

Journal of Asian Business Strategy

ISSN(e): 2225-4226

ISSN(p): 2309-8295

DOI: 10.18488/journal.1006.2019.91.40.52

Vol. 9, No. 1, 40-52.

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URL: www.aesweb.com



THE IMPEDIMENTS TO DEVELOPMENT OF SMALL AND MEDIUM ENTERPRISES IN NIGERIA



B.A. Chukwu¹⁺

R.I. Adegehe²

S.M. Aguwamba³

¹Department of Business Administration, Igbinedion University, Okada, Edo State, Nigeria.

Email: benedictchukwu103@yahoo.com

²Department of Banking and Finance, Igbinedion University, Okada, Edo State, Nigeria.

³Department of Business Administration Igbinedion University, Okada, Edo State, Nigeria. (+ Corresponding author)



ABSTRACT

Article History

Received: 5 September 2019

Revised: 9 October 2019

Accepted: 25 October 2019

Published: 13 November 2019

Keywords

Impediment
Small and medium enterprises
Skill acquisition
Interest rate
Exchange rate
Government policies.

The aim of this research is to investigate the impediments to Small and Medium Enterprises Development (SMEs) in Nigeria. This study adopted a survey research instrument through administration of questionnaire to samples of SMEs studied. Multiple Regression analysis was used to analyze data. Four objectives were raised and four hypotheses were formulated and tested. Based on the result of the four hypotheses, it was found that skill acquisition, exchange and interest rates have significant and positive relationship with SMEs development. Government policies have significant and negative relationship with SMEs development. It is concluded that absence of skill acquisition, high exchange and interest rates impede SMEs development and that obnoxious and inconsistent government policies also impede SMEs development. The study recommended that government should provide the necessary infrastructure and economic climate to enable SMEs thrive, and that inconsistent policies of government such as multiple taxation by the three tiers of government should be discouraged.

Contribution/ Originality: This study contributes to the existing literature by investigating the barriers to Small and Medium Enterprises Development (SMEs) in Nigeria.

1. INTRODUCTION

1.1. Background of the Study

The role of small and medium enterprises (SMEs) in gingering economic growth and development in developed and developing country has been noted by Akande and Yinus (2013); Akintoye and Oladejo (2008). These authors stated that SMEs play a key role in economies of both developed and developing countries in areas of employment creation, mechanism to fight corruption and in terms of turnover. But this is not the case in Nigeria. Small and medium enterprises (SMEs) have performed abysmally in Nigeria as a result of numerous challenges. They have failed to ginger economic growth, provide enough finished products and services for the

populace, and generate employment for army of unemployed youths from secondary and tertiary institutions in Nigeria.

Nigeria depends on foreign imported consumer goods to meet the demand of its over growing population. The capacity utilization in the industries run by SMEs are below 50% due to infrastructural decay, especially power and other poor economic climates. Apart from the low level of production to meet the nations demand, goods produced by SMEs cannot compete with their foreign counterparts and those of multinational companies in Nigeria and this often lead to low patronage. Goods produced by SMEs are adjudged to be of low quality when compared to those produced by their foreign counterparts and multinational companies in Nigeria ([Chukwu, Aguawamba, & Anyasi, 2016](#); [Gosh, 2001](#); [Olusegun, 2007](#)). The informal sources of fund still remain the major source of financing SMEs in Nigeria. These includes personal savings and money borrowed from friends, families and cooperative associations. Financial institutions such as commercial banks are still reluctant to grant credits to SMEs ([Enudu, 2004](#)).

The success of SMEs depends largely on the entrepreneurial skill. Nigerian graduates are lacking in the necessary skill to operate modern production outfits and manage small and medium enterprises. SMEs operators must possess the necessary skill of planning and execution of projects. The operators must be exposed to creative and innovative ability through work experience and managerial training scheme. SMEs in Nigeria has recorded high failure rate as a result of poor managerial and entrepreneurial skills necessary to run their enterprises. Other Unfavourable conditions that militate against SMEs, such as flabby fiscal and monetary policies, multiple taxation, poor implementation of interest rates and unstable foreign exchange as well as high inflation rates are also source of impediments to development of SMEs ([IDAN, 2007](#)). These conditions have weakened the economy and exposed it to vagaries of international capitalism. The aftermath have been overdependence on foreign technologies, final products and values and collapsed infrastructure. These conditions make SMEs, major victims, so that not only are their competitive abilities reduced, their mere existence become a struggle ([Etuk, Etuk, & Baghebo, 2014](#)).

A challenge of inadequate infrastructural support, weak infrastructural facilities such as good roads, portable water, electricity etc also exist and these are bane of SMEs development in Nigeria. The state institution in Nigeria such as judiciary, police etc, are still deficient in providing security network and justice. Notwithstanding the resource availability, registration fees for some products in some government agencies like custom are still the same for small and large enterprises. There is no adequate protection for intellectual property ([Etuk et al., 2014](#); [IDAN, 2007](#)).

Information technology (IT) has also significant impact on the performance of SMEs operation in Nigeria ([Akande & Yinus, 2013](#)). These authors opined that the involvement by SMEs in IT will significantly improve performance in terms of productivity, time saving, business turnover, operation and expenses reduction and also increases level of country economy. SMEs in Nigeria are still grappling with the problem of understanding the use of information technology, which is a functional means through which they can upgrade process, production function etc. Information technology can also improve SMEs operation performance in form of transactional convenience, saving of time and quick transaction ([Akande & Yinus, 2013](#)). The fact remains that the impact of information technology has not been fully explored in Nigeria because of lack of wider acceptance ([Akande & Yinus, 2013](#)). Generally larger organizations have enough fund to adapt IT while SMEs have limited fund and human resources to adopt IT ([Brynjolfsson & Hitt, 2000](#)). This is one of the factors that impedes SMEs development in Nigeria.

SMEs are supposed to be major driver of economy, providing employment, but it is not so, because the profitable level of goods and services produced by SMEs is low due to the challenges outlined above. In addition, SMEs do not have the capacity of competing with their counterparts from developed countries. SMEs are saddled with the challenges of harsh economic climates which characterize the Nigerian business environment. SMEs are supposed to be responsible for more than 70 percent of countries export like Malaysia, Thailand, China and India, but it has not contributed meaningfully to the countries export.

1.2. Objectives of the Study

The objective of the study is to determine the factors that impede small and medium enterprises (SMEs) development in Nigeria. The specific objectives are to:

- i. Examine the effect of skill acquisition on the development of SMEs in Nigeria.
- ii. Determine the effect of exchange rate on the development of SMEs in Nigeria.
- iii. Ascertain the effect of interest rate on development of SMEs in Nigeria.
- iv. Identify the effect of government policies on the development of SMEs in Nigeria.

1.3. Statement of Hypotheses

The following null hypotheses were also formulated to guide this study:

H_0 : Skill acquisition does not positively affect SMEs development in Nigeria.

H_{02} : Exchange rate does not positively affect SMEs development in Nigeria.

H_{03} : Interest rate does not positively affect SMEs development in Nigeria.

H_{04} : Government policies does not positively affect SMEs development in Nigeria.

1.4. Significance of the Study

The study would be of great benefit to the following stakeholders:

Managers: It will help managers of SMEs to know the problems confronting them and to know how to tackle the problems and channel their grievances to government for appropriate action and way forward.

Government: It will enable government to be aware of the problems facing the SMEs and to plan how to tackle them and bring them under control.

Researchers and Academia: This would be of great benefit to researchers in small and medium enterprises and entrepreneurial studies as it would provide empirical evidence for further studies in these areas.

1.5. Scope of the Study

The study examined the impediments of SMEs development in Nigeria. The scope of the study would delimit to SMEs businesses in Edo State, Nigeria. And these includes, soap manufacturing, Biscuit manufacturing, Bread industry, Water bottling plants, poultry farms, palm kernel crushing plants, fish ponds, transport company, block industry, computer and super markets. The study adopted a survey research design through the administration of structured questionnaire raised on a five point Likert scale to the sampled respondents studied.

1.6. Limitations of the Study

In carrying out this study, the researcher was faced with the following limitations:

1. The sampled sized of the study was constrained due to the inability of the respondents to voluntarily participate in the survey.
2. The usage of research instrument was usually constrained with poor response and this ultimately affects the sample size. Also the reluctant of respondents to answer the questionnaire in the process of data collection due to fear of victimization by those in authority was another limitation of the study.
3. Statistical modeling of the variables (skill acquisition, exchange rate, interest rate, and government policies) was tedious to the researcher. Therefore the technical nature of the study also limits the study under investigation.

2. LITERATURE REVIEW

2.1. Conceptual Clarification of Small and Medium Enterprises and Development

2.1.1. Concept of Small and Medium Enterprises

There is no general agreed definition of small and medium enterprises throughout the world due to differences in general economic development and prevailing social condition within each country (Pacific Economic Co-operation Council (PECC), 2003). Various indices such as number of employees, invested capital, asset employed, sales volume, production capability and combination of these variables are used by various countries to classify a business under SMEs sector (Allat, 1999;

Owuala, 1999). Ile (2001) define small scale enterprises as any enterprise whose investment capital to total assets range from one naira (N1.00) to ten million naira (N10m) and employing not more than 100 employees.

The definition of small and medium enterprises vary in different economies but the underlying concept are the same (Pacific Economic Co-operation Council, 2003)(Etuk et al., 2014). Small and medium enterprises are certainly not transnational company, multinational cooperation, publicly owned enterprises or large facility of any kind. However they can transform into large business and ownership structure (Liedholm & Mead, 1987). Akande. (2005), Kozak and Kowalski (2005) argued that 80% of the funding of SMEs come from owners, friends and families and that business firm can take different form including private ownership, contract and subcontracts, cooperatives and associations. Small and medium enterprises operates at a narrow context. And where it is well operated it has the capacity to sprout the economic growth and national development. It is a pivotal instrument of economic growth and development (Asaolu, 2004; Oladepo, 2008; Ovia, 2000).

The Nigerian Bank for Commerce and Industry (NBCI) in reaching an agreement with the world bank concerning technical and financial assistance for small/medium scale enterprises (SMEs) described them as those with capital cost per project not exceeding N1 million (including working capital but excluding cost of land. Some authors define small scale business, by using number of employees, others use annual turnover or capital invested and yet others combine the three and even use other criteria. The Central Bank of Nigeria (CBN) defined small scale enterprises as those with turnover, not exceeding N500,000 (Central Bank of Nigeria, 1987). This is in line with Federal Ministry of Commerce and Industry's (1981), guidelines to the Bank for commerce and industry (1981) in defining small scale enterprises, which defines small scale business as those costing not more than N500,000 excluding the cost of land but including working capital.

2.2. Concept of Development

The new Webster dictionary of the English Language (1981) defines development as "a gradual advancement through progressive changes". The definition made clear (Mydral, 1968) definition of development as the movement of the whole social system upwards. A whole social system involves economic, social-cultural and infrastructural dimensions.

By these definitions, development means improvement in the availability of job, income, social amenities and financial facilities, which improves people quality of life and physical attractiveness of the environment. This involves a gradual but complete reorganization and mobilization of the entire social system (Onyeghala & Anele, 2014).

The definition of development was further categorized by Ijere (1992) as being focused on meeting the needs of the society through a strategy that would provide rapid increase in the production of certain goods and services and the redistribution of land other productive assets as well as a change in the political power structure.

From the above discourse, development also involves rational process of organization; systematic formulation and implementation of programmes; economic expansion; exploitation of human and nonhuman resource; conscious training and development of target audience; qualitative transformation and advancement, development and sustenance of appropriate technology in the economic orders; mobilization of citizenry; control over the environment; empirical analysis and advancement (Onyeghala & Anele, 2014).

2.3. The Factors that Impede the Development of Small and Medium Enterprises in Nigeria

The nature of modern technology adapted in developing countries like Nigeria is not comparable to the ones adapted in advanced countries due to paucity of funds and imperfect market conditions (Trandom (1973)). Sometimes you find out that wrong type of technologies exist and affect production output and quality. Availability of modern technology in developing countries is faced by problem of huge capital investment requirements. Capital intensive technology cannot be undertaken due to lower propensity to save and mass unemployment (Irwin, 1966). Therefore realizing the opportunities which entrepreneurship is widely acknowledge is not feasible. And also

creation of new business ventures by individuals or teams are marred by inadequate technology and technology acquisition.

The dynamic technological environment affects small scale industries adversely. Progress in technology presupposes a constant reviewing and updating of information, machinery and equipment. Yet small firms may not have the money to review and update these information and replace obsolete machinery and equipment. Consequently majority of them still operate with the 19th and even late 18th century technology which affects adversely, their outputs both quantitatively and qualitatively. Small and medium size business may experience difficulties owing to the considerable financial resources required to purchase the technology from outside or obtain it through research carried out within the firm. Access to technology is a key factor in the growth of the small scale enterprises ([Enudu, 2004](#)).

The aftermath of our low technological base, is that our small and medium businesses do not produce goods of high quality and at cheaper prices as those imported from the more technologically advanced countries. This has resulted in the unsatisfactory attitude of most Nigerians towards locally made goods (which they often refer to as inferior) hence their preference to foreign imported goods([Enudu, 2004](#)).

In Nigeria, there is irregular and inadequate monitoring and evaluation of SMEs programs due mainly to flaw in government policies, their implementations and lack of manpower. The monitoring of business enterprise enjoying government loans has been neglected. This is because the development finance institutions do not have trained extension and technical officers. The funds given out as loan are frequently misused ([Onuoha & Udensi, 1996](#)).

The country's limited financial resources are under greater demand from all sections following the decline in oil revenue. There are not always available financial resources for development and finance institutions to distribute to small scale enterprises as grants and loans. [Ude \(2004\)](#) stated that the efforts of government in promoting small and medium scale enterprises have not yield much fruit because of monolithic nature of Nigerian economy and the poor economic climate under which SMEs operate. There are some problems in the incentives and mechanism for administering them. [Ikeduru \(2002\)](#) stated that the microfinance programs which were meant to assist entrepreneurs have failed because of certain limitations. The limitations according to him are high risk, heavy transaction costs, mounting loan losses and inclusion of social welfare projects which divert attention from financial sustainability to welfare issue. The road to economic emancipation in Nigeria is through successful implementation of entrepreneur development programs. [Ihua \(2007\)](#) stated that SMEs in Nigeria can only compete with their counterpart in developed countries, if the reform program of chief Obasanjo administration is adopted and implemented. Entrepreneurship is the life blood of the Nigeria economy. It is the cradle of job and wealth creation in the most innovative ways. It is therefore imperative that we recognize any contribution that the entrepreneur makes to our economic development.

There is no business that can succeed without capital. Inadequate capital and the inability to access loan from the banks is one of the problem faced by new entrepreneurs. They require adequate capital to start business. The process of acquiring loan is extremely cumbersome, because of lack of collateral by the new entrepreneur. Furthermore, financial institutions still operates double digit interest rates. The banks charge high interest rate. In view of the foregoing, government should put in place practical programs to assist entrepreneurs need to start up business ([Adepoju, 2007; Enudu, 2004](#)).

The interest rate is exceedingly high and require to be reduced to single digit interest rate. The capital market is also experiencing high interest rate. The cost of borrowing fund is quite high. The small scale industries cannot go to the capital market because of high double digit interest rate ([Sule, 1986](#)). And some of them are not register in the stock market. SMEs are faced with the problem of doing business due to high bank interest rate on loans. This interest rate increases the cost of doing business. Bank interest rate is between 17- 22% and no business will be able to make profit with such outrageous high interest rate. This has stifled most of the business of SMEs. However governments have been able to alleviate the problem of high interest rate by provision of single digit interest rate through Nigerian Bank of Industry. SMEs can now access loan from Bank of Industry at 9% interest rate.

Government has not been able to implement any of its loan disbursement programs successfully. Even when such are provided, they are distributed to relatives of those in government who divert them to other purpose and misuse them, and eventually fail to repay, thereby painting the picture that entrepreneurs are incapable and lazy and bereft of managerial abilities ([Adepoju, 2007](#)). Experience has shown that in Nigeria, loans granted to businessmen are often diverted to other purposes than that for which they are obtained. This attitude is not in the interest of both the lending banks, the businessmen and the economy. Nigerian businessmen take loans from the banks as resource for promoting personal aggrandizement (for example, unnecessary ceremonies like traditional marriage, remarrying, burial and reburial etc). This financial indiscipline accounts for one of the major reasons why banks are not granting loans ([Enudu, 2004](#)).

Apart from loan misapplication, there is the problem of loan repayment resulting in accumulation of loan in many cases. Even when the business has earned reasonable profits or is generating sufficient funds to allow repayment of the loans and interests due, the loans are not repaid regularly and in many cases not at all ([Enudu, 2004](#)). Entrepreneurs are frequently independent minded and not eager to tap other business opportunities. Involvement of other financial institutions, management consultant, government bodies and so on, tend to be seen as a threat to the independence of the entrepreneur who do not want people to tell him how he should run his business ([Enudu, 2004](#)). With the present trend of event the entrepreneur rely on personal savings and loans from friends and family members for opening their business. This amount rarely meet up the financial obligation of running business and this puts the entrepreneur at disadvantage position and make him to give up his creative idea ([Adepoju, 2007](#)).

One of the challenges facing SMEs in Nigeria is lack of reliable power to run their business. There is epileptic power supply in Nigeria, due to inadequate mega watt of electricity to meet the nations demand. Entrepreneurs make use of generator to run their business, and this increase cost of production and erode whatever profit an entrepreneur might gain. When there is shortage of fuel supply, their business is grind to a halt, since it will eventually raise the cost of production twofold and make their business unattractive ([Adepoju, 2007; Enudu, 2004](#)).

The naira value depreciation started since the era of Structural Adjustment Programme (SAP). Small scale enterprises were badly affected than other sector. The SMEs lack the economies of scale and excess resources the other large organizations posses. They cannot compete with multi-national companies in foreign exchange market. Large companies have cash holdings and are given preferential treatment by banks. The SMEs rely on black market for the purchase of their foreign exchange ([Onuoha & Udensi, 1996](#)).

Exchange rate to foreign currency has risen astronomically. Nigerian Naira exchange rate to dollar is 358 Naira to 1 US dollar. The exchange rate is not stable. This rise in exchange rate was attributed to fluctuation of Oil price from 70 US dollar per barrel to 46 US dollar per barrel, which has resulted to economic recession and depreciation of naira value. High exchange rate has increased the price of importation of raw materials, spare parts and machinery for SMEs and large enterprises. It has ripple effect on manufactured goods and services, which has increased astronomically as well. This has brought untold hardship to the consumers and the general populace because of high inflationary rate, which has risen from 5.8% to 15% (Sun 17 June, 2016).

Loans given to SMEs through finance institutions are hardly recovered because of high rate of default. The government has for years been disbursing funds without recovery. Improper appraisal of project before extension is one of the reasons of this default. At times loans were fraudulently given to beneficiaries, without following the laid down procedures ([Onuoha & Udensi, 1996](#)).

Nigerian economy has accumulation of debt with its foreign trading partners. Unfavourable business relations exist between Nigeria and his trading partners as a result of non-payment of debts. This has made foreign governments to be reluctant in granting further aids to Nigeria. The small scale enterprises has not benefited directly from this foreign aid ([Sule, 1986](#)).

Incessant strikes in our tertiary institutions has resulted in producing half baked graduates lacking in skills and confidence needed for high productivity in work place. Apart from low standard of education, most tertiary institutions lack the basic amenities for learning. Another factor resulting in inadequate training is that the educational Curriculum in Nigeria emphasizes more on theory at the expense of practical. There is no sufficient time and training to blend theory with practice ([Adepoju, 2007; Enudu, 2004](#)).

In view of the foregoing above, Nigerian graduates are lacking in the necessary skills to operate and manage small and medium enterprises. The success of SMEs depends largely on entrepreneurial skills. This inadequate skill acquisition has resulted to their inability to run modern facilities and has exposed our economies to vagaries of International economics system. It has contributed to our dependence on foreign technologies, products and decay infrastructure. SMEs are the major victims of these deplorable condition and not only are their competitive capabilities reduced, their existence become a struggle ([Etuk et al., 2014](#)).

Multiplicity of agencies with overlapping regulatory and supervisory functions is strangulating the business of SMEs, reducing their productivity and competitiveness. It is one of the factors that encumber the industrial sector despite the avalanche of programme to fast-track industrialization, accelerate inclusive economic growth, create jobs and transform the business environment. Beyond the nation's huge infrastructure gap, regulatory challenges and its attendant costs are factors stifling the growth of business ([Okereocha & Chikezie, 2014](#)).

Government policies are not favourable to SMEs in Nigeria. Government policies on the stabilization of naira exchange rate to US dollar has not yield fruit due to fluctuation on Oil price which has finally crashed from 70 dollar per barrel to 46 dollar per barrel. Bank interest rate has also risen astronomically from 12 to 22 percent, which is not favourable to SMEs. Government has refused to reduce interest rate from double to single digit.

The multiplicity of agencies with overlapping regulating and supervisory functions at both the federal and state levels is hampering the smooth operations of many businesses. The effect of regulatory infractions on private sector operators are more pronounced for SMEs because of their inherent vulnerability. This has forced many industries or business to close shop, relocate to other countries or move into the informal sector.

There is pronounced overlapping regulatory activities of standard organization of Nigeria (SON) and National Agency of Food, Drug Administration and Control (NAFDAC) in sectors like cosmetics, food, drinks, beverages, health and confectionery, to mention a few ([Okereocha & Chikezie, 2014](#)). It is frustrating to businesses that a product inspection report produced by SON will be rejected by NAFDAC and vice versa. Each agency prefers to carry out the same analysis for the same product. This leads to waste of management time, unnecessary fees, fine, charges and high operation costs.

2.4. Negative Impact of Globalization

The negative impact of globalization on developing countries is another factor impeding development of SMEs in Nigeria ([Daouas, 2001](#)). SMEs is affected by the fact that Nigeria has no basic requirement for integration into global process. Nigeria does not have the basic requirements such as stable and growing economy, financial and efficient infrastructure, highly rated technical manpower, supportive institutional capacity and good governors characterized by openness, accountability, probity and transparency ([Owolabi, 1998](#)).

Globalization has made porous the borders of Nigeria, while making the developed nations border selectively open through high standardization of consumer goods. This standard renders finished products from SMEs in Nigeria as inferior and therefore unable to compete with similar products from developed nations ([Agara, 2010; Gosh, 2001](#)).

The idea behind trade liberalization is to remove barriers to exports and reduce trade tariff rates. Trade liberalization is not favourable to SMEs due to selective tariffs and standard restriction imposed on goods, the standard, goods from developing countries may not be able to meet.

Some SMEs credit scheme is financed by Nigerian government through World Bank loan. World Bank and its affiliates institutions extend loan facilities to Nigeria by globalizing capital loan with high interest rate, which SME's find it difficult to repay when accessed from banks ([Agara, 2010](#)).

Nigeria SMEs also provide venue for raw material input and a ready market to finished products the quality and quantity of which cannot compete with foreign products or products of Multinational Compounds (MNCs) in Nigeria. Most of the goods exported by developed nations into Nigeria are produced in less developed nations by MNCs where wages and organizational

costs are much lower. This makes goods produced by SMEs unable to compete with imported goods ([Gosh, 2001](#)).

Opening of Nigeria borders without protection to local industries through import restriction had led to dumping of finished goods from foreign countries at price lower than that sold by local manufacturers under SMEs. SMEs are not able to face such competition because they produce at high cost of production because of poor economic climate ([Agara, 2010](#)).

SMEs in Nigeria are having problem of backlog of unsold inventories as a result of inability to sell their goods due to competition. Apart from standardization of consumer goods, flooding of similar goods or products manufactured by SMEs in Nigerian market at relatively cheap price put our locally manufactured goods from SMEs at greater disadvantage, since they cannot compete with foreign goods. There is also low patronage on locally manufactured products because of the preference for foreign manufacture goods and this has resulted in closure of many factories and labour turnover ([Olusegun, 2007](#)).

SMEs in Nigeria has no acumen to drive unit costs down since they don't produce enough to drive unit cost down and have scanty outlet for their products. Furthermore, SME's have no resources to locate their manufacturing facilities in countries where lowest cost can be achieved. This is one of the reasons why they find it difficult to compete ([Thompson & Strickland, 2001](#)).

3. METHODOLOGY

Survey research method was used to gather information or data from sample of SMEs in Edo State by use of questionnaire instrument. The population of the study comprises SMEs in Edo state. The types of SMEs business studied are soap manufacturing industry, Biscuit industry, Bread industry, Water bottling company, Poultry farm, Palm Kernel crushing plant, Fish pond, Transport company, Block molding industry, Computer Business centre and super market. The population of study is 3246. A sample of 356 was selected for the study using Yamane 1964 formular. A stratified random sampling technique was used to ensure that different groups of population are adequately represented in the sample. 356 samples were distributed using questionnaire instrument.

The questionnaire was made up of 5 points Likert scale. For each variable, there were five (items/elements) which were developed keeping in view the questionnaire filling – culture and understanding of the population. The questionnaire is the combination of adaption and self development of items. The demographic data was part of the questionnaire. A total of 356 questionnaires were distributed to SMEs in the selected areas and 306 responses were collected, which has 85.96% response rate. There are five variables in total in the model, where there are four independent variables and one dependent variable. The independent variables are skill acquisition, exchange rate, interest rate and government policies and one dependent variable SMEs development. As the data consists of single dependent variable and multiple independent variables, multiple regression analysis was deployed and SPSS 16.0 was used to analysis the data. Descriptive method of analysis was utilized to analyze data from questionnaire instrument using percentages. Hypotheses testing were carried out using multiple regression statistics.

3.1. Validity and Reliability of instrument

3.1.1. Pilot Test

A pilot test for the survey was sent to 40 respondents first before questionnaire distribution in order to collect their comments, ensure simplicity and understanding of the questionnaire which helped in developing the questionnaire more efficiently. The result of the pilot test ensured that the questionnaire was understandable by the 40 respondents.

The reliability analysis was conducted on the variables that constituted the objectives of the study and SMEs development. [Table 1](#) showed the reliability analysis of the questionnaire and the result showed that the reliability coefficient of the questionnaire was 0.806. this means that the data collected were valid and reliable enough to be used for analysis. [Waltonick \(1993\)](#) stated that the values above 0.7 are considered acceptable, and that the value above 0.8 are preferable or good.

Table-1. Result of reliability analysis.

No.	Variables	Items	Cronbach's alpha
1.	Skill acquisition	4	0.731
2.	Exchange rate	4	0.872
3.	Interest rate	4	0.810
4.	Government policies	4	0.766
5.	SMEs development	4	0.852

3.2. Model Specification

In order to determine the impediments to SMEs development, a multiple regression model is used. The regression model used is specified as follows:

$$\text{SMEsD} = \beta_0 + \beta_1 \text{SA} + \beta_2 \text{ER} + \beta_3 \text{IR} + \beta_4 \text{GP} + \mu$$

Where

SMEsD = Small and medium Enterprises Development.

$\beta_1 \text{SA}$ = Skill Acquisition.

$\beta_2 \text{ER}$ = Exchange Rate.

$\beta_3 \text{IR}$ = Interest Rate.

$\beta_4 \text{GP}$ = Government Policies.

β_0 = (Beta Zero) Y-intercept of the line.

β_i = ($i=1, 2, 3, 4$) are estimates of the coefficient.

μ = an error term measuring variables SMEs development unaccounted for by the independent variables.

4. PRESENTATION AND ANALYSIS OF DATA

4.1. Data Presentation and Analysis for Sample Background Variables

A total of three hundred and fifty six (356) questionnaires were given out to respondents and three hundred and six (306) were duly returned and usable and subsequently analyzed. Therefore the response rate was 85.96%. The demography of the respondents were presented in [Table 2](#).

4.2. The Presentation of Data Used for Regression Analysis

Table-2. Distribution of responses to questions on independent variables responses.

Independent variables	Strongly agree	Agree	Undecided	Disagree	Strongly disagree
Skill acquisition	154(50.3)	80(26.1)	5(1.6)	34(11.2)	33(10.8)
Exchange rate	132(43.1)	90(29.4)	17(5.6)	44(14.4)	23(7.5)
Interest rate	86(28.1)	145(47.4)	7(2.3)	48(15.7)	20(6.5)
Government policies	39(12.8)	27(8.8)	7(2.3)	143(46.7)	90(29.4)

Source: Field survey, 2018.

Figures that are not in bracket show the number of responses.

Figures that are in bracket show the percentage of responses.

Table-3. Distribution of responses to question on dependent variable responses.

Dependent variable	Strongly agree	Agree	Undecided	Disagree	Strongly disagree
SMEs development	60 (19.6)	102(33.3)	42 (13.7)	62 (20.3)	40 (13.1)

Source: Field survey, 2018.

Figures that are not in bracket show the number of responses.

Figures that are in bracket show the percentage of responses

Table-4. Multiple regression results table.

Variable	Standard error	Co-efficient	t-statistics	Prob.
Constant	0.561	3.120	5.560	.000
Skill acquisition	0.081	0.449	5.531	.000
Exchange rate	0.092	0.567	6.151	.000
Interest rate	0.096	0.458	4.761	.000
Government policies	0.093	-0.634	-6.809	.001

Source: SPSS result.

R² 0.635

Adjusted R² 0.629

F- statistics 35.154 = .001

Standard error .429

4.3. Multiple Regression Technique

The study employed multiple regression technique to test the formulated hypotheses given the individual significance of the variables and the results were presented in [Table 3](#).

4.4. Interpretation of Results

4.4.1. Test of Hypotheses

Hypothesis 1: Skill acquisition does not positively affect SMEs development in Nigeria. The beta value shows that 1 unit increase in the value of skill acquisition would result in 0.449 units (44.9%) increase in SMEs development, other variables being held constant. This in essence entails that skill acquisition is a function of SMEs development. Skill acquisition shows statistically significant unique contribution in explaining SMEs development with (P<.01). While t-statistics of skill acquisition also accounted for significant positive variation in dependent variable, that is SMEs development (t= 5.531, P<.01). Resultantly null hypothesis is rejected and the alternate hypothesis is accepted, meaning that skill acquisition exerts significant impact on SMEs development and have positive relationship with SMEs development. This result aligns with the theory which states that SMEs development is a more direct measure aimed at triggering a substantial increase in the production capacities of the labour force in term of skill acquisition.

Hypothesis 2: Exchange rate does not positively affect SMEs development in Nigeria. The beta value shows that 1 unit increase in the value of exchange rate would result in 0.567 units (56.7%) increase in SMEs development, other variables being held constant. This in essence entails that exchange rate is a function of SMEs development. Exchange rate shows statistically significant unique contribution in explaining SMEs development with (P<.01). While t-statistics of exchange rate also accounted for significant positive variation in dependent variable, that is SMEs development (t= 6.151, P<.01). Resultantly null hypothesis is rejected and the alternate hypothesis is accepted, meaning that exchange rate exerts significant impact on SMEs development and have positive relationship with SMEs development. This result accord with the theory which states that stable and reasonable exchange rate to naira in line with the adjusted policies of government will maintain internal price stability as well as import and export price stability, which will affect positively the importation of raw materials, equipment and spare parts for the industries under SMEs.

Hypothesis 3: Interest rate does not positively affect SMEs development in Nigeria. The beta value shows that 1 unit increase in the value of interest rate would result in 0.458 units (45.8%) increase in SMEs development, other variables being held constant. This in essence entails that interest rate is a function of SMEs development. Interest rate shows statistically significant unique contribution in explaining SMEs development with (P<.01). While t-statistics of interest rate also accounted for significant positive variation in dependent variable, that is SMEs development (t= 4.761, P<.01). Resultantly null hypothesis is rejected and the alternate hypothesis is accepted, meaning that interest rate exerts significant impact on SMEs development and have positive relationship with SMEs development. This result aligns with the theory which states that reasonable interest rate encourage entrepreneurs to borrow sufficient funds for their business and to be able to repay the fund in a timely manner.

Hypothesis 4: Government Policies does not positively affect SMEs development in Nigeria. The beta value shows that 1 unit negative change in the value of government policies would result in -.634

units (63.4%) negative change in SMEs development, other variables being held constant. Government policies shows statistically significant unique contribution in explaining SMEs development with ($P<.01$). While t-statistics of government policies also account for significant negative variation in dependent variable, that is SMEs development ($t= -6.809$, $P<.01$). Resultantly null hypothesis is accepted and the alternate hypothesis is rejected, meaning that government policies exerts significant impact on SMEs development and have negative relationship with SMEs development. This aligns with the theory which states that inconsistent government policies hamper smooth operation of many businesses and strangulates business of SMEs.

5. DISCUSSION OF FINDINGS

Table 4 reflects the regression model that was developed for SMEs development as the dependent variable and skill acquisition, exchange rate, interest rate and government policies as the independent variables. The independent variables which are skill acquisition, exchange rate, interest rate and government policies has significant value less than 0.01 (.000, .000, .000 and .001 respectively). These variables are showing statistically significant unique contribution in explaining SMEs development ($P<.01$). The R^2 of the model is 0.635. This means that 63.5% of the variance dependent variable SMEs development is explained by the variation in the independent variables. R^2 adjusted 0.629 implies that the explanatory variables explained the behavior of SMEs development at 62.9% level of confidence.

The regression analysis revealed that skill acquisition had positive and significant relationship with SMEs development ($Beta=.449$) and it did not support the first hypothesis (H_1) of the study that is skill acquisition has no positive relationship with SMEs development. This finding is consistent with the previous studies done by [Etuk et al. \(2014\)](#).

Exchange rate had positive and significant relationship with SMEs development with ($Beta=.567$). In other word this did not support second hypothesis (H_2). This result is consistent with the research of [Onuoha and Udensi \(1996\)](#).

Regression result also indicated significant and positive relationship between interest rate and SMEs development with beta value of .458. This result is consistent with the findings of [Sule \(1986\)](#), [Enudu \(2004\)](#) and [Adepoju \(2007\)](#) and did not support hypothesis (H_3)

Furthermore government policies had negative and significant relationship with SMEs development ($Beta = - 0.634$ and supported hypothesis (H_4). This finding is consistent with researches of [Okereocha and Chikezie \(2014\)](#).

The whole analysis show that the independent variables skill acquisition, exchange rate, interest rate and government policies influence the development of small and medium enterprises and give a significant result as $p<0.01$, $F=35.15$ and $R^2> 60$ whereas the standard error is less than 1. R^2 0.635 shows that the model has a high goodness of fit and that 63.5% variation in SMEs development is accounted for by variation in explanatory variables, suggesting that the model has high explanatory power on the changes in SMEs development among variables. Adjusted R^2 0.629 supported that the model has high goodness of fit with value of 62.9%. F .statistics 35.154% at 1% level indicates that the model has overall significance at traditional 1% level of significance.

6. CONCLUSION

The objective of this study is to determine the impediments to development of small and medium enterprises in Nigeria. To execute this research, four objectives were raised and hypotheses were formulated and tested, Based on the results from the tests of the four hypotheses skill acquisition, exchange rate and interest rate, have significant and positive relationship with small and medium enterprises development. Absence of skill acquisition, high exchange and interest rate impede SMEs development in Nigeria. Government Policies have negative relationship with small and medium enterprises development in Nigeria. Obnoxious and inconsistent government policies impede SMEs development.

7. RECOMMENDATIONS

Based on the research findings, the following recommendations are made.

1. It is recommended that government should provide the necessary infrastructure and economic climate to enable enterprises thrive.
2. It is recommended that inconsistent policies of government, such as multiple taxations by the three tiers of government should be discouraged. Also to be discouraged is multiplicity of agencies with overlapping regulatory and supervisory functions that strangulates the business of small and medium enterprises, reducing their productivity and competitiveness.
3. Government should overhaul the educational system and curriculum to include vocational, technical and entrepreneurial training, which will enable new entrepreneurs to acquire relevant quality skills that can contribute to their being self reliant and contribute to socio-economic development of the country.
4. Government should endeavour to stabilize the naira exchange to foreign currencies, so that entrepreneurs will be able to procure raw materials, machineries and spare part at a reasonable exchange rate.

Funding: This study received no specific financial support.

Competing Interests: The authors declare that they have no competing interests.

Acknowledgement: All authors contributed equally to the conception and design of the study.

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