

**EFFECTS OF SMALL AND MEDIUM ENTERPRISES ON
ECONOMIC GROWTH IN NIGERIA**

BY

ADEDIGBA, ABRAHAM ADEYINKA

16020201013

**A PROJECT REPORT SUBMITTED TO THE DEPARTMENT OF BUSINESS
ADMINISTRATION, IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR
THE AWARD OF THE DEGREE OF BACHELOR OF SCIENCE (B.Sc. HONS) IN
BUSINESS ADMINISTRATION COLLEGE OF HUMANITIES, MANAGEMENT
AND SOCIAL SCIENCES, MOUNTAIN TOP UNIVERSITY, OGUN STATE.**

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DECLARATION

I hereby declare that this study '**Effects of Small and Medium Enterprises on Economic Growth in Nigeria**' written under the supervision of Dr. Mrs. Patience Erigbe, is a product of own research work. Information derived from various sources have been duly acknowledged in text and list of references provided. this research project has not been previously presented anywhere for the award of any degree or certificate.

ADEDIGBA ABRAHAM ADEYINKA

DATE

CERTIFICATION

I certify that this work was carried out by Adedigba Abraham Adeyinka at the Department of Business Administration, Mountain Top University, Ogun state, Nigeria under my supervision.

(Signature and Date)

Dr. Erigbe Patience

Supervisor

(Signature and Date)

Dr. Ojo. Olanipekun

Head of Department

DEDICATION

This project is dedicated to the Almighty God whose mercies endure forever.

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My weighty gratitude goes to the Almighty God for the successful completion of this work. I thank the lord for granting me the wisdom, knowledge and strength to complete this research and for the successful compilation of this project.

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ABSTRACT

This study focused on small and medium enterprises effects on the economic growth in Nigeria. SMEs are speculated to be the spine of every society and the economy as a whole but, it is opposite situation for a nation as big as Nigeria, rich in natural resources and with more than 190 million people which, owing to the lack of significant funding for SMEs from the government and other financial institutions, is languishing in poverty and a collapsed economy. A lot of surveys, research agencies and some scholars have concluded that small and medium make contributions appreciably to economic growth, to productivity, to competitiveness, to employment, to decentralization and to social coherence.

The data produced was both informative and inferential in subjective terms. It makes used of secondary data gotten from the CBN statistical bulletin (2010-2019). However, it take into account the implementation of OLS, the time and series characteristics of the variables.

The quantitative data analysis approach will be used to interpret the data from these studies. Regression analysis was used to classify the connection between variables.

The results reveal that for a nation to achieve a sustainable and meaningful meaningful and sustainable growth, irrespective of its seconomic philosophy, sufficient attention must be paid to the wide spread of economic activities through entrepreneurship and the generation of small and medium enterprises.

The study recommends that more government action should be taken to promote access to concessional funds for small and medium enterprises (SMEs) and also make the interest rates affordable and assessable to SMEs across Nigeria.

KEYWORDS: Economic Growth, Development, Government expenditure, Lending rate, Commercial bank credit, Small and Medium Enterprises (SMEs).

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CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Small and medium enterprises influence on the economic growth in Nigeria's cannot be swept under the carpet as entrepreneurship is a critical catalyst for the support and development of Nigeria's economy. Small and medium enterprises (SMEs) are widely regarded as the bedrock of a nation's economic growth and are perceived to be a veritable tool that prompts development globally. SMEs are labor intensive; as much as they are capital saving business ventures. They are proficient in making individual independent and creating billions of new jobs globally Abeh (2017) and Kadiri (2012). According to Agwu & Emeti (2014) SMEs are known to be the primary drivers to global development and reduction of poverty.

SMEs are important parts that links, strengthen and bring about the advancement of the countries. Their performance and growth in manufacturing, agriculture, services, etc., has been considered as the instigators and has contributed to the Nigeria economy. Eniola & Ektebang, (2014) stated that sustainable growth and the increase in SMEs performance create competitiveness that opens numerous doors for employment opportunities, material and immaterial resources (investment) in the environment.

According to Opafunso and Adepoju (2014), SMEs has proved to be a major instrument adopted by the advanced countries to attain socio- economic development. They further stated in recent time, small scale industrial sector is known as the support of modern-day economy. Historically during in the 19th century, small and medium scale businesses controlled the economy of Europe. Aremu (2010). In the emerging nations like Nigeria, the influence of Small and Medium Enterprises on the economic growth including it contribution to it advancement is evident in so many ways. Basically, SMEs are committed to the progress and advancement of the economy by means such as increased use of local raw resources,

generation of jobs, promotion of rural development, development of entrepreneurship, mobilization of local investment plans, connections with larger industry, geographical balance through more equally distributing investment, creation of self-employed opportunities and provision of employment Muritala et al. (2012). As a result, economist and also Governments have come to an agreement that small and medium-sized businesses have been the life-wire of economic expansion.

Eze and Okpala, 2015. As Eze and Okpala (2015) have pointed out the progress of small and medium-sized enterprises was supposed to be an effort to accomplish a greater economic and socio-economic goal, including the alleviation of poverty. Small and medium-sized businesses are driving their country's growth by generating jobs and adding immensely to the gross national product Bako et al. (2012). Eniola & Entebang (2015) believed that SMEs in emerging country such as Nigeria are plague with high rate of failure and underperformance owing to a shortage of resources support. Hence, the government perception needs to be stimulated towards the reality undermining the actualization of the full economic capacities of the sector.

Any of the issues listed in the literature are responsible for the sluggish growth and creation of a substantial small and medium-sized businesses, including: deplorable infrastructure services, finance and financing difficulties, lack of management and entrepreneurial expertise, corruption and lack of accountability due to government regulations and regulators, etc. It has been suggested that financing is the greatest problem facing SMEs, but concludes that most emerging small business ventures are not enticing enough for banks to reduce their risk profile. Small and medium enterprises. In Africa, however it has been found that they depend mostly on their own investment, not just to extend, but to innovate as well, although companies also need funding for real services and structured financial assistance, failing which due to of long-term investment (training and R&D), small and medium enterprises

(SMEs) in Nigeria have been blamed for poor management efficiency. Despite these obstacles and challenges, the Government and other commercial banks have initiated initiatives for the opportunities of small and medium-sized enterprises (SMEs) in Nigeria with the ultimate goal of reducing poverty through prosperity and job growth and promoting national economic progress, Micro, Small and Medium Enterprises are viewed as the driving power behind socio-economic transition in economically developed and developing countries. SMEDAN is committed to ensuring that a secure and reliable database is placed in place to facilitate the growth of this sub-sector. The input of SMEs to economic advancement is very vital that a country can only ignore at its own peril. Therefore, Government and commercial banks should focus on SMEs in developing country such as Nigeria aimed at rapidly achieving self-sustaining growth and by extension self-reliant development.

In the context of this history, this research thesis main goal is to look into small and medium-sized enterprises effects on Nigeria's economic growth by applying information to established expertise. It is also expected that this research will go on to ensure a restructuring of Nigeria's small and medium-sized enterprises (SMEs) sub-sector.

1.2 Statement of Research Problem

In a few nations everywhere on the world small and medium-sized undertakings are the primary keys of monetary development. In particular, in nations, for example, Malaysia, Thailand, China and India. SMEs has shaped 70% of the fare and this why these nations as per Duro (2013) have been filling by a wide margin. In Nigeria, SMEs are confronted with an endless of difficulties which are influencing their development enormously. The significant difficulties looked by SMEs in Nigeria, is their failure to admittance to finance and successful framework to work particularly power, as seen by Sacerodoti (2005) even manages an account with held liquidity levels in overabundance of what is legally necessary have indicated hesitance in stretching out advances to SMEs, particularly on long haul premise as

they are considered exceptionally open to high credit hazard. small and medium Enterprises don't have the muscle to rival the multinationals regarding advertising due to the stiff in genuine terms to showcase an item. Also, the sum one requirements to create to participate in productive advertising to equal the initial investment isn't there for the nearby makers. As it evidence in other advanced countries, Small and medium-sized businesses by their very existence, are meant to be the backbone of the nation's economy, but the operational climate has become very difficult for them to succeed. Currently, Most of them are barely able to manage their activities, and the question of mass or large-scale production is removed. Any factories have gone bankrupt because of the dangerous working environment created by inadequate technology, high manufacturing prices, various levies and a multiplicity of regulatory agencies. In terms of capacity building, very few, of SMEs can afford to attract and retain the right set of staff that will take charge of vital and high-tech positions in their companies. In the light of the problems faced by small and medium scale businesses in Nigeria, as well as the Government's attempts to ensure their development in order to effectively serve the positions required of them this paper aims at quantitatively examining small and medium scale business effects on Nigeria's economic growth performance. This examination is significant as it fills a hole by adding to the models of past analyst to incorporate different factors that push or hinder SMEs from sway decidedly on monetary advancement in Nigeria. Therefore, small and medium enterprises, government consumption to SMEs endeavor, business bank credits rate and loaning rate to small and medium undertakings are incorporated to illuminating financial specialists and government on how crucial and significant SMEs are to monetary development.

Basically, it is certain that if more effort and strategies are put in place, Small and medium enterprises situated in Nigeria can be rebuilt and repackaged, at that point it will hugely affect

Nigeria's GDP, it will likewise assist with changing the test of joblessness, underemployment, neediness, debasement and other host of human torments.

1.3 Objectives of the Study

Based on the investigation carried out on SMEs effects on Nigeria economic growth the significant target for this finding is to look for a means by which we can dissect the presentation of small and medium scale Enterprises on monetary development in Nigeria. Hence, to accomplish the destinations of this investigation the specialist expects giving an itemized data and examination on the different systems through which small and medium ventures can be created and supported with the goal that they can contribute hugely to the financial development in Nigeria.

In particular, this investigation looks for:

1. To determine the impact of Small and medium enterprises on economic growth in Nigeria.
2. To determine the impact of lending rates in promoting Small and medium enterprise on economic growth in Nigeria.
3. To determine the impact of commercial bank credits to SMEs on economic growth in Nigeria.

1.4 Research Questions

1. What are the impacts of Small and medium enterprise on economic growth in Nigeria?
2. What are the impacts of lending rates in promoting Small and medium enterprise on economic growth in Nigeria?
3. What are the impacts of commercial bank credits to Small and medium enterprise on economic growth in Nigeria?

1.5 Research Hypotheses

H₀₁. SMEs has no impact on economic growth in Nigeria.

H₀₂. lending rates has no impact in promoting SMEs on economic growth in Nigeria

H₀₃. Commercial banks credit to SMEs has no impact on economic growth in Nigeria.

1.6 Significance of the Study

The study would serve as a recommendation for management students, particularly students in business administration and banking and finance. The research however, also serves as a government guide to know the significance of SMEs which includes creation of job opportunities, reduction of hunger and poverty in Nigeria. This reveals how SMEs promote economic growth and how SMEs can be adequately funded and supported so that they can enhance Nigeria economic growth.

In the course of this report, the researcher will determine the separate significance or utility of small and medium scale businesses to the Nigerian economy. Below are the few listed significances: -

- It will help in formulating policies which will encourage young school leavers to improve on their entrepreneurial skills.
- Businesses would benefit from this analysis when they are involved in the overall performance, organizational and financial quality of the firm.
- This study will also allow the SMEs to identify the problems confronting small and medium scale businesses in Nigeria.
- business. It would be useful for policy makers to further grow small and medium-sized businesses through microfinance banking operations with the sole aim of improving the sector's structural and policy structures.

1.7 Scope of the Study

This research will be centred on small and medium enterprises effects on economic growth in Nigeria, hence the scope of this study defined from the government policies to support commercial banks credit including their rate of lending, SMEs output which are taken as a substitution for economic growth. SMEs output and commercial bank credits and lending rate to SMEs are collected from the period covering the period between 2010 and 2019. This study is restricted to secondary data which were derived from analysis of Central Bank of Nigeria (CBN) statistical bulletin.

1.8 Definitions of Terms

- **Medium enterprises:** There are organizations with a complete cost, including working capital, yet barring land costs, of more than 100,000,000 naira (3,000,000,000) and a labor force size of between (71) and (200) full-time representatives with a yearly turnover of in excess of twenty million naira (20,000,000)
- **Small Enterprise:** An company whose overall expense, including working capital but excluding land costs, is between ten million naira (10,000,000) and one hundred million naira (100,000,000) and a workforce of between eleven (11) and seventy (70) full-time workers and a turnover of not more than ten million naira (10,000,000) per year.
- **Entrepreneur:** An entrepreneur can be defined as the person with innovative idea that is involved in entrepreneur activities in order to create value in the society with the sole aim of making profit.
- **Enterprises:** This is an activity that is carried out by an entrepreneur to create value.
- **SMEs:** Small and Medium Scale Enterprises.
- **Government:** This could mean the body of persons governing a state.

- **Financial Institution:** This could be a financial system of any country's set of institutional and other arrangements put in place for the transfer of savings from those who generate them to those who ultimately use them for investment or consumption.
- **Business:** It consists of activities, interactions, sentiments and performance of individual or group.
- **Constraint:** A hindrance of business not forwarding or not prospering.
- **Financing:** It implies money as support for undertaking to facilitate small scale business.
- **Economy:** This is the relationship between production trade and supply of money.
- **Economic Growth:** is an increase in the production of economic goods and services, compared from one period of time to another. ... Traditionally, aggregate economic growth is measured in terms of gross national product (GNP) or gross domestic product (GDP), although alternative metrics are sometimes used.
- **Expenditure:** A tax or disbursement is an expense. The cost may be for the purchase of an item, for the deduction of the debt, for the transfer to the owners, or for reimbursement within the same span of accounting as the sum becomes an expense.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

Ihua (2009), the presentation and adequacy of small and medium scale ventures (SMEs) as an instrument of financial development and improvement in Nigeria has been under scrutiny for some time. This extraordinary investigation has been against the failure that described small and medium sized enterprise (SMEs) in Nigeria.

The creator will give a basic survey of the standards, theories and trial examines related with this examination work in this part. Many non-industrial nations have come to get it and are keen on surveying the job that small and medium-sized undertakings can play in their industrialization cycle. It likewise examines significant hypothetical system which incorporates asset based-business venture hypothesis, monetary/capital liquidity speculations, Theory of limitation. This area additionally surveys exact investigation of various scientists.

2.1 Conceptual Review

Conceptual review of this study incorporates the historical development and orientation of SMEs in Nigeria, concept of small and medium enterprise, and features of small and medium enterprise in Nigeria, benefit of small and medium enterprise, government financing to small and medium enterprise among others.

2.1.1 Historical Development and Orientation of Small-Scale Industry in Nigeria:

Small and medium scale enterprises are an essential part of Nigeria. This is clearly visible in our respective communities of what successes our forebear made of their respective trading concerns, yam barns, iron smelting, farming, small house businesses and some other commercial activities. So, the secret behind their success of an autonomous approach does not lie in any single political theory, so much as in the people's attitude to enterprise and if

the right incentive is adequate enough Giving risk of worthwhile projects and choices worth taking. Back home in Nigeria, the respective government policies gave preference to small-scale enterprises in the region. This was in appreciation of the truth that they constitute a fountain of energy for the national economy and as a result, their problems have been regarded as those of the country, by virtue of their number, plurality, penetration in all sectors of production and marketing contribution to employment and to the prosperity of the particular areas in which they operate

If we look at it vividly, small scale industries comprise of a greater percentage of all registered companies in Nigeria, and they have been in existence for a quite long time.

2.1.2 Concept of small and medium-sized enterprises

The 1980 Federal Government Strategy for Small Scale Sector Growth described a small enterprise in Nigeria as any production procedure or service business with capital not more than N150,000 in manufacturing and equipment alone.

The Nigerian Small-Scale Industries Association (1973) identified small enterprises as having investments (i.e. up to N60,000 pre-SAP prices of capital, land, building and equipment) and employing no more than 50 persons.

The amount budgeted for commercial loans, the Federal Government of Nigeria described small enterprises as business with an yearly turnover not more than N500,000 for commercial loans and those for commercial loans as undertakings with a investment capital not more than N2 million (excluding land costs or N5 million in total).

The term asset-based and labor-based was further expatriated by the Central Bank of Nigeria. The conditions are an asset base of # 5 million to # 500 million and a labor power of 11 to 300 million. In the CBN report, Nigeria's Small and Medium Industries Equity Investment Scheme (SMIEIS) saw SMEs as companies with a total capital of not less than #1.5 million, but not more than #200 million, including working capital, but not less than 10 million and

not more than 300 million, including working capital as captured by land and/or staff costs (Abubakar and Yahya 2013). Definitions of SMEs The Central Bank of Nigeria has approved this idea.

SMEs as described by the U.S. In a related perspective, As cited by Ayozie et'al (2013) in their work entitled "the marketing interface for small and medium-sized enterprises (SMEs) in Nigeria" as a company owned and run independently and compliant with the agency's jobs or scale requirements, Small Business Administration.

The scale parameters are clearly described as follows: -

- a. Manufacturing: The number of workers is up to 1500, depending on the sector.
- b. Retailing-small, if not more than \$2 million per annum to \$7.5 million.
- c. Wholesale: - small, if not more than 9.5 million dollars to 22 million dollars a year.
- d. Services: - not hitting annual sales of \$2 million to 8 million.

2.1.3 General characteristics of small and medium

SME characteristics as gathered from the works of several companies compiled by several writers. Both these features, however, must not be treated as 'all-perfect or any organization that does not have the features is not qualified to be a small and medium-sized business. These features also consist of areas to be strengthened by the government in order to motivate SMEs in Nigeria so that they can be successful in the nation's economic growth.

The word small and medium- sized businesses seeks to explain the scale of an economy's industry in a broad context. The features of SMEs in Nigeria have been summarized by Onwumere (2000) as follows:

- Labour-intensive processes of development
- Concentration of leadership on key men
- Restricted access to funds for the long term
- High cost of funding due to the banks' high interest rates

- High mortality rates, particularly during the first two years,
- Over dependency on raw materials and spare parts imported
- Weak inter- and intra-sectoral links
- Bad skills in management due to the failure to pay for professional labor
- Bad monitoring of product output
- A lack of research and development
- Lack of succession plan
- For their workers, inadequate preparation and growth
- Weak policy on reporting
- Low entrepreneurial expertise and technical history
- Lack of maintaining of financial records
- Poor capital structure i.e. low capitalization
- Poor management of financial resources i.e. inability to distinguish between personal and business finance.
- High production cost due to poor existing infrastructures
- Use of outdated and insufficient technology
- Lack of access to international market
- Poor entree to vital information.

2.1.4 The objectives small-of scale enterprise in Nigeria

Small-scale businesses have certain goals that they aim to achieve while successfully conducting their tasks, because business is basically economic activity, the main aim of small-scale businesses is to make profit for the existence of businesses, and it is also very important for society because of its many advantages that lead to economic growth and development.

Small companies are burdened with the task of allotting goods and services to society in order to improve the quality of life for people. This is achieved through the production more product and widespread distribution of more and better goods and services through society and is also aimed at achieving the objective of economic growth and development in Nigeria.

2.1.5 Benefits of small and medium enterprise

It is easy to see the advantages of small-scale enterprises to any society, including contributing to the economy in terms of the production of goods and services, creating jobs at moderately low prices, offering an avenue for reducing income disparities, cultivating a pool of skilled, semi-skilled and unskilled Employees as the base for future manufacturing growth.

In fact, the benefits of small-scale enterprises are given below (Kemi, 2014):

- **Personal relationship development:** Small companies have committed to developing personal relationships with clients, staff, and suppliers. With a small company, one can concentrate on one-on-one customers - one effort is as important as ever in maintaining friendly relationships.
- **Inventiveness and Innovation:** Small companies are well positioned to bring in fresh ideas and expand them. This is because their owners do not need to report or seek the permission of someone else.
- **Low overhead:** Small companies have lower overhead costs because of the small size of service. They work in small, low-cost heating and lighting premises, with minimal rents and rates to pay. For customers, low costs result in lower prices.
- **Engine for economic development:** Small-scale enterprises have been unquestionably identified as Nigeria's key source of growth and development of the economy, a significant avenue for the promotion of the private sector, production and collaboration (Basil, 2005).

- **Reduction of poverty:** Small businesses have an vital part to carry out in the combat against poverty and economic inequality among citizens. This scenario is not unconnected to the relatively low and affordable capital requirement for floating such businesses. It also includes the professional, semi-skilled and unskilled employees, thereby establishing an enhanced livelihood path.
- **Promote growth:** Similarly, by their definition, small-scale enterprises are such that they participate in primary and secondary economic activities that are heavily dependent on locally sourced materials. As such, they achieve high-value-added operations that are a key part of any economy's growth and development.

2.1.6 Economic role of small and medium enterprise:

Many promoters for economic development have come to realize the important role played by small businesses. They are seen to be marked by vitality, witty creativity, performance, and the relatively small size allows for quicker decision-making in business activities. Governments of the world have realized the importance of this category of undertakings and launched cumulative public policies to encourage and fund the establishment of small enterprises. Basil (2005), however, argued that through a robust economy and mobilizing local resource movement, minimizing rural-urban migration, using the disposal of industries and creating job opportunities that can be achieved through a conscious and systematic small and medium-sized enterprise growth strategy, small businesses are becoming increasingly apparent. Small-scale companies are initially set up in conventional environments, including haircut, weaving, etc. This also helps to sustain craft ships and to help generate jobs, by using scrap materials from large corporations to minimize waste, thus enhancing sub-contracting economics. (Ayozie, et .al 2013).

It has also encouraged self-employment in both rural and urban centers for many students. The spirit of optimistic entrepreneurship has driven Nigerians who believe in themselves and the goal of self-employment. Rather than depending on a career that pays out. For example, in telephone retail and rental jobs, many graduates and unemployed Nigerians have remained self-employed. Our businesses have expanded to the level of jobs of some other unemployed people. Small-scale businesses offer opportunities for jobs for many residents. Many unemployed graduates have found work in small-scale companies through SMEs. Several small retail stores, cottage industries, cafes, poultry farms, and telecommunications/telephone shops have been opened by individuals who have been unemployed to date, and have been profitably run. Moreover, entrepreneurs have produced jobs for other people who work as support, technical and administrative personnel. Ayozie et al., (2003)

2.1.7 Government's Support and Schemes for SME Financing

Many countries across the world are now well aware that small and medium scale businesses is the foundation of economic growth and development. Experience has revealed that other advantage of SMEs to the world apart from the specific advantages of SMEs, where there is an enabling environment, there is a way to equip the people and the government to be dependable. A mono-economy like Nigeria, moreover will start to expand. Since small and medium scale enterprises are mainly labor intensive, the unemployment rate will decrease and the general welfare of the population will go up, thus pushing up GDP per capita. Governments and international organisations, mindful of their tremendous contributions, are taking immediate measures to achieve sustainable economic growth through the fast growth and creation of small and medium scale businesses (Anyawu, 2003). Owing to various reasons, small and medium scale businesses have had many difficulties obtaining institutionalized credit facilities; SMEs are also found to be extremely risky, vulnerable to external conditions, and often don't have the capacity to repay loans.

- Most SMEs have little to no collateral needed by banks as one of the criteria for being eligible to take the grant of a facility.
- Banks generally prefer extending credit to small borrowers to blue chip corporate borrowers. The reasoning is that such businesses generate impressive profits and fair dividends, and repayments will be made promptly.
- Many SMEs never retain accounting and other financial records usually scrutinized by banks prior to advancing credit facilities.

Due to these constraints, serious commitment has been shown by the Central Bank of Nigeria and the Government of Nigeria to support the growth and development of small and medium-sized enterprises in Nigeria. The CBN, through its credit guidelines, asked banks to assign the minimum credit stipulations to the preferred sectors of the economy, including SMEs.

SSSSThis policy directive drew banks' attention to a sub-sector that had been previously ignored. With loans and other support services, informal industries such as agriculture and manufacturing have been improved. In addition, the following benefits and networks were intended for financing SMEs;

- **Small and Medium industries Equity Investment Scheme (SMIEIS)**

SMIEIS was the Bankers' Committee's suggestion. Under the scheme, it is obligatory for every banks in Nigeria are to annually set aside 10% of their pre-tax earnings for equity investments in small and medium industries. This programme was signed by the committee of Banker's at its 246th meeting, held on 21 December 1999.

- **Nigerian Agricultural, Cooperative and Rural Development Bank (NACRDB)**

Since its inception in October 2000, it has been saddled with the primary aim of funding agricultural production, as well as small and medium enterprises. The NACRDB accepts deposits and grants loans and advances at the rate of interest paid for the loan. Likewise, the bank supplies a range of financial products and services which facilitate the sustainable growth of SMEs.

- **The Bank of Industry (BOI)**

The Bank of Industry is a combination of the then Nigerian Industrial Development Bank (NIDB), the Nigerian Bank for Trade and Industry (NBCI) and the National Economic Reconstruction Fund (NERFUND). It was founded in the year 2000 with the primary objective of making credit accessible to the manufacturing sector and to small and medium-sized enterprises. Refinancing and Rediscounting Facility. This was launched by CBN in January 2000 with the goal of providing low interest rates to promote medium and long-term lending by banks to the production segment of the economy. It would ensure that real sectors are able to access long-term credit facilities from deposit money banks.

2.1.8 Contributions of small and medium enterprises to economic development in Nigeria

It is not possible to overemphasize the contributions of small businesses to the economy. Besides making a substantial role in reducing unemployment, it is a center of the nation's economy because it generates a substantial percentage of domestic taxes and produces goods and services using large numbers. In short, small businesses represent the largest proportion of the productive population and, by extension, provide an avenue for the economy to shift towards technical, financial, political and social growth. (MOPFED Report cited in Kehinde et al. 2016).

- **Employment Generation:** Before 1960, the government establishment was the main job of labor, but now since the inception of many private companies formed by entrepreneurs, many people who are unemployed have gained employment with these companies, decreasing reliance on government establishments and large companies for employment. A Higher proportion of job population of every country; is employed by small scale enterprises. These working individuals earn from these small organizations their salaries and wages.
- **Technological innovation:** There have been turnarounds in technical progress in Nigeria since the inception of small-scale business enterprises. In most situations, the advent of new things in our world brings about small-scale enterprise. Many small-scale business managers are highly intellectual, and managers do not relent to the pace of technological development, but perform ongoing research on how to strengthen current technologies In the studies conducted by Aluko, (1972) and Sonaike, (1975), it shows that small-scale companies in Nigeria acquire or enhance domestic technology in the manufacture of many goods such as bakery products, soft drinks, textiles, footwear and soap manufacturing, etc., and what appears to have been

acquired was only more development in production technology for the purpose of increasing the quality. This indicates that genuinely developing indigenous technology is one of the vital contributions of small-scale business enterprises to the economy (MOPFED Research, 2010).

- **Improved standard of living:** Standard of living (which simply means the level of comfort) is the level of quality of people in a particular society or country enjoying their living, which is not only affected by their level of income but the quality and amount of goods and services made available to them. Small-scale companies, whether in the manufacturing or service sectors, such as retail, entertainment, etc., make a vital contribution to raising the quality of life of the people living in the community in which they are situated.
- **Direct Creation of Wealth and Reduction of Poverty:** Small-scale enterprises have significantly helped to contribute to the Nigeria economy by building prosperity and reducing poverty. Amount of goods and services made available to them. Small-scale companies, whether in the manufacturing or service sectors, such as retail, entertainment, etc., make a momentous contribution to raising the quality of life of the people living in the community in which they are situated. Since the level of economic development of the country is determined by its GNP growth rate, this has led to the country's economic development (Igbujor, 2006).
- **Provision of Technical Innovation:** this was created by the development of enterprises that bring new ideas to the country, also the engineering of enterprises that strive to develop their goods and services. For example, Nigerian banking sector was reform with the implementation of computer and internet services by some business units has brought tremendous improvement in Nigeria's economy and has helped

develop banking services (cited in Kehinde et al, 2016). These developments have led to tremendous improvement in Nigeria's economy.

2.1.9 Problems of small and medium enterprise in Nigeria

- **Financial Problems:** Because of inadequate funding and other related concerns, about 80 percent of small and medium companies are stifled. The challenge of funding small and medium-sized businesses is not so much the sources of funds, but their accessibility. The stringent requirements imposed by financial institutions, the lack of sufficient collateral and credit information and the cost of getting access to funds are factors described as inhibiting the accessibility of funds. Harper suggests that the problem of capital shortages in the small business sector is partly one that arises from the uneconomic allocation of available resources by owners-managers. Ihyembe echoed this opinion, claiming to have seen businessmen taking loans for expansion ventures only to marry new women, win chieftaincy titles, or buy houses abroad for conversion.
- **Management Problems:** The shortage of skilled men and management skills is also a major problem confronting the sustainability of Nigerian SMEs. Over 90 per cent of all these business deficiencies are due to lack of knowledge and competence." most small and medium-sized companies are also characterized by inefficiency in overall company administration and inadequate record keeping. In manufacturing, sourcing, servicing, marketing and finance, technological problems/competence and lack of necessary and needed expertise have often led to misappropriation of fund.
- **Inadequate Basic Infrastructure:** Government is still lagging behind in the quest of creating the most conducive environment for small and medium-sized businesses, infrastructure issues range from water scarcity, inadequate transport networks, lack of energy to poor management of solid waste. Nigeria's underdeveloped physical and

social infrastructures create a binding limitation on the advancement of small and medium-sized enterprises, since.

- **Lucky Socio-Cultural Problems:** Most Nigerian entrepreneurs do not have an entrepreneurship tradition of profit-backing. Bala emphasized that the traditional Nigerian entrepreneur's mindset is to spend today and reap tomorrow. Furthermore the socio-political aspirations of certain entrepreneurs could contribute to the diversion of valuable funds and resources from business to social waste. The problem of bias against goods made in Nigeria is important. The problem of bias against goods made in Nigeria is severe. Most Nigerians have developed a high tendency to buy imported products as opposed to their locally made alternatives.
- **Pleasant Business Planning Problems:** Small to medium-sized businesses often do not carry out adequate strategic planning of their activities. Ojiako said that one challenge for small and medium-sized businesses is the lack of strategic planning. Sound planning is a critical insight into sound decision-making.
- **Location Problems:** Market stores are dominated by absentee tenants who demand exorbitant prices. The control of market warehouses by policymakers is going out of the market genuine small-scale operators. True small-scale operators have been pushed onto the streets or at most, into affordable areas by high rents paid by shop owners in decent locations. Small and medium-sized businesses have also been negatively impacted by the domestic economic challenges of deregulation and the reduction of defense including the global financial crisis.
- **Poor Accounting System:** The accounting system of most SMEs ignore criteria hence no proper evaluation of their results. This provides space for mismanagement and ultimately leads to the closure of the establishment.

- **Multiple taxation:** This has become a major problem especially given the role of tax consultants and agents hired by local governments. They are often crude in their service, excessive in their estimation and disruptive in their relationship to the manufacturing process. They tax all in their attempt to generate revenue without considering the net impact on household income and jobs

2.2 Theoretical Review

The hypotheses are submitted in order to suggest small and medium-sized enterprises effects on economic growth and development and on the policies of the government to help small and medium enterprises in the world. There are various hypotheses to understand the small and medium businesses effects on economic growth and development.

2.2.1 Resource- Based Entrepreneurship Theories

The capital base theory is based on the idea that the ability of firms to achieve a strategic edge lies in their internal capital, as opposed to their positioning in the external world. The main philosophy of this study forms the basis for the competitive advantage of an organization, is largely focused on the application of a package of desirable tangible or intangible capital to the corporation, Penrose (1959). Barney (1995) further argued that rather than merely determining environmental benefits and risks in the conduct of business, the competitive advantage relies on the particular resources and skills that the company holds. The firm's resource-based view predicts that some forms of capital owned and managed by companies have the ability and promise to produce competitive advantage and potentially superior firm efficiency (Ainuddin et al., 2007).

2.2.2 Financial Capital/Liquidity Theory

Empirical evidence has found that new companies are more likely to launch when individuals have access to financial resources (Evans & Jovanovic, 1989). By extension, this hypothesis implies that individuals with financial capital are more likely to accumulate wealth to

successfully leverage entrepreneurial prospects and to establish a company to do so. Other reports, however, contest this hypothesis as demonstrated by the fact that most of the founders launch new projects without much funding and that financial capital is not substantially linked to the possibility of emerging entrepreneurs. This obvious confusion is attributable to the fact that the line of research related to the liquidity restrictions hypothesis attempts to decide whether access to the founder's resources is determined by the amount of capital employed to set up a new venture. The possibility of ruling out the creation of a business due to lack of money will not be feasible. Access to capital by the founders is definitely a major indicator of new venture success, but it is not necessarily necessary for the foundation of a new venture. This hypothesis suggests that entrepreneurs have individual capital that facilitate the identification of new possibilities and the assembly of (Alvarez & Busenitz, 2001) Without a lot of capital, it does not immediately rule out the prospect of starting a business. Access to finance by the founders is also a crucial predictor of the growth of new ventures, but is not necessarily necessary to establish a new enterprise. This theory argues that entrepreneurs have individual resources that allow new opportunities to be identified and assembled and new opportunities to be gathered.

2.2.3 Theory of Constraints (TOC)

Constraints theory (TOC). Goldratt's (1990) theory of constraints (TOC) is aimed at defining the most obstacles (i.e., constraint) and then continuously strengthening the limitation until it is no longer a limitation. The constraints are referred to as bottlenecks in development. The theory of limitations assumes that any complex system consists of multiple connected operations, including production processes, one them which acts as a restriction on the entire system. The five steps in applying Theory of Constraints (TOC): Identify, Exploit, Subordinate, Elevate, Reapply.

2.2.4 Theoretical Framework

This research is focused on the resource-based theory, since the theory argues that Physical, social and human capital access to resources by founders is an important predictor of opportunities-based entrepreneurship and Alvarez & Busenitz (2001) new venture growth. The value of financial, social and human capital is highlighted by this theory. Access to capital thus enhances individuals' ability to recognize and act on discovered opportunities. There are three classes of resource-based theories of entrepreneurship reflect economic, social and human capital. Therefore, if the government and commercial banks were to pay sufficient attention to small and medium-sized enterprises, they would be able to contribute tremendously to the economic growth of Nigeria.

2.3 Empirical Review

The effects of small and medium enterprise on economic growth and development in Nigeria have been investigated in previous research studies. However, different factors have been used to measure how vital SMEs can be to the economic growth and advancement of Nigeria. This segment is divided according to some of this research objectives. Some of these works includes:

- Abosede et al (2017) analyzed the input of small and medium-sized enterprises in the state of Lagos: finance participation. Survey Research Design is the research design implemented for this research. Data analysis and hypothesis tests using Pearson correlation and regression analysis from 250 SME owners and operators suggest that a connection exist between SME finance and business results. In their search for access to finance, scant knowledge on loan qualification conditions and high interest rates mostly pose a challenge to SMEs. The result reveals that an essential relationship exists between the financing of SMEs and their results. The study proposed that flexible government structures should be put in place for small and medium-sized enterprises in Lagos state to allow them to access the funds.

- Afolabi (2013) investigated the development effect of funding of small and medium enterprises in Nigeria. The study looked at the effect of SME funding on economic growth in Nigeria between 1980 and 2010 on the basis of the established problem and the presence of a few quantitative empirical studies in this regard. To estimate the multiple regression model, the analysis used the Ordinary Least Square (OLS) method. The estimated model results showed that the export proxy of SMEs by wholesale and retail trade output as part of the gross domestic product, the credit of commercial banks to SMEs and the exchange rate of naira vis-à-vis the U.S. dollar exert a positive effect on the economic development proxy of the real gross domestic product, while the loan rate has been discovered to have an adverse effect on economic growth. In terms of partial significance and the use of t-statistics as an assessment test, the performance of SMEs and the credit of commercial banks to SMEs were found to be significant factors boosting economic growth in Nigeria at a critical level of 5 percent. This study therefore suggested that the central authority should provide an empowering environment for the production of SMEs.
- Eze and Okpala (2015) analyzed the quantitative effect of small and medium-scale enterprises (SMEs) on Nigeria's economic growth results 1993 to 2011. The finding shows that SME production (SME) never contribute substantially to the economic growth success of Nigeria. The study concludes that weak government policies, tariffs and incentives, corruption and bribery, non-existent centers for entrepreneurial development and poor infrastructure are serving as obstacles to the advancement of SMEs in Nigeria. It is recommended that the three tiers of Governments should strive to set up microfinance institutions to promote access to credit for small and medium-sized enterprises, implement financial literacy in schools, set up capacity-building entrepreneurial development centers, provide adequate infrastructure, in particular for

electricity and road network work, and finally set up bribery and corruption prevention agencies.

- Aminu et al (2018) analyzed the effect of Small and Medium Enterprises on Nigeria's economic growth using time and series data from the Central Bank of Nigeria (CBN) bulletin released annually. For interpretation and analysis of the data gathered for the study, regression analysis is used. The study finding reveals a positive and important correlation between small and medium enterprises and production growth, suggesting that Nigeria's small and medium enterprises make a positive contribution to Nigerian economic development. The study advises that in order to protect local producers from competition with foreign firms, the government should devise a new economic policy to limit the massive importation of foreign products in particular those goods that SMEs can manufacture locally. Government devise a new plan to appropriate infrastructural facilities for the proper functioning of SMEs.
- Okafor et al (2016). They discuss the effect of small and medium enterprises on the development of the economy of Nigeria. The study utilizes data produced from the Central Bank of Nigeria (CBN) statistical Bulletin for ex-post facto research design. The reveals that there is a long-term relationship in Nigeria between SMEs, oil income, (OIRL) inflation (INFRT) and economic development. Therefore, the study proposed that policies to increase the amount of money allocated to the sector should be implemented by the government and that a credit guarantee system similar to that which can be derived in the agricultural sector should be introduced. Banks can also raise concessional (low interest rate) loans to this segment of the economy because of their proficiency in stimulating and driving the economy in the long term.
- Bosedem et al (2016) analyze the study of Small and Medium Enterprises Financing and Economic Growth using secondary data from the statistical bulletin and World

Development Indicators (WDI) of the Central Bank of Nigeria (CBN). This research uses the Ordinary Least Square (OLS) calculation methodology to determine the effects of funding small and medium enterprises on economic development in Nigeria. As a consequence, it has been proposed that there is an insignificant direct link between the financing of SMEs and economic development in Nigeria, which can contribute to policy contradictions in the financing of SMEs. The study proposed that more effort should be made by the Government and commercial banks towards the creation of easy access to financing of small and medium-sized businesses by discounted interest rates in order to boost economic growth and development.

- Saidi et al (2016). Nigeria's Examined Entrepreneurship and Economic Growth: Proof of financing by Small and Medium Enterprises using secondary data generated from Nigeria's Central Bank Statistical Bulletin and World Development Indicators (2015). To assess the asymmetric impact of financing SMEs on economic growth in Nigeria, asymmetric auto-regressive distributed lag (AARDL) was employed. The study of the results stipulates that there is an insignificant direct relationship between the positive and negative components of funding for small and medium enterprises and real gross domestic products, which can be due to the inefficient mobilization of monetary investment (funds) to small and medium enterprises (SMEs) operators in Nigeria and moreover the failure of SMEs to function in economies of scale. The paper recommends that the government, through financial regulators, should make vigorous efforts to promote access to the fund and also involve itself in the activity of SME operators in such a way that the funds channelled to them are used effectively. However, the paramount constraint faced by small and medium enterprises owners is due to the lack of finance. However, the shortage of funding is the biggest problem facing small and medium-sized businesses (Owualah, 1999). Lack of funding, small

and medium businesses have been described as the most serious problems of starting up and running. This challenge faces many operators and they are often restricted to relying on personal and family funds to carry out their business. These SMEs lack the collateral protection with which they can approach commercial or microfinance banks for assistance when there is a need to expand and enormous amounts of money are needed.

Table 1: summary of related empirical literature

S/N	RESEARCHER	YEAR	TOPIC	FINDINGS	GAPS
1.	Abosedo, Hassan and Oko-Oza	2017	Performance of small and medium Enterprises in Lagos State: the implications of finance.	The findings reveal that a vital correlation exists between SME finance and their performances.	Using questionnaire as process of data collection has been criticized for its inherent limitations of biased ness by renowned authors, therefore, the prescription made by this authors based on this method is not empirical

					and not genuine.
2.	Afolabi	2013	Growth effect of small and medium enterprises (SMEs)	The study found out that SMEs output and commercial banks' credit to SMEs are significant factors in promoting economic growth in Nigeria.	The source of data; used small and medium scale enterprises activities, bank credit to commercial banks exchange rate and lending rate
3.	Eze and Okpala	2015	Quantitative Analysis of the impact of small and medium scale enterprise on the growth of Nigeria Economy (1993-2011)	The study reveal that the output of small and medium scale enterprise have no significant contribution to Nigeria's economic growth performance.	The study only used the output of SMEs bank credit to SMEs inflation and interest rate.

4.	Aminu,Adamu and Ibrahim		They looked at the impact of Small and Medium Scale Enterprises on Economic Growth.	The study reveals the existence of a strong and important association exist between small and medium-sized businesses and production growth.	Source of data; used production of small and medium-sized enterprises and bank credit to small and medium-sized enterprises.
5.	Okafor, Ugwuegbe and Ezeku (2016).		Impact of Small and Medium-sized Enterprise on the growth of Nigeria economy.	There is a significance relationship between SMEs, inflation, oil revenue, inflation rate, and economic growth.	The authors used only growth of small and medium enterprise oil revenue and inflation.
6.	Bosede, Ogunleye and Arogundade		Study of small and medium-sized enterprises (SMEs) Financing and economic	there is an insignificant direct link between the financing of	Study of small and medium-sized enterprises (SMEs) and

			development.	small and medium-sized enterprises and economic growth in Nigeria.	how it can be financed to enhance economic development.
7.	Saidi, Sadiq and Olushola		Data source; using only SME growth rate	unemployment rate and interest rate.	Data source; using only SME growth rate

2.4 Gap in Knowledge

This reviewed literature shows that other authors have attempted to study SMEs was able identify lack of funds as their major constraints, and also how government and commercial banks have tried to contribute to their development. Therefore, this study improved on them by also identifying how SMEs can generate employment by this means it reduce the level of unemployment plague in Nigeria. If Nigeria's small and medium scale enterprises are restructured to have a major effect on Nigeria's GDP, it will probably help solve the problem of unemployment, hunger, corruption and many more of other human suffering. The different methodologies used by the diverse authors, the settings or surroundings under which the studies were carried out, the nature of data, sources in different jurisdictions and policy thrust among others could also account for the gaps in literature.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

The research design, method of analysis, and the study population are explained in this chapter. It also provides secondary information on the origin of the results. This research approach will also address the sample size and procedure used. Other significant aspects of the techniques contained in this chapter include the validity and reliability of data analysis methods.

3.1 Research Design

It is the model for carrying out the analysis that enhance control over variables that could affect the authenticity of the observations. To accomplish the purpose of this report, an ex-post Facto analysis design was used using data from time series derived from different annual data. Reports from the Central Bank of Nigeria covering the 2010-2019 study period.

3.2 Area of Study

As regards this study, it was conducted on SME's in Nigeria and cannot therefore, be said to be wholly or reasonably represent the views of other parties mentioned in this study.

3.3 Population of the study

Population for this study consists of Nigeria, represented by the registered SMEs in Nigeria. However, basically some SME's in Lagos state.

3.4 Sample Size and Sampling Technique

Based on the large economy of Nigeria, this study shall be limited to the small and medium enterprise sector in particular as regards the performance of medium-sized enterprise market, bank loans to SMEs economic growth and Government expenditures on SMEs.

3.5 Sources of Data

The data are secondary data obtained from the statistical bulletin of the Central Bank of Nigeria for a period 10 years (2010-2019). Secondary knowledge is deemed sufficient and is used for this analysis because of the following reasons:

- They were previously used by previous researcher, making it easier to carry out further research. For example, Igbesan (2017), Olanlokun (2010).
- They reduce stress as much of the background work needed has already been carried out.
- They are already validated by professionals and other regulatory bodies before they were published by the Central Bank of Nigeria (CBN).

3.5.1 Validity of the Research instrument

Validity is known as the degree or ability to measure a deciding tool or instrument what it is supposed to quantify. Material validity indicates that the input of the scale is adequately When building validity checks to reliably determine the various anomalies associated with that construction, broadly to cover the full spectrum of subject matter. The statistics that were used for this job. The Central Bank of Nigeria are the body that has been verified and authorized for that purpose.

3.6 Method of data collection

All of the data used in this study were secondary time series data from the statistical bulletin of the Central Bank of Nigeria (CBN). This study mainly examined the effects of small and medium-sized enterprises on Nigeria's economic growth over the 2010-2019 period.

3.7 Method of Data Analysis

Basically, this analysis will use the estimation techniques of ordinary least squares (OLS). However, it will take into consideration the implementation of OLS, the time and series characteristics of the variables. The quantitative data analysis method will be used to interpret

the data from these studies. Regression analysis will be used to classify the relationship between the study variables.

3.8 Modelling

To completely capture the influence of small and medium-sized companies on Nigeria's

The efficiency of economic growth will be calculated by the following structural equation.

And being tested:

$$GDP = f(SME, LER, CBC,) \dots\dots\dots (1)$$

The mathematical form of the model is:

$$GDP = \beta_0 + \beta_1SME + \beta_2LER + \beta_3CBC \dots\dots\dots(2)$$

The econometric form of the model is:

$$GDP = \beta_0 + \beta_1SME + \beta_2LER + \beta_3CBC + \mu_i \dots\dots\dots(3)$$

Where; GDP = Gross domestic product growth rate

SME = Small and medium enterprise captured by SMEs growth rate

GEX = Government expenditure to small and medium enterprise

LER = Lending rate to small and medium enterprise

EG = Employment generation

β_0 = Intercept of the model

$\beta_1 - \beta_3$ = Parameters of the regression coefficients

μ_i = Stochastic error term

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION OF FINDINGS

4.0 Introduction

This chapter provides analyses and study observations as stated in the methodology of research. The study findings were presented to look into small and medium enterprises effects on economic growth in Nigeria. During this study, secondary data from the statistical bulletin of the Central Bank of Nigeria was retrieved. Other sections of the data analysis were done in congruence with the research objectives.

4.1 Data Presentation, Analysis and Interpretation

4.1.1 Descriptive Analysis

Table 4.1: Descriptive Analysis

	Minimum	Maximum	Mean	Std. Deviation
Gross domestic product growth rate	-1.580	9.540	3.69800	3.140456
Small and medium enterprise GDP growth rate	3.58	8.97	6.7843	2.23083
Lending Rate	15.61	17.59	16.7460	.60281
Commercial bank credits to small and medium enterprise	10.75	88.65	23.6930	24.40984

Source: Researcher's Analysis, 2020

From Table 4.1 above, the maximum values, minimum values, the mean (average), and standard deviation were shown. The results expressed in Table 4.1 helps to provide some

insight into the nature of the small and medium sized firms in Nigeria. First, it can be observed that on the average, in a 10-year period (2010-2019), the firms used for this study were characterized by a GDP= 3.69. This is an indication that the economy of Nigeria has a positive growth level; while Small and medium enterprise growth rate, lending Rate, and Commercial bank credits to small and medium enterprise have an average of 6.78, 16.75, and 23.69 within the period of the study respectively. The minimum value for GDP is -1.58 while the maximum is 9.54. Furthermore, Small and medium enterprise growth rate recorded a minimum of 3.58 and a maximum of 8.97, while lending rate have a minimum of 15.61 and a maximum of 17.59 within the study period. Lastly, Commercial bank credits to small and medium enterprise recorded a minimum of 10.75 and a maximum of 88.65 while board meetings have a minimum of 1.00 and a maximum of 0.93 within the study period.

4.2 Test of Hypotheses and Discussion

Table 4.2: Linear Regression Analysis between small and medium enterprises and economic growth in Nigeria

Table 4.2.1: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.973 ^a	.946	.892	1.122198

a. Predictors: (Constant), CBC, SME, LER

Source: Researcher's Analysis, 2020

Table 4.2.1 above shows that small and medium enterprises and economic growth in Nigeria has a moderate correlation (coefficient R) of 0.973 indicating that there is a positive relationship between the variables while the increasing degree in small and medium enterprises will increase economic growth in Nigeria by 97.3%. Analysis in table 4.2.1 It also shows that the coefficient of determination (the percentage difference in the dependent

variable explained by the changes in the independent variables) R square equals 0,946, that is, small and medium-sized enterprises (through its variables; the growth rate of small and medium-sized enterprises, the lending rate and commercial bank loans to small and medium-sized enterprises) describes 94.6 per cent of the observed cha.

Table 4.2.2: ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	66.160	3	22.053	17.512	.021 ^b
	Residual	3.778	3	1.259		
	Total	69.938	6			

a. Dependent Variable: GDP

b. Predictors: (Constant), CBC, SME, LER

Source: Researcher’s Analysis, 2020

The Analysis of Variance (ANOVA) was used to check how well the model fits the data. Moreover, the change statistics shows that the research model and variables are fit ($p < 0.05$). The The findings of ANOVA showed that there was ample data at 0.021 level of significance to suggest that small and medium scale enterprise were useful for forecasting economic development in Nigeria. Out of the results, it can be inferred that there is a linear relationship between the dependent variable and the independent variable. It also shows that the F-value which is the mean square model divided by the mean square residual yielded $F = 17.512$

Table 4.2.3: Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		

1	(Constant)	-105.497	25.681		-4.108	.026
	SME	-.647	.218	-.423	-2.966	.049
	LER	5.474	1.316	.747	4.159	.025
	CBC	1.633	.316	.924	5.168	.014

a. Dependent Variable: GDP

Source: Researcher's Analysis, 2020

Result from the regression coefficient above, the estimated model becomes:

$$\text{GDP} = 105.49 - 0.423\text{SME} + 0.747 \text{ LER} + 0.924 \text{ CBC} + 25.68$$

From the regression coefficients, a unit increase in the growth of small and medium-sized businesses would lead to a 0.423 decrease in economic growth in Nigeria. The unit rise in the loan rate would contribute to an increase of 0.747 units in Nigeria's economic growth. Finally, a unit increase in commercial bank loans to small and medium-sized businesses would lead to an increase of 0.924 in economic growth in Nigeria.

4.2.1 Test of Hypothesis One

H₀: There is no significant relationship between SMEs growth and economic growth in Nigeria

H₁: There is a significant relationship between SMEs growth and economic growth in Nigeria

From table 4.2.3, the regression results reveals that Small and medium enterprise growth rate has a significance level of 0.049 (p<0.05). This finding hence accepts the alternate hypothesis H₁ that there is a significant relationship between SMEs growth and economic growth in Nigeria and rejects the null hypothesis that there is no significant relationship between SMEs growth and economic growth in Nigeria.

4.2.2 Test of Hypothesis Two

H₀: There is no significant relationship between lending rates in promoting SMEs and economic growth in Nigeria.

H₁: There is a significant relationship between lending rates in promoting SMEs and economic growth in Nigeria.

From table 4.2.3, the regression result shows that lending rates has a significance level of 0.025 ($p < 0.05$). This finding hence accepts the alternate hypothesis H₁ that there is a significance relationship between lending rates and economic growth in Nigeria and rejects the null hypothesis that there is a significance relationship between lending rates and economic growth in Nigeria.

4.2.3 Test of Hypothesis Three

H₀: There is no significant relationship between Commercial bank credits to small and medium enterprise and economic growth in Nigeria.

H₁: There is a major relationship between commercial bank credits to small and Medium sector and enterprise development in Nigeria.

From table 4.2.3, the regression result shows that Commercial bank credits to small and medium enterprise has a significance level of 0.014 ($p < 0.05$). This finding hence accepts the alternate hypothesis H₁ that there is a significance relationship between commercial bank credits to small and medium enterprise and economic growth in Nigeria and rejects the null hypothesis that there is a significance relationship between commercial bank credits to small and medium enterprise and economic growth in Nigeria.

4.3 Discussion of Findings

This study investigated the the effects of small and medium enterprises on economic growth in Nigeria. The data generated were subjected to both descriptive and inferential statistics.

The descriptive statistics revealed the individual characteristics of the variables used in this

research work while the inferential statistics tested the hypotheses using the multiple linear regression analysis.

The first hypothesis test was to assess whether there is no substantial association between the development of small and medium-sized enterprises and economic growth in Nigeria. The results showed that a substantial association between the development of small and medium-sized businesses and economic growth in Nigeria at a significant level of 0.049 ($p < 0.05$). This result is consistent with the work of Morenikeji and Oluchukwu (2012). The results show that SMEs and sustainable development of the Nigeria economy are related. They therefore concluded that for a nation to achieve meaningful and sustainable growth, irrespective of its economic philosophy, sufficient attention must be paid to the extensive allocation of economic operations through entrepreneurship and the generation of small and medium scale businesses. Furthermore, Chinweuba and Sunday (2015) investigated the relationship between SMEs and economic growth of Nigeria. Their findings show that the activities of SMEs increase growth by production expansion and other different means of survival. In the same vein, Motilewa, Ogbari and Aka (2015) established that SMEs are found to be the catalyst of growth in Nigeria. Additionally, Taiwo, Ayodeji and Yusuf (2012) stated that the role of SMEs in promoting economic growth in Nigeria have revealed that there is strong nexus between SMEs activities and economic performance in Nigeria.

The test of hypothesis two was to determine that there is no significant relationship between lending rate and economic growth in Nigeria. The findings revealed that there is a significant relationship between lending rate and economic growth in Nigeria with a significance level of 0.025 ($p < 0.05$). This result is consistent with the work of Ilegbinosa and Jumbo (2015) ‘The impact of SMEs on economic growth in Nigeria’. They found out that interest/lending rate has a positive influence on economic growth. Akingunola (2011) also agree with this result in

his work He posited that small and medium scale businesses in Nigeria should be given exposure to relatively low interest rate financing in order to enhance economic growth.

The test of Hypothesis Three was to establish that there is no substantial association between credit from commercial banks to small and medium-sized enterprises and economic development in Nigeria. The results have shown that there is a positive association between credit from commercial banks to small and medium-sized businesses and economic development in Nigeria at a significant level of 0.014 ($p < 0.05$). The finding is consistent with the work of Ilegbinsosa and Jumbo (2015). They argued and concluded that the Government should implement policy steps to sustain a desirable low rate of commercial banking lending, as this would speed up major investment in small medium-sized and large-scale enterprises and, consequently, contribute immensely to economic growth in the long term.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

In this section of the study, the researcher provides a summary of the findings derived from the study, the conclusion of the study, recommendation for the study and suggestion for further studies.

5.1 Summary of the Study

Small and medium enterprises are essential components that link, improve and bring about the growth of countries. Their success and growth in development, agriculture, services, etc., have been seen as the initiators and have contributed to the economy of Nigeria. Sustainable growth and the rise in the performance of SMEs build competition that opens many doors to environmental employment opportunities, tangible and intangible assets (investment) (Eniola & Ektebang, 2014). However, considering the perceived effect of Small and Medium Enterprises on the growth and development of the economy as seen in the literature, as well as the Government's policy to empower small and medium-sized enterprises in the country (Adeloye, 2012; Yusuf and Dansu, 2013), this has affected every other part of the economy. Eniola & Eketbang (2015) concluded that small and medium-sized companies in developing countries such as Nigeria, are afflicted by high failure rates and are weak due to low financial assistance. Therefore, it is important to stimulate government consciousness to align with the reality that threatens the actualization of the sector's full economic potential.

This research was established to investigate the effect of corporate governance on business growth of consumer goods in Nigeria. The findings of the research were discussed in detail and the objectives of the study were linked to the current findings of the research. The secondary source of data was obtained from the CBN statistical bulletin. This study used an

ex-post facto research design to gather data for the period of 2010-2019. The study focused on three explanatory variables as proxies for the independent variable (SMEs); SMEs growth, lending rates, and commercial bank credits and one dependent variable which is economic growth.

Resource-based Entrepreneurship Theory, Financial Capital/Liquidity Theory, and Constraint Theory (TOC) are central theories in this review. The theory of the capital centered on the idea that the power of the comparative advantage of firms rests in their internal capital, rather than their positioning in the external world. This study is hinged on the resource-based theory because the theory argues that founders' access to resources is a vital predictor of opportunities-based entrepreneurship and new business growth (Alvarez & Busenitz, 2001). Therefore, if the SMEs are given enough attention by the government and commercial banks then they will be able to contribute immensely to the economic growth in Nigeria. The financial capital/liquidity theory argues that entrepreneurs have personal resources which facilitate the recognition and assembly of new opportunities while the constraints theory is a process that is aimed at pointing out the highest limiting factor (that is, constraint) and then systematically improve that limitation until it is no more a limiting factor anymore. In manufacturing, the constraint is referred to as bottlenecks. Furthermore, multiple linear regression analysis was used to test the four research hypothesis. The probability level was set up at 5% significance. The findings of the multiple linear regression analysis can be summarized below.

1. There is a clear association between the development of small and medium-sized businesses and economic growth in Nigeria at a substantial level of 0.049 ($p < 0.05$).
2. There is a positive association between the loan rate and economic development in Nigeria at a significant amount of 0.025 ($p < 0.05$).

3. There is a clear association between credit from commercial banks to small and medium-sized businesses and economic development in Nigeria at a substantial level of 0.014 ($p < 0.05$)

5.2 Conclusion

This thesis explored the effects of small and medium scale enterprises on economic development in Nigeria. The analysis confirms that there is an important link between small and medium-sized businesses and economic development in Nigeria. In specific, the report confirms that there is a substantial link between the development of small and medium scale business enterprises and economic growth in Nigeria. The report also concludes that there is a major association between the lending rate and the economic growth rate in Nigeria. Lastly, the report confirms the certainty of the fact that a significant link exists between lending to small and medium enterprises by commercial banks and economic development in Nigeria.

5.3 Recommendation

Sequel to the findings of this research, the following suggestions are made which will be useful to stakeholders;

- i. More government action should be taken to promote access to concessional funds for small and medium enterprises (SMEs)
- ii. Low interest rate should be put in place and assessable to SMEs across Nigeria.
- iii. Stability in macroeconomic variables should be used by the government to promote economic growth and development of SMEs in Nigeria.
- iv. The government should assist growing entrepreneurs to have access to financing and essential information on business opportunities, advanced technologies, raw materials, markets, plants and machinery that would enable them to minimize their operating costs and be more competitive in meeting market competitions.

5.4 Contributions to Knowledge

This study will open the eyes of the Government, commercial Banks and other stakeholders in the country for them to see how vital and significance Small and Medium enterprise can be to the economy of a country. Therefore, they have to make sure SMEs are the full support so that it can boost the economy of the country. It will be point of reference for other student who wants to investigate more on the SMEs effects on the economic growth.

5.5 Suggestion for Further Studies

The author suggests that for effective conclusive study on the effect small and medium enterprises on economic growth in Nigeria, the period covered should be extended. In addition, the data used in this analysis was extracted from only the Nigerian business environment; consequently restricting the freedom to generalize the result of this research for other nations. Researchers from other countries are encouraged to carry out similar studies in their countries.

5.6 Limitations to the Study

While time-series data is not error-free in most situations, the researcher is not unaware of the contradictory existence and uncertainty of most secondary data from various data collection agencies, including Nigeria, in developing countries. For e.g. Central Bank data is often at odds with the Bureau of Statistics data. The key drawback of this research exercise is that researchers are often limited as to which data to use while performing an analysis of this type. However, the researcher is confident that the present analysis would be adequate to serve the purpose for which it is intended, despite the above limitations. The researcher was also faced with difficulties in analyzing the statistical data together to get the pre-determined result.

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	GDP	SME	LER	CBC
	(%)	(N,Billion)	(%)	(N,Billion)
2010	9.54	3.58	17.59	12.55
2011	5.31	4.53	16.02	15.61
2012	4.21	5.59	16.79	13.86
2013	5.49	7.23	16.72	15.35
2014	6.22	8.69	16.55	16.07
2015	2.79	8.97	16.85	12.95
2016	-1.58	8.90	16.87	10.75
2017	0.82		17.55	10.75
2018	1.91		16.91	40.39

Appendix

2019	2.27		15.61	88.65
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Source: 2019 Central Bank of Nigeria Statistical Bulletin