

Small and Medium Scale Enterprises (SMEs): A panacea for Economic Growth in Nigeria

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ABSTRACT

The emergence of small and medium scale enterprises (SMEs) is a major catalyst and a key success factor for the development, growth and sustenance of the Nigerian economy. Most government and business circles have come to recognize the importance of small and medium scale enterprises (SMEs) and have consequently agreed that their growth constitutes one of the corner stones of economic development. It is on the basis of this that the study of financing of small and medium scale enterprises (SMEs) in Amuwo Odofin Local Government of Lagos state is being embarked upon. The study also examines how government and other agencies finance SMEs in Amuwo Odofin Local Government area of Lagos State. The study was guided by network theory. The major concern of the theory is the objective pattern of ties linking the agencies, individual and group of the society. The agencies in this study include banks, cooperative societies, and government, among others. Quantitative and qualitative method was used to collect data for the study. Fifty(50) samples of respondents were selected from the Local Government Area. The data gathered was analyzed using descriptive statistics such as frequency distribution, while the qualitative data was subjected to content and descriptive analysis.

Key words: Small and Medium Scale Enterprises, micro and macro structures, Agencies and Economy development

Introduction

Ever since the industrial revolution of 1798 in the Great Britain, the modus operandi of managing business industries and economic activities among countries of the world have not been the same (Ajonbadi, 2001). Acknowledging that industrial development requires a radical change of technical arrangement that moves an economy from the orthodox approach of production to a more complex and complicated system capable of bringing about mass production of variety of goods and services through the use of appropriate technology and management techniques. This industrial process is capable of propelling economic growth and structural transformation, as it enables full utilization of both human and material resources with little dependence on external sector for growth and sustenance.

For sustainable economy, SMEs have been stressed as capable of helping in bringing about positive economic turn around and complementing the effort of the existing medium and large scales industries (Osuagwu, 2001). The recognition of the importance

of the roles of the SMEs as catalyst and engine of growth has prompted the increased attention and specific education on the method and approach to build and sustain a truly viable private sector dominated by small and medium scale enterprise (SMEs).

Such economic contributions are obvious in the mobilization of idle financial resources, the conservation of foreign exchange, utilization of local raw materials, specialist suppliers to large companies, adding varieties and choice for the consumers, checking the monopolistic tendency power, providing a source or innovation, breeding ground for new industries and above all employment creation.

In Nigeria the Small and Medium Scale Enterprises (SMEs) have been neglected for so long with the brunt of past policy bias in favour of their large scale industries counterparts. The government consciousness needs to be jolted to the reality before us giving the pivotal role of the subsector, which can make an economy gain the required versatility and resilience, particularly in view of the abject poverty that has characterized the land.

It is on this basis that this study is carried out, to assess the financing of small and medium scale enterprises (SMEs) in Amuwo Odofin Local Government Area of Lagos State; to examine how government finances SMEs in the local government area; to assess the adequacy of the various loans granted; to examine the contributions made by the SMEs subsector in generating employment opportunities; to examine SMEs accessibility to loanable funds from banks and to assess the effect of loans on the output of the SMEs subsector.

SMEs IN NIGERIA: A CONTEXTUAL EXPOSITION.

What are SMEs and how do they work?

The 1992 Review by the National Council on Industrial Standards have defined Small and Medium Scale Enterprises (SMEs) as enterprises with total cost of (including working capital but excluding cost of land) above 31 million but not exceeding 50 million with a labour size of between 11 and 100 employees. It is clear that SMEs are usually small own or family managed business with its goods and services being basic. SMEs also tend to lack the organization and management structure, which characterize large-scale entrepreneur (LSE). Urban SMEs tend to be more structured than their rural counterpart.

SMEs Contribution to Economic Development

Even if there are controversies on definition, what is not contestable is the contribution SMEs are making to the economy. About 10% of total manufacturing output and 70% of industrial employment are by SMEs.(Osuagwu, 2001). SMEs also promote industrial employment through the utilization of local resources production of intermediate goods and the transfer/transformation of rural technology. In fact SMEs are generally regarded as the engine driving the growth of this and other economics and provide the best opportunity for job creation and rural development. In most major economies,the critical role of SMEs is recognized and special agencies of government are created to provide support for SMEs. The funding requirement of SMEs is also given special consideration by the formal funding institutions, Banks, micro-credits agencies, venture capital and the non-formal funding agencies like the donors and specialized NGOs.

Funding Windows for SMEs

There are various funding windows available to SMEs. The banking system provides the major sources of funds. There are funding from the Commercial Banks (even if limited),and specialized banks like the various micro-finance banks. Micro finance institutions such as cooperative societies and credit unions also fund SMEs. The donor agencies are also sources for funding SMEs through grant for development projects. Despite the above list, SMEs continue to lack adequate funding. The funding sources from the above are limited in scope and not always available. Commercial banks do not really support SMEs due to the perceived risk in lending to SMEs (carpenter, 2006)

Many large-scale enterprises (LSE) have reduced their borrowings from bank due to the high interest rates and the short tenors of such loans. Banks therefore, no longer lend to the real sector of the economy. Loanable funds are now used to finance consumer imports and to speculate in the foreign exchange market. SMEs provide an opportunity to banks to support the growth sector of the economy. Unfortunately SMEs will remain unattractive due to the risk presented. The two tiers of government in the country (i.e. federal and state or regional before 1957 when state were first created have been involved in the financing of this vital sub-sector of the economy since 1960. The effect of the colonial masters before 1960 in this direction is worth mentioning (Akeredolu-Ale 1975).

The problems of Small and Medium Scale Enterprises:

Just as small is beautiful, so it has its problems which are enormous. Among the major problems of SMEs are Finance, marketing, production, accounting, raw materials, organization, technology and infrastructural facilities:

Finance: finance is a powerful development lubricant, which greases the productive channels of an industry and stimulates its smooth operation. No business can be established or grow without adequate financial support but regrettably. Because of high risk nature common with small businesses, the banks are reluctant to give the SMEs loans for which they are not sure of recovering. Where the banks cannot refuse; they give prohibitive terms that eventually scare away the businessmen. The financial problems of SMEs in Nigeria may soon become a thing of the past if all policies presently embarked upon by the federal government yield desired results. The government said that the financial needs of the small-scale industries shall be met through the following charged with such responsibilities: 1. Five commercial banks. 2. Three merchant banks. 3. Nigerian Bank for Commerce and Industry. 4. The Nigeria Agriculture and Cooperative Bank (Aigboje, 2006). However, the mode of establishment of most of these SMEs hinders the flow of finance from the institutionalized finance houses. Many are sole proprietorships with few as partnerships and limited liability companies.

Markets: Frequently, SMEs have no knowledge of its market outlets. Not only can the design and quality of their products be below standard, but also in many cases they depend almost entirely on a party which places the orders, and controls the supply of raw materials which are needed for the orders. The SMEs hardly make use of elementary marketing techniques and many at times they face serious competition from large enterprises or imported consumer goods from either Western and Eastern Europe or America, Japan or even China and India (Osuagwu, 2001).

Production: The SMEs usually lack the technically skilled manpower to handle issues of the business. In fact, it is unfortunate that the characteristics of SMEs mostly constitute their problems. It was earlier mentioned that they do need specialized management because of their size. Yet the modern SMEs need skilled personnel for good organization or production, efficient plan layout, quality control e.t.c. if the output of the business must meet the desired needs of the market (Bate, 1964).

Accounting: The literature on accounting problem for small business is vast and still growing. Accounting provides the needed information in business. The small businessmen or women are known not to keep adequate accounts and some even went to the extent of keeping two accounts- one for the business and the other personalized to siphon business funds so that repayment of loans eventually become difficult and the

loaner unable to arrest the situation (Adewale, 1990). And without proper accounting procedure and practice, the business cannot be effectively and successfully managed.

Raw materials: Many at times raw materials prove a real problem for the SMEs. Shortage in foreign exchange or import restrictions may constitute the major constraint. A large enterprises or parastatal may be the root cause of the raw material shortage (Aigboje, 2006).

Infra-structural problem: The other very significant problem the SMEs have to contend with is the nature of infrastructure, particularly in the rural areas where most of SMEs are easily located. There are still no good roads, no pipe borne water in some parts of the state and the country in general and no adequate electricity despite the Kanji Hydropower, which we export to Niger Republic. In fact, almost all facilities, which attract people to the cities from the rural areas, are lacking. The telephones, educational facilities, the banks, restaurants, and hotels, recreational facilities are either not there or grossly inadequate. Yet, the small and medium enterprises have continued to do business in this desperate situation. The government has been called upon to provide or create industrial centers for the SMEs alone. The government, it has been said, should establish business houses to be rented by these small-scale enterprises, at subsidized rates. While it cannot be said that the government is not trying to alleviate the problems of the SMEs, there is must still to be done. We recognize too the effort of the National Directorate of Employment (NDE). But it appears there are still criticisms here and there, particularly about the type of employment provided (Ajonbadi, 2001).

The problem of organization: We all know what can be achieved when an enterprise is perfectly organized- there will be adequate returns in investment. But the SMEs are faced with the problem of size and the inherent nature of most the entrepreneurs to be independent even when they require good capable hands. With the small size, which mostly results from low level of capital, their ability to employ better skills to manage the affairs of the enterprise becomes a problem. Thus, the routine administrative size of management, which consumes so much of the small businessman's time, is not properly systematized and delegated. Eventually, the enterprise is unable to make use of strategic planning, budgeting, inventory control e.t.c. which are aids allow adequate exploitation of available opportunities for better returns in good organizations (Akeredolu-Ale, 1975).

Technology problem: Most of the small businesses are labour intensive. Some use antiquated machines and equipment. Some are traditional handicrafts, which depend mostly on the number of people involved for increase production. While some seem to cherish their size and mode of operation or could it be that they, the entrepreneurs, were afraid of increase in size, which modern technology can bring along, and this would call for management expertise thereby leading to the demise of his independence (Carpenter, 2006).

Theoretical framework:

The study is based on network theory in view of the fact that the concept of ‘financing’ which is the central idea in this study is based on networking (interpersonal contracts of the individual entrepreneur, partnership and cooperative organization). Ronald Burt (1982) has been in the forefront of network theorists who have sought to develop an integrated approach instead of another form of structural determination. He begins by articulating a schism within action theory between the ‘atomic’ and ‘normative’ orientation. The atomic orientation ‘assumes that alternative action are evaluated independently by separated actors so that evaluations are made without reference to other actors where as the normative perspective is defined by “separate actors within a system having interdependent interest as social norms generated by actors socializing one another (Burt, 1982:5).

This perspective is considered to be scientific in nature in view of its emphasis on objective. The major concern of network theory is the objective pattern of ties linking the member (individual and collective of society). Basic to this link is the ideas that any “actor” (individual or collective) may have differential access to valued structured systems tend to be stratified, with some components dependent on others. Another key aspect of network analysis is that it tends to move sociologists away from the study of social group and actors that are not “sufficiently bounded and densely unite to be termed groups (Wellman, 1983:169).

In applying network theory, it can be argued that all institutions interact with the government policies with a view of providing finance for small and medium scale enterprises. Institutions such as National Economic Reconstruction Fund (NERFUND), World Bank, Africa Development Bank (ADB), Central Bank of Nigeria, The National Bank for Commerce and Industry (NBCI) and the Family Economic Advancement Programme (FEAP) all interact to provide the necessary finance for the small and

medium scale enterprise. The last of the effort at SMEs funding worth mentioning is the sectoral lending by the banks in accordance with the CBN Credit guidelines.

The sectoral allocation of credit which SMEs benefited from was reasonably successful in channeling credit to SMEs. Government had also made various efforts in supporting SMEs, such as the establishment of a Small and Medium Scale Enterprises Development Agency (SMEDA) in the ministry of industries and various micro-finance banks. The government is also establishing a “Bank of Industry” that will provide long term loanable funds to SMEs and other manufacturing companies.

Objectives of study

The primary question addressed by this study is: How are SMEs Financed in Amuwo Odofin Local Government Area of Lagos? In order to answer this research question, the specific objectives of the study are to explore how government finance SMEs in Amuwo Odofin Local Government area in Lagos; to examine the SMEs’ accessibility to loanable fund from banks; to assess the adequacy of the various loans granted; to examine the contribution made by the SMEs subsector in generating employment opportunity and to assess the effect of loans on the output of the SMEs subsector.

Methodology

The study involved data collection in two stages. The first was the review of secondary source for background information on financing of SMEs. In second stage, primary data were collected using both quantitative and qualitative methods. Data for the study were obtained quantitatively through the administration of questionnaires in a face to face interview and an interview guide, while qualitative data were collected through in-depth interview to elicit information from key small and medium scale enterprises (SMEs). It helps in determining the perception about government, individual, Banking industries, Local government institutions.

The study is conducted in Amuwo Odofin Local Government Area. It is one of the 20 local governments Area in Lagos. It is an admixture of urban and rural setting with the urban having a large percentage of the landmass. As a local government Area which is very close to the border, it houses people from various backgrounds, races, and ethnic cleavages who are involved in trading activities. It is essentially a Yoruba-speaking environment, which can be described as a socio-cultural melting pot attracting both Nigerians and Foreigners alike. The situation is attributable to its sound economic base and socio-political importance, which induced a high rate of rural-urban migration to the local government area.

The local government area is made up of five wards (A to E) and under Badagry division also enjoys a pride in history especially as regards to early European contracts with West Africa. By virtue of being a coastal town, it shares with Badagry as one of the major slave outpost and market during the pre-colonial era.

The completed questionnaire was analyzed using the Statistical Package for Social Science (SPSS) to generate frequency percentages and contingency (cross-tabulation tables). Being a descriptive and explanatory study, the analyses of data emphasize comparative and relative frequencies and percentages within and between variables. The qualitative data gathered was subjected to content analysis.

Findings

Demographic Characteristics of Respondents:

A total of fifty questionnaires were administered in the local government area. However, forty-seven were found adequate for analysis (94% response rate). This consists of 34 (70.8%) and 13 (27.1%). The difference in the female-male representation is a reflection of the fact that fewer females than males are involved in small and medium scale enterprises, which may further be attributed to the ability of the males to be more courageous than females to take risks which is one of the characteristics of SMEs, also Lack of access to education, women reproductive roles, cultural/social beliefs and the 'glass ceiling' barrier. Thus, women participation in business activities remains quite low.

The age distribution of respondents shows that 25% of the respondents were between 25 and 30 years while, 10.4% of the respondents reported their ages between 19 and 24 years. From this distribution, it appears that more of the respondents that carry out small and medium scale enterprises fall into the age bracket of 25 to 30 years in the local government area. This indicates a high rate of youth empowerment in the local government, thereby enabling them to involve in SMEs.

Respondents' educational status show that 64.6% of the total population holds one form of tertiary or the other -school/academic qualification certificates, OND, HND, B.Sc. However, depth investigation revealed that majority of the respondents who reported to have tertiary-school qualifications had studied course in universities with certificate or diploma statuses. About 33.3% of the entire population completed technical college and secondary school respectively.

The study reveals that 81.3% of the total population is single, while 16.7% were said to be married. This may be attributed to the fact that those who were involved in SMEs delayed in their getting married in order to first established themselves in business, in order to provide the good things of life for themselves and their would be family. Analysis of respondents' religious orientations shows that Christians constitute the single largest group of respondents. This accounted for 95.8% of the total number of respondents in the study. Muslim makes up 2.1%. This shows that in the local government under study majority of the businessmen and women who run businesses of small and medium scale are Christians compared to other religions.

Respondent average month income shows that more than half of the total population 54.2% earns less than N30 thousand. A fair population 27.1% earn between N30 thousand and N99 thousand. This may also be accounted for the fact that most businessmen and women plough back their profit. The analysis shows that 79.2% of the respondents lived upland, while 16.7% of the respondents lived at the riverine. This shows that most of the SMEs are established at the upland of local government area.

In the occupation distribution 12.5% were businessmen, the reason is not far fetch, since the study is all about small and medium scale business. The study reveals that 2.1% of the respondents were clergy. Also, 18.8% of the respondents were self-employed who had and run their own enterprises. In summary, the percentage of businessmen and women and self-employed in the finding shows that target population which the study was proposed for fall within this bracket.

Table 1: Demographic Characteristics of Respondents:

Characteristics	Categories	Frequency	Percentage
Sex:	Male	34	70.8
	Female	13	27.1
	Total	47	97.9
Age:	No Response	26	54.2
	19-24yrs	5	10.4
	25-30yrs	12	25.0
	31-36yrs	4	8.3
	Total	47	97.9
Education:	Secondary	16	33.3
	Higher Institution	31	64.6
	Total	47	97.9
Marital Status	Single	39	81.3
	Married	8	16.7
	Total	47	97.9
Religion	Christian	46	95.8
	Islam	1	2.1
	Total	47	97.9
Income	No Response	4	8.3
	Less than N30,000	26	54.2
	N30,000-N99,000	13	27.1
	Total	47	97.9
Residence	No Response	1	2.1
	Upland	38	79.2
	Riverine Area	8	16.7
	Total	47	98.0
Occupation	No Response	8	16.7
	Student	6	12.5
	Civil Servant	9	18.8
	Business	14	29.2
	Clergy	1	2.1
	Self Employed	9	18.8
	Total	47	97.9

Source: Field Survey, 2010.

How Government finance Small and Medium Scale Enterprises (SMEs) in Amuwo Odofin Local Government Area of Lagos State

Finance is a powerful development lubricant, which greases the production channels of any enterprises and stimulates its smooth operation. No business can be established or grow without adequate financial support but regrettably, it is a fact that SMEs have limited access to sources of finance or shall we say external source because they are more in dire need of external finance. Because of high-risk nature common with small businesses, the banks are reluctant to give the SMEs loans for which they are not sure of recovery. Where the banks cannot refuse, they give productive terms that eventually scare away the businessmen.

In the data analysis from the data derived from the field 41.7% of the respondents agreed that small and medium scale enterprises (SMEs) do not need large amount of money to takeoff, while, 16.7%, disagreed that SMEs do not need large amount of money to takeoff. From the data gathered from the field, 52.1% of the respondents were of the opinion that SMEs has other sources of financing other than bank loans, 31.3% of the respondents strongly disagreed that there was no other source of financing SMEs other than bank loan. When asked whether equity is the best source of financing SMEs, 22.9% of the respondents disagreed. This 16.7% believed that equity is the best source of financing SMEs. Further questions were asked, whether co-operative society do not contribute to financing of SMEs. 4.7% disagreed while 14.6% agreed that co-operative society does not contribute to financing of SMEs. In another development respondents were asked what were the source of their finance, 31 of the respondents which is 64.6% said they finance their business from personal source, 10.4% were of opinion that their source of finance were from bank loans, while just 4.2% source for finance from government and other government institutions.

Despite the fact that government said that the financing needs of the SMEs shall be met through the following institution charged with such responsibilities, five commercial Banks, Three Merchant Banks, Nigerian Bank for Commerce and Industry, The Nigerian Agricultural and Co-operative Bank and The State Development Finance Co-operations (Osuaagwu, 2001). SMEs are still finding it difficult to access loanable funds. The analysis above shows that businessmen and women still prefer other source of finance for their business, rather depending on government and other government institutions saddled with such responsibility.

Question was also posed to respondents concerning whether or not government has always encouraged SMEs in their financial policies. 24 (50%) of the respondents answered Yes, while 20 (41.7%) answered No to question. With regards to the data collected, respondents response concerning whether government and other financial institution have done enough in supporting SMEs goes to show why most of them did not see their sourcing of finance for their business from government as a welcome development, despite the various funding windows available to SMEs, such as the Micro-Finance Banks, Nigerian Industrial Development Bank (NIDB), Nigerian Bank for Commerce and Industry (NBCI), Nigerian Agricultural Credit Bank (NACB) which are government source of finance to SMEs, there is also Micro-Finance institution such as Small and Medium Scale Development Agency of Nigeria (SMEDAN) (Carpenter,

2006). This finding corroborates with previous studies, (Bates, 1964; Bolton, 1978; Akor, 1986) and the network theory of Mark Granoveller (1985) which described such micro level links as actions embodied in the concrete personal relations and structures (or networks) of relations.

Table 2: Showing source of Finance for SMEs

Responses	Frequency	Percentage
No Response	2	4.2
Government	2	4.2
Bank	5	10.4
Personal	31	64.6
Others	7	14.6
Total	47	97.9

Source: Field Survey, 2010

Assessing the adequacy of the various loans granted to SMEs.

It is in view of the finance problem which SMEs face that Nigerian’s fiscal policy makes provision for the availability of 16% bank loanable funds to SMEs at the most minimal rate. In spite of this, SMEs do not seem to have access to the fund seemingly officially allocated to them. The table 3 reveals that government loans or grants to them were inadequate. This is show on the table with 52% said No, while, 41.7% were of the opinion that the loans and grants by government were adequate. This may possibly negatively impact on the development and sustainability of Nigeria’s SMEs, with dire consequences for Nigeria’s development as a whole. The above finding from the survey corresponds with finding from in-depth-interviews earlier conducted in the local government area. One of the respondents view on how adequate are the various loans granted to the local government with regard to the poverty alleviation programme, is response is as follows:

Since the Poverty Alleviation Programme started in this local government, we have witnessed serious injustices where loans given to some of us is inadequate and where those who needs it badly could not get due to one reasons or another. 3 million for such a programme is too small and grossly inadequate for this population that needed such loans in this local government.

This finding aligns with previous studies (Akeredolu-Ale, 1975) and the theory of wellman (1983).

Table 3: Showing Respondents View on Adequacy of Government Loans or Grants to SMEs

Responses	Frequency	Percentage
No Response	2	4.2
Yes	20	41.7
No	25	52.1
Total	47	97.9

Source: Field Survey, 2010.

Accessibility of Banks Loanable fund to SMEs

The study reveals that bank loans are more easily accessible than government loans. The study reveals the Analysis on the accessibility of bank loan and government loan. It shows that 34 (70.8%) of respondents were of the view that bank loan is easier to get than government loan, while, 13 (27.1%) of the respondents query the view that government loan is easier to get. In a similar position, some respondents admitted that bank loan is easier to get, since most loan by government are given on the basis of favouritism.

The following is excerpt from interviews conducted:

Bank loan is easy to get if one has the necessary collateral. But with government loan or grant, is on the basis of preferential treatment, whether you have the needed collateral or not. Loans are given to people closer to them, e.g. girlfriends, relations etc.

Similarly again, another respondent has this to say concerning bank and government loan:

Bank loan is easier to access if you are able to deposit collateral, but with government loan, even with your collateral, it takes very long time to negotiate for it.

Thus, it is not surprising as a significant proportion 66.7% were of the view that disbursement of bank loan is easier and quicker than government loan while, a small proportion of 27.1% were of the opinion that disbursement of bank loan is easier and quicker than government loan, this finding contradict previous studies (Asugha, 1987; Carpenter 2006) and the theory of Burt, (1982).

Table 4: showing Respondents View on Accessibility of Banks Loanable Fund to SMEs

Responses	Frequency	Percentage
Yes	34	27.1
No	13	27.1
Total	47	97.9

Source: Field Survey, 2010

In the analysis, 20.8% strongly disagreed that SMEs do not have access to loan facilities, 45.8% disagreed, while 16.7% and 8.3% agreed and strongly agreed respectively that SMEs do not have access to loan facilities.

It is clear therefore, that SMEs are usually small, own or family managed businesses with its goods and services being basis. Banks in collaboration with Small and Medium Scale Development Agency of Nigeria (SMEDAN) are more readily available to disburse loan to SMEs now than before with this reasons, SMEs agencies to support the growth sector of the economy. This study goes to contradict findings of previous studies (Bates, 1961; Bates, 1962; Oyedijo, 2002) with SMIDAN; finance has always created means for expansion for SMEs.

Table 5: Respondents View on SMEs Access to Loan Facilities.

Valid	Frequency	Percentage
Strongly Disagreed	10	20.8
Disagreed	22	45.8
Undecided	3	6.3
Agreed	8	16.7
Strongly	4	8.3
Total	47	97.9

Source: Field Survey, 2010.

Contribution of SMEs Sub-sector in Generating Employment Opportunities

There are mixed feeling as reveal by the funding of the study with regards to SMEs contribution in generating employment opportunities. The recognition of the important of the roles of the SMEs as catalyst and engine of growth has prompted the increase attention and specific education on the methods and approach to build and sustain a truly viable private sector dominated by small and medium scale enterprises (SMEs). Such economic contributions are obvious in the mobilization of idle financial resource, the conservative of foreign exchange, utilization of local raw materials, specialist suppliers to

large companies adding varieties and choice for the consumers checks the monopolistic tendency ground provide a source or innovation, breed ground for new industries and above all employment creation. In the light of the above statement study was carried out to ascertain the contribution of SMEs sub-sector in generating employment opportunities, SMEs is seeking for fact pertaining to the above statement, respondents were asked various kinds of questions which they answered as revealed by the tables below.

In the table 6 below, there was a significant increase in the staff strength of respondents as a result of loans from banks which is 25.0% of the respondents. From 6-10 increase in staff strength was 12-5%, 11-15, 14-6%, 6-3%, while 21-26 and above experienced 4-2% increase staff strength. This figure goes to show that SMEs, as a result of loan have contributed to generating employment opportunities. Most respondents agreed that their Staff strength has increased considerably since they received loan. This study goes to align with previous studies (Osuagwu, 2001; Brumback and Lawyer, 1979) the importance of SMEs in Nigeria can not be over emphasized. The sub-sector accounted for 53.6% of total employment of industrial establishment registered under the factory act were small-scale industries (Asugha, 1987). And by 1986, the sub-sector was said to account for 70% of all firms employing several million of Nigerians (Osuagwu, 1983).

Table 6: Showing Respondents Staff Strength over Time with Loan.

Valid	Frequency	Percentage
No Response	15	31.3
1-5	12	25.0
6-10	6	12.5
11-15	7	14.6
16-20	3	6.3
21-25	2	4.2
26-above	2	4.2
Total	47	97.9

Source: Field Survey, 2010.

In a similar way, some respondents were of the view that despite being without loan, their staff strength has increased considerably over time. In the data it shows that more than half of the respondents experienced increased in staff strength even without loan (52.1%) while, 39.6% of the population did not experienced increased in their staff strength without loan. The contribution made by SMEs in employment generation was further buttress by the in-depth interview held with respondent, the following excerpt from the interview:

How is your employment level over the past five years?

The response is as follow:

At the beginning it was tough but with SMEDAN and Through their encouragement to SMEs, through soft Loans this has affected increased in employment level by 35% and my productivity level has also increase this has affected level of employment and productivity to the economy.

Similarly, another respondent responded thus:

“Though our staff has increased as a result of loan acquired from the bank my company will still better if more hands are employed”.

This finding is in line with other previous studies (Carpenter, 2006; Asugha, 1987) with this finding it is not contestable that SMEs has made tremendous contribution to the Nigeria economy. This goes to support the assertion that about 10% of the total manufacturing output and 70% industrial employment are by SMEs (Carpenter, 2006).

Table 7: Showing Respondents View of Increase in their Staff Strength without loan.

Responses	Frequency	Percentage
No Response	3	6.3
Yes	25	52.1
No	19	39.6
Total	47	97.9

Source: Field Survey, 2010

Effects of Loans on Output of SMEs Sub-sector

SMEs are generally regarded as the engine driving the growth of Nigeria economy and provide the best opportunities for job creation and rural development. Therefore, this critical role of SMEs is recognized and special agencies of government can create loans to provide support for them. The funding requirements of SMEs are also given special consideration by both the formals and informal funding institutions such as banks micro-finance agencies, ventures capital another non-formal funding agencies like the donors, and specialized NGOs.

Analysis on the effects of loans on output level of most respondents increased as a result of the loan acquired from banks and other institutions as shown in table 17 below: In the finding it shows that 17 (35.4%) of the respondents experienced increased in productivity output. 14 (29.2%) strongly disagreed that they never experienced increased in productivity they acquired from banks.

The increase in productivity level overtime as a result of loan acquired is expressed in terms of increase in salary. Acquired loan effectively enable companies to send their staff for training which also lead to increased in production. From the study 39.6% of the respondents were of the opinion that their productivity level increased as a result of the increase in their salary, while 18.8% disagreed. Also, 43.8% of the study respondents show that production level increased as a result their companies' staff training policy.

In similar way, it shows that 19 (39.6%) of the respondents experienced increased in productivity level without regard for loan, while, 10 (20.8%) disagreed that they had experienced increased in productivity level without loan. This increased in output level without resulting to taken loan may be attributed to the fact that most respondents plough back their profit, witnessed low marginal cost or do not have access to loan.

Interview finding also attests to the effects of loan on output of SMEs, this is a submission from a respondent:

Loan acquired by my company has affected me positively and I am happy when my boss is around me. This loan so acquired by my company has direct impact on my productivity level personally.

However, some of the respondents admitted that they would have done better in their jobs, if their company gives them loan benefits. The networking of the various structures is to analyze the pattern of ties linking each other to explain the effect of loan to company productivity and staff strength, which also translate to staff productivity and salary. This finding buttresses the network theory by Ritzier, (1996). It also supports the work of Cameron, (1983); White, (1992); and Granoveller, (1985).

Table 8: Showing Respondents Increase in Productivity Level as a Result of Loan Acquired from Banks and Other Institutions.

Valid	Frequency	Percentage
Strongly Disagreed	3	6.3
Disagreed	8	16.7
Undecided	5	10.4
Agreed	17	35.4
Strongly Agreed	47	97.9

Source: Field Survey, 2010.

Conclusion

This study has attempted to examine the financing of Small and Medium Scale Enterprises (SMEs) in Amuwo Odofin Local Government Area of Lagos State. In setting out to carry out this study, specific research objectives were formulated. These are to examine how government finance SMEs in Amuwo Odofin Government Area of

Lagos State; to access the adequacy of the various loan granted; to examine the contributions made by the SMEs sub-sector in generating employment opportunities: to examine how accessible are banks loanable funds to SMEs: to assess the effect of loans on the output of the SMEs sub-sector.

The network theory was adopted as a framework to carry out the study. To generate data for the study, both quantitative and qualitative techniques were employed: survey, in-depth interview. The study shows that government and other financial institutions have not done enough in supporting SMEs. In what need to be done by government and other financial institutions saddle with the responsibility of funding SMEs, in order for SMEs to play their role of improving the economy; more loan should be giving with an appropriate extension of deadlines for payment, create good job for people in order for them to save some amount of money and become self employed, encourage and support existing SMEs, by making policies that would be beneficial to SMEs, create enabling investment environment, such as infrastructural development.

Government should encourage SMEs through their micro credit scheme, to give soft loans, which would then translate into increase in employment and productivity level of the economy. SMEs do not need large sums of money to start and their sources of finance were through government grant, bank loanable funds were easily disbursed if the necessary collateral were provided compared to government grants which is saddle with favouritism. The findings shows that respondents staff strength increased as a result of loan from the bank, this also lead to increased in individual salary which translate into increased in companies productivity.

The Small and Medium Scale Enterprises SMEs have been recognized as a tool of socio-economic development, particularly countries in the same precarious situation, Nigeria has found herself. We have seen the coincidence of the promotion of the SMEs at the same time that the country is paying her more than 30 million dollar external debt and the resultant introduction of economic reforms and the attendant socio-economic implications. The level of promotion is unprecedented in the history of industrial development in Nigeria. With the National Directorate of Employment (NDE) a federal government agency saddle with the responsibility to solve the graduate unemployment problems, was doing its own and the state credit schemes were being revived, the commercial and merchant banks were said to be exceeding the 16% of loan stipulated by the central bank of Nigeria.

Yet, the fact remains that the success of the interest of all and sundry depends largely on how long the policies last. It is only an integrated “package” approach and not piece meal, which can help the SMEs in this country. There are so many agencies trying to solve the problem of finance for the SMEs that I fear things may be duplicated, since most of the agencies come from the same source, I am of the opinion that adequate coordination is required.

In marketing, the after sales service is very important if repeat purchase is desired. And it should be realized that the repeat purchase justifies the continuous existence of the business. Thus, adequate monitoring of loans is not to be misplaced. Through monitoring entrepreneurship, development is assured and the growth of the industry is also maintained.

Though the new industrial policy launched on 14th January 1989 indicated the establishment of a Small Scale Industries Corporation with the following responsibilities: promotion and development of policies and programmes, provision of extension services, training, technical and management needs and provision of facilities for credit delivery, I still fear that the well intentioned document may be poorly implemented as usual with Nigerians. It is on this basis that I implore the government to continue to scrutinize the activities of the agencies empowered to implement the industrial policy.

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