeria as majority of the respondents asserted to this. This further implies that although the naira devaluation has some positive effect on the economy, and SMEs in a country, its effects in Nigeria is Negative due to over dependency of SMEs on Foreign products and high level of imports into the country. This could reduce the Gross Domestic Product of Nigeria and cause Inflation if no properly monitored. Worse still, SMEs can collapse as a result of low patronage.

Table 14

I have incurred losses as a result of exchange rate fluctuations

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	20	10.0	10.0	10.0

	Agree	87	43.5	43.5	53.5
	Indifferent	43	21.5	21.5	75.0
	Disagree	33	16.5	16.5	91.5
	Strongly Disagree	17	8.5	8.5	100.0
	Total	200	100.0	100.0	

Source: Field Survey, 2021

Table 14 shows responses of respondents on losses accrued due to the naira devaluation. 20 respondents representing 10% strongly agree that they have made losses, 87 respondents representing 43.5% agree, 43 respondents representing 21.5% were indifferent, 33 respondents representing 16.5% disagree, while the remaining 17 respondents representing 8.5% Strongly disagree.

Table 15

High Cost of Sales have resulted in poor patronage and low turnover for my products

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	67	33.5	33.5	33.5
	Agree	33	16.5	16.5	50.0
	Indifferent	17	8.5	8.5	58.5
	Disagree	70	35.0	35.0	93.5
	Strongly Disagree	13	6.5	6.5	100.0

Table 15

High Cost of Sales have resulted in poor patronage and low turnover for my products

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	67	33.5	33.5	33.5
	Agree	33	16.5	16.5	50.0
	Indifferent	17	8.5	8.5	58.5
	Disagree	70	35.0	35.0	93.5
	Strongly Disagree	13	6.5	6.5	100.0
	Total	200	100.0	100.0	

Source: Field Survey, 2021

Table 15 shows effect of the naira devaluation on patronage and turnover. 67 respondents representing 33.5% strongly agree, 33 respondents representing 16.5% agree, 17 respondents representing 8.5% were indifferent, 70 respondents representing 35% disagree, while 13 respondents representing 6.5% strongly disagree.

Table 16

Since the naira devaluation, I hardly make profits

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	72	36.0	36.0	36.0
	Agree	81	40.5	40.5	76.5
	Indifferent	38	19.0	19.0	95.5
	Disagree	5	2.5	2.5	98.0
	Strongly Disagree	4	2.0	2.0	100.0
	Total	200	100.0	100.0	

Source: Field Survey, 2021

Table 16 shows effect of the naira devaluation on profits. 72 respondents representing 36% strongly agree, 81 respondents representing 40.5% agree, 38 respondents representing 19% were indifferent, 5 respondents representing 2.5% disagree, 4 respondents representing 2% strongly disagree.

4.1.4 Analysis of Data in line with Research question 3

Table 17

How frequent do you import?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very often	113	56.5	56.5	56.5
	Often	57	28.5	28.5	85.0
	Moderate	18	9.0	9.0	94.0
	Seldom	4	2.0	2.0	96.0
	Very Seldom	8	4.0	4.0	100.0
	Total	200	100.0	100.0	

Source: Field Survey, 2021

Table 17 shows frequency of imports of the respondents. 113 respondents representing 56. %% import very often, 57 respondents representing 28.5% import often, 18 respondents representing 9% import moderately, 4 respondents representing 2% import seldomly, while the remaining 8 respondents representing 4% import less often.

This implies that majority of the respondents import very often and often as indicated above.

Table 18

How would you rate your status as an importer?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Large Quantities	7	3.5	3.5	3.5
	Moderate Quantities	182	91.0	91.0	94.5
	Small Quantities	11	5.5	5.5	100.0
	Total	200	100.0	100.0	

Source: Field Survey, 2021

Table 18 shows volume of imports made by the respondents. 7 respondents representing 3.5% import in large quantities, 182 respondents representing 91% import in moderate quantities, while the remaining 11 respondents representing 5.5% import in small quantities.

This shows that that majority of the respondents are mini-importers as the import in moderate or small quantities.

Table 19

The Naira Devaluation has forced me to reduce the volume of Import

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	125	62.5	62.5	62.5
	Agree	63	31.5	31.5	94.0
	Indifferent	10	5.0	5.0	99.0
	Disagree	2	1.0	1.0	100.0
	Total	200	100.0	100.0	

Source: Field Survey, 2021

Table 19 Shows the effect on the volume of imports of the naira devaluation. 125 respondents representing 62.5% agree strongly that their imports have been reduced by the Naira devaluation, 63 by 33 by 31.5% agree, 10 by 5 were indifferent, and two were disagrees of 1%.

This clearly shows that the naira devaluation has reduced import volume of SMES as majority of the respondents asserted to this. Since it is more expensive to import goods and services from other countries against the weak naira, most SMEs have reduced quantities they buy from other countries, in-order to reduce cost of sales and minimize losses.

Table 20

If the Naira continues to be devalued, I may be forced to further reduce my import volume

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	158	79.0	79.0	79.0
	Agree	14	7.0	7.0	86.0
	Indifferent	26	13.0	13.0	99.0
	Disagree	1	.5	.5	99.5
	Strongly Disagree	1	.5	.5	100.0
	Total	200	100.0	100.0	

Source: Field Survey, 2021

Table 20 shows responses on whether imports will further be reduced if the naira is continuously devalued. 158 respondents representing 79% strongly agree, 14 respondents representing 7% agree, 26 respondents representing 13% were indifferent, 1 respondent representing 0.5% disagree, 1 respondent representing .5% strongly disagree.

This shows that if the naira is further devalued, majority of SMES will reduce volume of import.

Table 21

Are you of the view that the Naira Devaluation can encourage indigenous Products and impact positively on the Overall economy

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	83	41.5	41.5	41.5
	Agree	51	25.5	25.5	67.0
	Indifferent	3	1.5	1.5	68.5
	Disagree	29	14.5	14.5	83.0
	Strongly Disagree	34	17.0	17.0	100.0
	Total	200	100.0	100.0	

Source: Field Survey, 2021

Table 21 demonstrates respondents' awareness of the advantages or benefits of the naira devaluation on Nigeria's economy. 83 of the 41,5% respondents strongly agreed, 51 of the 25,5% agreed, 3 of the 1.5% were indifferent, 29 of the 28 respondents, representing 14,5% disagreed, and the remaining 34 respondent, representing 17%, strongly disagreed.

Table 22

As a result of the Naira Devaluation am now buying Nigerian made substitute products to what I Import

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	109	54.5	54.5	54.5
	Agree	41	20.5	20.5	75.0
	Indifferent	18	9.0	9.0	84.0
	Disagree	27	13.5	13.5	97.5
	Strongly Disagree	5	2.5	2.5	100.0
	Total	200	100.0	100.0	

Source: Field Survey, 2021

Table 22 illustrates the efficacy of naira devaluation in the promotion of Nigerian local products. Their purchase of local products is strongly agreed by 109 interviewees, representing 54.5%, 41 of them representing 20.5%, 18 of whom representing 9%, 27 of who answered 13.5% and 5 of whom were strongly disagreed. The figure of 51 interviewees is 5.5%.

This implies that the devaluation of naira has some positive effect on the economic situation in Nigeria, since local products are patronized by costly imports from other countries. In turn, this will increase the economy's gross domestic product and encourage the growth and survival of indigenous enterprises which may not compete in a good manner with international companies and their products.

4.2 TEST OF HYPOTHESES

Having carefully analysed the responses, 0.05 (5%) of importance in the chi-square hypothesis previously formulated in chapter one of this study was approached.

Small and medium-sized enterprises are low in dependency on external goods and services.

Hi: SMEs are highly reliant on foreign services and goods.

Question 8: I depend largely on other countries for supply of the above products mentioned

I depend largely on other countries for supply of the above products mentioned

	Observed N	Expected N	Residual
Strongly Agree	101	40.0	61.0
Agree	87	40.0	47.0
Indifferent	8	40.0	-32.0
Disagree	3	40.0	-37.0
Strongly Disagree	1	40.0	-39.0
Total	200		

Source: Field Survey 2021

Test Statistics

	I depend largely on other countries for supply of the above products mentioned
Chi-Square	246.100[a]
Df	4
Asymp. Sig.	.000

a. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 40.0.

From the value, X^2C= 246.1, X^2T at 0.05 with df=4 is 9.49

DECISION

The null hypothesis (H0) is rejected and the alternative hypothesis (H1) is agreed which says that the dependence of SMEs on foreign products is high. Because the X2C = 246.1 test statistics is larger than the actual X2T = 9.49 value.

TWO HYPOTHIS

Ho: There's no important connection between Naira depreciation and Nigerian SME financial performance.

Hi: Naira devaluation and the financial performance of SMEs in Nigeria are closely linked.

Question 13: The Current Naira Devaluation has affected my Business Negatively

The Current Naira Devaluation has affected my Business Negatively

	Observed N	Expected N	Residual
Strongly Agree	173	66.7	106.3
Agree	24	66.7	-42.7
Indifferent	3	66.7	-63.7
Total	200		

Source: Field Survey, 2021

Test Statistics

	The Current Naira Devaluation has affected my Business Negatively
Chi-Square	257.710[a]
Df	2
Asymp. Sig.	.000

a. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 66.7.

From the value, $X^2C= 257.710$, X^2T at 0.05 with df=4 is 9.49

DECISION

The null-hypothesis (H0) is rejected and the alternative hypothesis (H1) is accepted in order to determine which statements the test statistics X2C = 257.710. Naira devaluation and the financial performance of SMEs in Nigeria are closely linked.

THREE HYPOTHISIS

Ho: The devaluation of naira and import volumes of small and medium-sized businesses in Nigeria have no significant relation.

Hi: The naira devaluation and import volumes of SMEs in Nigeria are closely related.

Question 19: **The Naira Devaluation has forced me to reduce the volume of Import**

The Naira Devaluation has forced me to reduce the volume of Import

	Observed N	Expected N	Residual
Strongly Agree	125	50.0	75.0
Agree	63	50.0	13.0
Indifferent	10	50.0	-40.0
Disagree	2	50.0	-48.0
Total	200		

Source: Field Survey, 2021

Test Statistics

	I depend largely on other countries for supply of the above products mentioned	The Naira Devaluation has forced me to reduce the volume of Import
Chi-Square	246.100[a]	193.960[b]
Df	4	3
Asymp. Sig.	.000	.000

a. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 40.0.

b. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 50.0.

From the value, $X^2C = 246.1$, X^2T at 0.05 with df=4 is 9.49

DECISION

The null hypothesis (H0) is rejected, and the Alternative Hypothesis (H1) is accepted which indicates that the test statistics of X2C=246.1 are greater than the actual value of X2T=9.49. The naira devaluation and import volumes of SMEs in Nigeria are closely related.

FOOTHESIS HYPOTHESIS

Ho: The devaluation of naira did not encourage the growth of small and medium-sized indigenous enterprises in Nigeria.

Hi: Naira's devaluation has been effective in supporting the growth of Nigeria's indigenous small and medium-sized enterprises.

Question 21: Are You of the View that the Naira devaluation will Encourage indigenous products?

Are you of the view that the Naira Devaluation can encourage indigenous Products and impact positively on the Overall economy?

	Observed N	Expected N	Residual
Strongly Agree	83	40.0	43.0

Agree	51	40.0	11.0
Indifferent	3	40.0	-37.0
Disagree	29	40.0	-11.0
Strongly Disagree	34	40.0	-6.0
Total	200		

Test Statistics

	Are you of the view that the Naira Devaluation can encourage indigenous Products and impact positively on the Overall economy
Chi-Square	87.400[a]
Df	4
Asymp. Sig.	.000

a. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 40.0.

From the value, $X^2C = 87.4$, X^2T at 0.05 with df=4 is 9.49

DECISION

Because test statistics are larger than X2T = 9.49, the null hypothesis (H0), and the alternate hypothesis (H1) is approved, that indicates which test statistics are x2C = 84.4. Naira's devaluation has been effective in supporting the growth of Nigeria's indigenous small and medium-sized enterprises.

4.3 FINDING DISCUSION AND IMPLICATION

The first objective of this study was to evaluate the level of reliance on foreign products and imports of small and medium-sized enterprises. Study findings show that SMEs depend completely on imports of goods and services (see table 8). SMEs rely heavily on international imports. For goods and services, they sell in Nigeria, SMEs rely largely on foreign countries.

This has a significant impact on Nigeria's economy. This implies that inflation and further weakening may occur as a developing country and an import-dependent national. The price of goods and services may be higher as imports and our indigenous goods for foreigners become cheaper, as almost every factor and stage of the production of enterprise is imported or outsourced to foreign companies.

The naira, Nigeria's official currency, is weak compared to other tough international currencies. Stagflation may occur if devaluation continues for a long time without significant economic progress. Taking into account the rate at which Nigerian economies are dependent on imports, there may be a stagflation in the economy if value is not created or added to local products.

The second purpose of the paper was to examine the impact on small and medium-scaled enterprises' financial performance in Nigeria of the naira devaluation. Research has shown that the devaluation of naira has a negative effect on small and medium-sized enterprises' financial performance (See table 13). The downturn in profits, higher sales costs, low turnover and low patronage can also demonstrate this (See tables 14, 15, 16 & 17).

The whole problem is still the problem that imports from other countries are over-dependent. It is because of the lack of the environment in which SMEs can access money for the production of world-class products that can entice foreign exchanges that SMEs are affected by the negative effect of currency devaluation. Business owners' creativity and innovation is confined to Chinese products. Many people here in Nigeria don't think of producing the products. Necessary funds for local goods and services are not available, given that financial institutions fear the provision of credit facilities to small and medium-sized enterprises because of their risky nature.

The consequences of a collapse of SMEs are huge and could be detrimental to all economies. For the growth and development of the economy, SMEs that are the engine of any particular economy are essential. If governmental attention is not given to small and medium-sized enterprises, the contribution of small firms to the Nigerian economy's gross national product will decrease, and this does not promote development.

The third aim of the paper is to assess the effect of the devaluation on the volume of SMEs imported. The study found that the devaluation reduced the volume of imports by small and medium-sized owners involved in importing activities in the economy. The steady devaluation of naira will also discourage further imports if the government implements them.

The result is that Nigeria has two possibilities. Local content is promoted to attract more foreign currencies or we diversify into more productive economic opportunities. The fall in the price of oil should not be the only determinant of the naira's value. It is important to explore other fields such as agriculture, technical skills, etc. Local content must be promoted in order to gain more foreign exchange and earn more income in the federations account. It is necessary that value is created and added to the Nigerian goods produced, so that the negative effects of the naira devaluation can be mitigated by more foreign exchanges.

Lastly, the objective was to investigate the effectiveness of the naira devaluation in encouraging the gods and services produced locally. The findings from the study reveals that, since it is now costly to import, some business men and women have actually started to look at Nigerian manufactured goods.

The government is generated by taxes and royalties and the buying power of naira will be strengthened.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 SUMMARY OF FINDINGS

The paper investigated the impact of the naira depreciation on small and medium-sized businesses. According to the study's findings, the naira depreciation has both negative and positive effects on businesses and the Nigerian economy as a whole. Negative effects such as low patronage, low sales, profits, and high costs were to blame for the poor performance of the SMES studied.

5.2 CONCLUSIONS

The depreciation of the naira has a negative impact on Nigeria's small and medium-sized enterprises (SMEs) due to their reliance on imports and the government's reliance on oil revenue. This cascading effect has resulted in losses for many business owners and hardship for many citizens who are bearing the high cost of the market.

Examining the naira's depreciation, the devaluation of the Naira during the Babangida administration resulted in stagnation, increased unemployment, and price increases for basic foods. Many fledgling industries were forced to close due to a lack of essential materials for production. Furthermore, the inflationary spiral caused by the Naira's depreciation reduced the purchasing power of the income workforce. It also resulted in lower agricultural product pricing and purchases. The failure of poverty alleviation policies to achieve their goals in the face of currency devaluation is analogous to the theoretical concept (dependency theory) used in this study. According to the theory, devaluation policy is alien to the Nigerian environment due to its external mandate. As a result, the inability of poverty alleviation programs to achieve their objectives is a result of an ailing foreign policy of devaluation.

5.3 RECOMMENDATIONS

Small and Medium Scale Enterprises (SMEs) in Nigeria should be known for their ability to create value. Business operators must think outside the box in order to earn foreign currency and encourage high export rates of our local products. To mitigate the impact of the naira depreciation, goods and services that are appealing to foreigners should be produced.

The government should prioritize economic diversification. Policies should be developed and implemented to accelerate Nigeria's economic diversification. Oil prices should not be allowed to be the primary determinant of the naira's value. Other sectors, such as agriculture, tourism, and education, should be investigated in order to attract more foreign exchange and revenue.

It is necessary to create an enabling environment for businesses to thrive. Small and medium-sized businesses should be encouraged to grow and thrive rather than starved to death through underfunding.

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APPENDIX

SECTION A

Bio Data of Respondents

Please tick where appropriate. Thanks

1. What is your Gender?

   (a) Male [ ]

   (b) Female [ ]

2. What is your age bracket?

   (a) 1-20 Years [ ]

   (b) 21-40 Years [ ]

   (c) 41-60 Years [ ]

   (d) 60 and Above [ ]

3. What is educational background?

   (a) Basic Education [ ]

   (b) SSCE [ ]

   (c) OND [ ]

(d) B.Sc ☐

(e) M.Sc ☐

4. How many years of experience in business?

(a) 1-10 Years ☐

(b) 11-20 Years ☐

(c) 30 and above ☐

5. Where is your location?

(a) Ikeja ☐

(b) Agege ☐

(c) Festac ☐

(d) Victoria Island ☐

(e) Lekki ☐

SECTION B

6. Do you Import?

(a) Yes ☐ (b) No ☐ (c) Not sure ☐

7. If 'Yes' what type of Product do you import?

(a) Computer Wares ☐

(b) Clothes ☐

(c) Food and health items ☐

(d) Home appliances and gadgets ☐

(e) Automobile parts ☐

8. I depend largely on other countries for supply of the above products mentioned

(a) Strongly Agreed ☐

(b) Agreed ☐

(c) Indifferent ☐

(d) Disagreed ☐

(e) Strongly Disagreed ☐

9. I Outsource other stages of production to Foreign Contractors/firms

(a) Strongly Agreed

(b) Agreed

(c) Indifferent

(d) Disagreed

(e) Strongly Disagreed

10. SMEs in Nigeria depend on foreign goods/services for their growth and survival

(a) Strongly Agreed

(b) Agreed

(c) Indifferent

(d) Disagreed

(e) Strongly Disagreed

11. What Factors account for the dependence of SMEs on Foreign products?

(a) Price

(b) Quality

(c) Lack of local substitution

(d) Easy import

12. Are you aware of the Current Devaluation of the Naira?

(a) Yes ☐ (b) No ☐ (c) Not sure ☐

13. The Current Naira Devaluation has affected my Business Negatively

(a) Strongly Agreed ☐

(b) Agreed ☐

(c) Indifferent ☐

(d) Disagreed ☐

(e) Strongly Disagreed ☐

14. I have incurred losses as a result of exchange rate fluctuations

(a) Strongly Agreed ☐

(b) Agreed ☐

(c) Indifferent ☐

(d) Disagreed ☐

(e) Strongly Disagreed ☐

15. High Cost of Sales have resulted in poor patronage and low turnover for my products

(a) Strongly Agreed ☐

(b) Agreed ☐

(c) Indifferent ☐

(d) Disagreed

(e) Strongly Disagreed

16. Since the naira devaluation, I hardly make profits

(a) Strongly Agreed

(b) Agreed

(c) Indifferent

(d) Disagreed

(e) Strongly Disagreed

17. How frequent do you import?

(a) Very often

(b) Often

(c) Moderate

(d) Seldom

(c) Very seldom

18. How would you rate your status as an importer?

(a) Large Quantities

(b) Moderate Quantities

(c) Small quantities

19. The Naira Devaluation has forced me to reduce the volume of Import

(a) Strongly Agreed

(b) Agreed

(c) Indifferent

(d) Disagreed

(e) Strongly Disagreed

20. If the Naira continues to be devalued, I may be forced to further reduce my import volume

(a) Strongly Agreed

(b) Agreed

(c) Indifferent

(d) Disagreed

(e) Strongly Disagreed

21. Are you of the view that the Naira Devaluation can encourage indigenous Products and impact positively on the Overall economy

(a) Strongly Agreed

(b) Agreed

(c) Indifferent

(d) Disagreed

(e) Strongly Disagreed

22. As a result of the Naira Devaluation am now buying Nigerian made substitute products to what I Import

(a) Strongly Agreed

(b) Agreed

(c) Indifferent

(d) Disagreed

(e) Strongly Disagreed