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GOVERNMENT INTERVENTIONIST AGENCIES AND GROWTH OF SMALL AND MEDIUM ENTERPRISES IN ANAMBRA STATE, NIGERIA

[1]Osita, Fabian Chinedu; [2]Okeke, Obianuju Anthonia; [3]Anizoba Adaeze Shalon; [4]Nebolisa, Charles. C.

[1-3]Department of Business Administration, Nnamdi Azikiwe University, Awka, Anambra State, Nigeria.
[3]Department of Banking and Finance, Nnamdi Azikiwe University, Awka, Anambra State, Nigeria.
[4]Internal Audit Department, Transmission Company of Nigeria (TCN)

Corresponding Author:
Osita, Fabian Chinedu: cf.osita@unizik.ed.ng

Abstract

The study examined the relationship between government intervention programmes and growth of Small and medium enterprises (SMEs) in Anambra State, Nigeria. The objective of the study was to ascertain the relationship between government intervention programmes and growth of SMEs in Anambra State, Nigeria. The population of the study is 250 owners of SMEs in selected commercial cities in Anambra State, Nigeria; and out of 250 copies of questionnaire distributed for the study, 200 copies were retrieved and used for the analysis. Descriptive survey design was employed in the collection of data which were analyzed using correlation analysis, and the hypotheses were tested at a 5% level of significance. From the analysis, a correlation coefficient of .998 was arrived at, which shows that, there is a positive correlation between government interventionist programmes and growth of SMEs in Anambra State, Nigeria. Equally, it was established that the coefficient level between government interventionist programmes and growth of SMEs in Anambra State, Nigeria is high, and that correlation coefficient is significant at 0.01 levels (.000<0.01). Therefore, the null hypothesis was rejected, and alternate accepted which states that there is a significant relationship between government interventionist programmes and growth of SMEs in Anambra State, Nigeria. Therefore, the study recommended the need for more public private partnerships in programme design, monitoring and evaluation due to political interference in government intervention programmes in Anambra State, Nigeria.

Keywords: GOVERNMENT, INTERVENTIONIST AGENCIES, SMALL AND MEDIUM ENTERPRISES, ANAMBRA STATE.

1. INTRODUCTION

Small and Medium Enterprises (SMEs) is a foundation upon which a nation other known corporate businesses are built (Onakoya,Fasanya and Abdulrahman, 2013). Most industrialized nations today are where they are today through the contributions of this sector of the economy. SMEs have consistently shown to be a bedrock through which developed and developing nations attain socio-economic development (Olaye, Adedeji, and Ayeni-Agbaje, 2018). SMEs roles in attaining sustainable economic growth is globally recognized in literature. Preponderance of evidence in literature suggests that over 96 percent of Nigerian businesses are SMEs, while the United States it is about 53 percent and 65 percent in Europe. SMEs represent about 90 percent of the manufacturing/industrial sector in terms of number of enterprises. They contribute about 48 percent of Nigeria's GDP, 62 percent in South Africa and 50 percent in the U.S. or Europe. Available data from the National Bureau of Statistics (NBS) estimated the total number of SMEs in Nigeria to be about 37.07 million, accounting for about 50 percent of industrial jobs and 84 percent of total (Udo, 2020).

However, one of the main hindrances of this important sector of the economy in developing economies like Nigeria is finance (John and Ebri, 2020). Since 1960, promoting small and medium enterprises as one of the drivers of economic progress of a nation has been recognized in Nigeria by virtually every government (Akingunola, 2020). The reason for this will not be fetched, as SMEs perceived relevance in ensuring sustained increase in per-capita income and output, employment generation and promotion of effective utilization of available resource is never in doubt (Jibrilla, 2013).

Small and medium Enterprises (SMEs) have been receiving attention since independence from both public and private sectors because of their contributions in economic development and employment generation. Government have been intervening by making provisions through policies, plans, programmes that are seen to be in the best interest for the promotion of small and medium enterprises in Nigeria(Anoke, 2023).

The federal and State governments have launched several intervention programmes while bearing SMEs' in mind to making sure of their easy access to credit facilities. This is because, finance is the life wire of every business. Other reasons for government intervention towards SMEs includes but not limited to achieving economic diversification, employment generation. Some of the intervention programmes by government in recent times in Nigeria are: Small and Medium Enterprises Equity Investment Scheme (SMEEIS), Paddy Aggregation Scheme (PAS), Micro, Small and Medium Enterprises Development Fund (MSMEDF), Small and Medium Enterprise Credit Guarantee Scheme (SMECGS). Whether millions of Naira and Dollars committed in this intervention programmes have met the reasons for their setting up is a debate for another day. Evidence abound that, the reasons for establishing this Agencies and programmes are yet to be met. Unemployment in Nigeria remains high, and in the increase, economic diversification objectives remain a mirage as oil export still accounts for more than 80 percent of Nigeria export (Tonuchi and Onyebuchi; 2019).

It is against this background that, the researchers consider the study: Government interventionist agencies and growth of small and medium enterprises in Anambra State, Nigeria. Specifically, this study seeks to ascertain the relationship between government intervention programmes and growth of SMEs in Anambra State, Nigeria.

2.REVIEW OF RELATED LITERATURE

Interventionist Agencies in Nigeria

These are agencies established by the government of Nigeria for the purpose of addressing some of the problems facing small and medium enterprises in order to mitigate, especially credit and socio-economic and infrastructural deficits the business sector is facing. Some of the agencies are:

Small and Medium Enterprises Development Agency of Nigeria (SMEDAN). This agency was established by the small and medium industries development Act, 2003 to facilitate and promote micro, small and medium enterprises access to resources required for their growth, training and Development, and also lay down a structured medium and small industrial enterprises sector which will encourage and enhance sustainable economic development of Nigeria.

Micro, Small and Medium Enterprises Development Fund (MSMEDF). The CBN launched this development fund programme in 2013 to harness the potentials of the micro, small and medium enterprises for increasing productivity, employment and wealth creation and inclusive growth. It took off with a N220 billion share capital 10 percent of which was set aside as development component (such as administrative costs) and 90 percent as commercial component to be released to participating financial institutions at 2.0 percent interest for on-lending to SMEs at no more than 9 percent interest rate. As at end December 2019, the cumulative disbursement to SMEs from inception was N83.98 billion and repayment of N35.51 billion. Nonetheless, MSMDEF is hugely untapped by the MSME sector as the participating financial institutions have shied away from the unattractive lending margins and heavy risk profile of SMEs (CBN; 2019).

Small and Medium Enterprises Restructuring and Refinancing Facility (SMERRF). The SMERRF was saddled with the responsibility of refinancing and restructuring banks' existing loan portfolios to manufacturers to improve access to credit and to improve the financial position of deposit money banks. The loans facilities were administered at 7 percent interest rate and payable quarterly for up to 15 years tenor. When the programme was suspended in 2015, the facility was credited to have disbursed up to N381.99 billion to fund up to 604 SMEs projects. (CBN; 2017).

Small and Medium Enterprise Credit Guarantee Scheme (SMECGS). This scheme is a N200 billion fund set up in year 2010 to complement the refinancing and restructuring of banks' loans. SMECGS was established to provide guarantee for credit from banks to SMEs and manufacturers, increase the access of promoters of SMEs and manufacturers to credit, and set the pace for industrialization of the Nigerian economy. According to CBN bulletin, 2019 only a total of 88 projects valued at N4.3 billion had been guaranteed along with full repayment of 40 projects valued at N2.2 billion.

Paddy Aggregation Scheme (PAS). The PAS is a working capital facility for integrated Rice millers under the Commercial Agricultural Credit Scheme (CACS). From inception in 2017, it offered 9.0 percent interest rate loans for six months tenure as well as a concessionary waiver of the single obligor limit under the CACS (CBN; 2017). About 26 millers benefited from a cumulative fund release which stood at N92.33 billion as at December 2019. Repayment is recorded to be N43.21 billion (CBN; 2019). However, as at mid-year 2020, N3.20 billion was further released in favour of 3 additional projects (CBN; 2020).

Some other interventionist agencies are the Agribusiness/Small and Medium Enterprises Investment Scheme (AGSMEIS), the Export Development Facility (EDF), the CBN Anchor Borrowers Programme (ABP), Non-Oil Export Stimulation Facility (NESF) and, in response to the pandemic, some stimulus policy measures such; the Targeted Credit Facility (TCF), COVID- 19 Intervention Facility for the Manufacturing Sector (CIFMS), the Health Care Sector Intervention Fund (HSIF), and the Health Sector Research and Development Intervention Scheme (HSRDIS)

Small and Medium Enterprises (SMEs)

There is no generally accepted definition of SMEs as any given definition is dependent on the type of industry/industrial capacity as well as the country's economic index, which varies over time (Tonuchi et al, 2021). The difference amongst industries could be ascribed to the different capital requirements of each business. However, the basic definitional parameters remain the same and may include the number of employees, asset base, turnover, and financial strength among others. So, what constitutes SMEs varies from country to country(Anoke, Okoafor and Onu, 2023).

Definition of SMEs by government of various nations was basically for taxation and policy implementation. Many governments till date find it difficult to define and classify what constitutes small businesses. The inability to come up with a definite definition may be the reason small businesses do not get financial assistance and the enabling environment to operate successfully in Nigeria (Okhankhuele, 2017). The definition of small business should be based on the size of employee, annual turnover, working capital, assets, revenue. The truth is that most of the SMEs are actually manage by their owners and immediate families. Many of these businesses exist largely to support a family and are not principally focused on expansion. Other yardstick that may be used to define what constitute SMEs is the location of the enterprise and also its ownership type. So, finding a wholly definition for SMEs has not been easy due to the varying sizes and depth of one's country economy which have resulted in varying SME definitions by different institutions and countries(Anoke,Onu, & Agagbo, 2022).

However, the Central Bank of Nigeria (CBN) has through its various circulars and interventions defined Small and Medium Enterprises (SMEs) as entities with asset base of N5 million and not more than N500 million excluding land and buildings with employees between 11 and 200. However, the Central Bank of Nigeria has not formally stipulated this definition of SMEs for reporting purposes so commercial banks mostly use account debit turnover to determine categories but even such turnover parameter
varies widely from bank to bank. SMEs are divided into micro, small, and medium enterprises based on their workforce and asset base. Micro-enterprises have less than ten

employees and assets worth less than N5 million, small enterprises have between ten and forty-nine employees and assets worth between N5 million and N50 million, while medium enterprises have between fifty and two hundred and fifty employees and assets worth between N50 million and N500 million. According to the National Bureau of Statistics (NBS), SMEs contribute 48% of Nigeria's GDP and employ over 84% of the workforce. The Nigerian government has recognized the importance of SMEs in economic development and has implemented several policies to support their growth and development.

Globally, SMEs are usually associated with little capital outlay, minimal fixed assets, very localized in the area of operation, highly personalized and at times lacking sophistication in their operations within the industry and largely dependent on internal sources of capital to finance their growth. These could be the reasons why they are associated with a high rate of failure and lack of expansion. Meanwhile, their existence is of great importance to the economy because they exist to fill gaps left over by large scale businesses. Thus, SMEs exist to engage in those small areas of activities that big businesses refuse to partake in or "too big to engage in".

Role of SMEs in Socio-Economic Development of Nigeria

According to the National Bureau of Statistics, SMEs contribute about 48% of Nigeria's GDP, making sector a very critical driver of economic growth and development. They are involved in various sectors of the economy, including extraction, manufacturing, services, and retailing.

SMEs also play a crucial role in poverty reduction in Nigeria. They offer bumper opportunities for low-income earners to earn a living and improve their standard of living. They achieve this by providing employment opportunities, producing affordable goods and services, and creating a market for products and services produced by small-scale farmers and artisans.

SMEs role in area of economic diversification can never be over emphasized as far as Nigeria is concerned. The country is heavily dependent on oil exports, and this has made the economy vulnerable due to volatility of oil prices and foreign exchange. But with SMEs involvement in various sectors of the economy, they contribute to the diversification of the economy by producing goods and services for domestic consumption and export.

Some of the Challenges Besetting SMEs in Nigeria

The National Bureau of Statistics (NBS) and Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) survey of MSMEs reported that 73.24 percent of problems of SMEs is finance. From the available records, only 4.2 percent of 17.2 million MSMEs have been able to access loans or overdrafts from financial institutions in Nigeria while new comers in the sector find it very difficult to access credit from banks (SMEDAN OLOP Report, 2014).

Lack of Adequate Infrastructures is also another challenge of SMEs in Nigeria that has not been critically looked into. The promises of government to provide enabling environment for business to thrive is still a mirage as far as necessary Infrastructures are concerned. SMEs operators who are in manufacturing and service (barbers salon, tailoring, restaurants etc) industries needs electricity to survive. Nigerians usually witness low power supply in dry season due to low water level in our dams, coupled with high cost and scarcity of petroleum products thereby resulting in partial or total darkness; making it difficult if not impossible for these SMEs to perform efficiently or breakeven.

Poor management capacity is another deficiency of SMEs Operator in Nigeria. This is because, the owner-manager plan, organize, direct, coordinate and control both material and human resources in the organization all themselves. This is so because SMEs by their nature are centered on the owner-manager who prefers to control his funds personally and take decisions in matters affecting the entire business all by himself. He/she hardly has time to develop or update skills and knowledge for effective business management. They hardly employ or seek professional counsels in issues that affect their businesses.

2.2 THEORETICAL FRAMEWORK

This study was anchored on Keynesian economics theory of 1936. Summarily, the theory advocates a mixed economy, commonly private sector, but with a large role to be played by government and public sector. It equally offers an important insight to the understanding of the effect of government interventions on small scale enterprises. The ability of government to intervene in economic activities, because private sector decisions at times lead to inefficient macroeconomic score-line, therefore, the theory advocates active policy responses by the government, and this marks the link between the study and the theory.

3.METHODOLOGY

The study adopted a survey research design because data were collected through the use of questionnaire. The population category consists all SMEs that participated in any government intervention programmes in Anambra State. The researchers limited the study to four main commercial and industrial hubs (Onitsha, Nkpor, Nnewi and Awka) in Anambra State. To select the respondents in each of the four commercial and industrial hubs of the State, the researchers employed a combination of purposive and accidental sampling techniques to target mostly small and medium scale enterprises in each of these areas understudy. The study considered several factors in its choice of reaching the target audience such as the level of awareness of government intervention programmes in the State, registered SMEs in the areas. The study did not limit the participants to only those who have benefited from any government interventions. To this end, the researchers selected 100 SMEs from Onitsha, 50 each from Nkpor, Nnewi, and Awka making it 250 respondents. The choice of 100 SMEs from Onitsha is because the commercial city houses the largest share of SMEs in Anambra State and the whole of south-east, Nigeria.

The study employed the use of census because the entire population for the study was considered small, based on the entire size of SMEs in these commercial cities under study. A five-point Likert structured questionnaire was deployed in eliciting data from the respondents. A total of 250 copies of the questionnaire were distributed in line with the population of the study, 200 copies were retrieved and used for the analysis. The analysis was carried out with the use of correlation analysis and the hypotheses were tested at 5% level of significance.

4. DATA PRESENTATION AND ANALYSIS

4.1 Test of Hypothesis

Ha: There is a significant relationship between government intervention programmes and growth of SMEs in Anambra State, Nigeria.

Table 1: Correlation Analysis for Hypothesis One

		TRL	HCD
	Pearson Correlation	1	.998**
GIA	Sig. (2-Tailed)		.000
	N	5	5
	Pearson Correlation	.998**	1
SMEG	Sig. (2-tailed)	.000	
	N	5	5

** Correlation is significant at the 0.01 level (2-tailed). **Source: Field Survey, 2024**

4.2 DISCUSSION OF FINDINGS

Indeed, from the above figure, the correlation coefficient of .998 shows a positive correlation between government interventionist agencies and growth of SMEs in Anambra State. To have an idea of how much variance the two variables share, the coefficient of determination (R) is calculated. R is 0.998 x 0.998= 0.996. It implies that interventionist agencies help to explain almost 99% of the variance in the growth of SMEs in Anambra State. From the above result, the study discovers that the coefficient level between Government interventionist agencies and growth of SMEs is very high and that the correlation coefficient is significant at 0.01 levels (.000<0.01). Therefore, the null hypothesis is rejected and the alternate accepted states that there is a significant relationship between government interventionist agencies and growth of SMEs in Anambra State, therefore, the alternate hypothesis is accepted.

5.1 CONCLUSION AND POLICY RECOMMENDATION

Small and Medium scale Enterprises hold enormous prospects for the growth of every economy. Given the constant possibility of political interference in SMEs intervention programmes, there is need for more public private partnerships in programme design, monitoring and evaluation. This will increase transparency in the interventions, reduce corruption and political interference and biasness. Technology adoption can enable applicants' to effectively monitor their applications from beginning to end. The government should guarantee SMEs access to funds by providing fiscal incentive and support through the establishment of credit guarantee scheme, resolution of collateral issue and robust awareness made available to the public. Technological, industrial development centers like the Industrial Development Center (IDC) should be established in Anambra State.

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