

ROLE OF SMALL & MEDIUM ENTERPRISES IN POVERTY ERADICATION IN NIGERIA

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ABSTRACT

This study examined the role of small and medium enterprises in poverty eradication in Nigeria. The broad objective of the study is to determine the role of small and medium enterprises in Nigeria and its contribution towards industrialization. Three research questions were posed for the study and three hypotheses formulated in line with the objectives. The instrument for data collection was questionnaire which was used in analyzing the research question while hypotheses were tested with Chi-Square(X^2). The population of the study is 150. Therefore, the study revealed that small and medium enterprises provided employment opportunities, training ground, and harness utilization of local resources. The study concluded that a good development strategy if employed by these industrialists will grow to large-scale capital intensive. The study recommends that SMEs should source their loans from the financial institutions where interest rates are low.

Keywords: SMEs, Entrepreneurs, innovation, poverty eradication, Employment.

INTRODUCTION

Background of the Study

Small and medium enterprises have made great contributions in eradicating poverty in Nigeria. SMEs are regarded as the engine of economic growth to any nation's development. The main advantage of the sector is its ability to employ at low capital cost. The labour intensity of the SMEs is much higher than that of the large enterprises. SMEs as a nursery of entrepreneurship are often driven by individual's creativity and innovation. Besides the growth potentials and its critical role in the manufacturing and value chains, their wide spread in Nigeria and the multiple effects they have on the rest of the economy enable them to be the engine of economic progress. SMEs are main drivers of innovation, job creation, poverty reduction, wealth creation, income distribution and reduction in income disparities. After the economic reform on 1986, the small and medium scale Enterprises are seen as a key to Nigeria's growth and poverty alleviation and unemployment in the country. Therefore, there is need to promote such enterprises in developing economies like Nigeria because since it brings about a great distribution of income and wealth, economic self-dependence, Entrepreneurial development employment and a host of other positive economic uplifting factors. In Nigeria where adverse Balance of payment situation is low, the growing activities of the small scale industries sector in its export portfolio goes a long way in generating foreign exchange and smoothening out the adverse balance of payment situation.

Awosika (2011), Schmitz (2010) and Aremu (2010) posited that small scale enterprises provides income, saving and employment generation. They are seen as veritable engines for the development of entrepreneurial capabilities and indigenous technology which will generate employment in the country. It has been estimated that SMEs employ 22% of the adult population in Nigeria. Because of the SMEs roles in the development and growth of various economies, they have aptly been referred to as “the engine growth” and catalysts for socio-economic transformation of any country. The various activities of small business firms have resulted in the mobilization of the resources of the environment and thereby improving on the standard of living of the population or people. They have contributed a lot to the labour market by absorbing on ever growing supply. In doing this, they have sufficiently helped to curtail the rising unemployment rate in Nigeria. Other impacts of this sector are its contribution to the development of indigenous entrepreneurs like Innoson Group of company, Tummy-Tummy, Chikason Group of Company, Dozy Power flow etc.

SMEs can be said to be a good agent for disposal of industrial products and some service and have immensely increase the production of raw-materials in the form of semi-processed goods for use by bigger industries. It is also a base for the development of appropriate technology and provides a veritable ground for skilled, unskilled and semi-skilled workers. Anambra state has in recent years become an important industrial zone tool. Its prominence has become generally recognized to the extent that the Oyeleran Oyeyinka (2000) described it, as an emergent industrial cluster` in Nigeria Englama. Bamidele (2010) aptly summarized the definition of poverty in both absolute and relative term as a state where an individual is not able to cater, adequately for his/her basic needs of food, clothing and shelter, meet social and economic obligations, lack gainful employment, skills assets and self-esteem, and has limited access to social esteem and economic infrastructures. Small and medium enterprises constitute over 90 percent of business operations and contribute toward over 50 percent of the nation’s total employment opportunities and gross domestic product. Therefore, this study tends to examine the role of SMEs in poverty eradication in Anambra State Nigeria.

Statement of the Problem

The role of small and medium enterprises in eradicating poverty cannot be over emphasized. When you look at Nigerian economy it shows that greater consideration and encouragement should be given to small and medium enterprises. However, little attention or none is given to SMEs as they are left purely in the hands of individuals to initiate and run them. The essence of this study therefore is to find out why the government has not cared to give the same level of attention to small and medium enterprises. When this is known, it will be of paramount importance to point out all the benefits of small and medium enterprises in eradicating poverty. Against this back drop therefore, the study tends to find out the Lack of appropriate and adequate managerial and entrepreneurial skills with the lack of strategic plan, business plan succession plan, adequate organizational set up, transparent operational system etc on the part of many founders and managers of small and medium enterprise.

Objective of the Study

The broad objective of this study is to examine the role of SMEs in eradicating poverty in Nigeria while the specific objectives are to:

1. Determine the role of small and medium enterprise in eradicating poverty in Nigeria.
2. Examine the problems of financing small and medium enterprises.
3. Examine the contribution of SME’s towards industrialization.

Research Questions

The following research question guided the research;

1. To what extent can small and medium enterprise be an instrument for poverty eradication?
2. What is the major challenge encountered by small and medium enterprises in eradicating poverty.
3. To what extent has small and medium enterprises contributed to industrialization?

Hypothesis of the Study

In order to answer the research questions posed for the study, the following hypotheses were formulated in a null form

H₀₁: Small and medium enterprise is not a good strategy for eradicating poverty.

H₂: The major difficulty encountered by small and medium enterprises in eradicating poverty is not lack of funds to finance their business and how to obtain funds for their operation.

H₃: Small and medium enterprise has not contributed to industrialization

Significance of the Study

- (1) This study would be of immense interest and benefit to large scale industries if they would adopt whatever viable recommendation that comes out of this research assiduously in order to maximize their productivity and make a more positive impact.
- (2) Entrepreneurs and business individuals shall benefit from findings of the study particularly as it affects legal and other operational frameworks and benefits accruable to investor. Information derived from this study will be valuable to small and medium enterprises in the area of obtaining loans and credit facilities since these pose the greatest problems to the industrialists.
- (3) It will also be beneficial to government and the policy makers in Nigeria in policy formulation especially on those policies that are meant to promote the performance of small and medium enterprises.
- (4) Entrepreneurs will gain valuable information regarding those numerous problems and solutions in line with skilled management and administration and growth of small and medium enterprises.
- (5) This research work will equally portray the usefulness of small and medium enterprises to the rural community in terms of employment. Finally by going through this research work one can enter into SME easily as no law stops anyone from choosing to be his/her own boss.

Scope of the Study

This research study was limited to selected firms in Anambra State Nigeria (Innoson Group of company, Tummy-Tummy Company, Chikason Group of Companies and Dozzy Plc) Nnewi in Anambra state a small scale industry.

REVIEW OF RELATED LITERATURE

Concept of Small Enterprises

The definition of small enterprise varies from the economic situation of one country to another. Even from state to state and institution to institution. Ajose (2010) has defined small and medium enterprises as an enterprise that has an asset base (excluding land) of between 5 million naira and 500 million naira and labour force of between 11 and 300 in its employ. The National Economic Reconstruction Fund (NERFUND) puts the amount as not exceeding 10 million naira while the section 376 (2) of the companies and Allied Matters Act of 1990

defines it as one with; (a) an annual turnover of not more than 2 million naira. (b) A net asset of not more than 1 million naira,

The National Association of small and medium scale enterprises defines small and medium enterprises as a business that employ less than fifty (50) people and with an annual turnover of one hundred million naira. The association further defines a medium scale enterprise as a business with less than 100 employees and with an annual turnover of five hundred million.

Countries use different definition for classifying their small and medium enterprises sector. More so, the parameters used by most countries in defining SME, singly or in combination are: capital investment on plant and machinery; number of workers employed; and volume of production or turnover of business. On the quantitative side are their internal management structures, decision-making process, financial practice, trading styles, attendance risk factor, etc. It has been observed that most small and medium enterprises are one man shows or are run by two or three individuals, usually relatives, friend or business partners, who take most of the decisions. There is no serious distinction between private and business assets, subjective and personal factors play a large role in decision-making

The Roles of Small and Medium Enterprises in Eradicating poverty in Nigeria

Small and medium scale industries facilitate the creation and use of non-existing or unused products and materials. It is also the main stream of economic activities in a nation and provides the stages for industrial revolution and economic growth (Okenwa C. 2008). In a contribution of Ekpeyoung (2009) on the place of small scale enterprises in the economy, he states that “the role of small & medium scale enterprises in the development of the country has been summarized in the Nigeria Third National Development Plan of 1975-80 which dwells on generating employment opportunities, stimulating indigenous entrepreneurs, improvement in per capita income, balanced regional development, education, empowerment of citizens, Stimulation of indigenous companies and providing self sufficiency.

Improvement in Per Capital Income

SMEs locate and exploit opportunities. They convert idle resources like land, labour and capital into national income and wealth in the form of goods and service. They help to increase Net National Product (GNP) and per capital income in the country, which are important yardstick for reducing poverty and measuring economic growth.

Generation of Employment

SMEs enhance employment generation in a place since unemployed youths and graduates can easily engage in skills on their own. Small and medium enterprises generate more employment opportunities on the aggregate than giant industries. Many people in this country depend on self employment for sustenance. Many others including their relations are provided employment in these enterprises directly and indirectly.

Education

Towards the end of the sixties, two significant contributors were made in the field of small and medium enterprises. One was that, there is a positive linkage between entrepreneurship and economic development and the other was regarding and emergence of a strong hypothesis that small and medium enterprises can be developed through planned efforts.

Provide Self Sufficiency

The small and medium enterprises not only become self-sufficient but also provide great standards of living to its employees and the public. It provides opportunity to a number of people working in the organization. The basic factors which become a cause of happiness may be liberty, monetary rewards and the feeling of contentment that one gets after doing a job.

Classification of Small and Medium Enterprises

A business organization is any economic unit which utilizes the basic economic resources to create utility in order to achieve certain objectives. Human wants are numerous and conflicting and the satisfaction of such want and demand is a suitable arrangement of man's business activities. The main types of business organization are:

- a. Sole proprietorship
- b. Partnership
- C. Private Limited Liability Company
- d. Co-operative societies.

Sole Proprietorship

Sole proprietorship is a business set up, owned and managed by just one man. This type of business organisation that is associated closely with individual initiative, self-reliance and handwork. Sole proprietorship is the oldest form of business organization. This kind of business is many in developing countries due to their low per capita income.

Partnership

Partnership is a form of business organisation where two or more persons engage in a business as co-owners. In some cases it is usually ten partners. A partnership may be based on a written contract or simply or oral arrangement which by laws is binding on all partners. It is an association of two or more persons who jointly establish a business for profit making. The minimum number of member's ranges from two persons while the maximum number is fifty

Private Limited Liability Company

Private companies are often being operated by family members or close associates. Private limited company are numerous in Nigeria and cheaper and simpler to form. The maximum number for formation of a private company is fifty (50) for its members excluding workers. It is required by law to register with the Corporate Affairs Commission in order to acquire a legal personality and its shares are not transferable.

Co-Operative Societies

This is a business organization formed by people with low income who pool their resources together to satisfy the interest of their members in particular and sometimes the general public. The first co-operative movement started at Rockdale, England in 1884. Its aim was to counter the consumer's exploitation by the owners. They pooled their resources together in order to benefit from the economies of scale in purchasing and sale. This type of business organisation is formed by salary earners, subsistence farmers, petty traders and artisans.

Sources of Finance to Small and Medium Enterprises

Small scale business could be financed through the following ways: **Saving:** Individuals save money for various motives. Individuals can directly set aside unexpended earning and save indirectly when they pay life assurance premiums or purchase amenities.

External Borrowing

An individual who wishes to start a business can borrow money from people or external sources to expand his business. A sole proprietor or partnership may obtain funds by borrowing from a private individual or from micro credit institution.

Trade Credit

The basic trade credit transaction involves the supplies handling over goods or performing a service without receiving immediate payment in exchange. The customer is expected to pay by some agreed issues.

- a. The seller would be unwise to part with goods or perform the service, unless he is satisfied that the customer will indeed pay.
- b. The terms of the transaction will include some credit period which is accepted to both parties and to which it would be to the customer advantage to adhere.
- c. There must be some sanction, which the supplier can impose on the customer if he fails to meet the agreed terms. There are three reasons for the existence of trade credit. They are convenience, cost, and loyalty. Trade credit service as a permanent source of loans to worth customers.

Problem of Small and Medium Enterprises In Nigeria

Lack of Access to Funding/Credits

Lack of easy access to funding credit can be traceable to the poor and inadequate documentation of business proposals, lack of appropriate and adequate collateral, high cost of administration and management of small loans as well as high interest rates. When an idea is conceived, there must be fund to actualize such idea. A business opportunity in the course of planning must first consider capital as a basis for the establishment. This is because deficiency of fund in procuring fixed and current assets as required by the enterprises jeopardizes the operation of the business. Lack of capital therefore is a disability to the industrialist in the actualization of their objective which sometimes is attributed to the rigorous bureaucratic red-tapism involved in procuring funds from the banks and financial institution.

Government Unstable Policies

There has been an instability and inconsistency in the Nation's government and policy formulations. Government policies and social attitudes affect business operation considerably. Chukwuma, (1999) noted that "in a nation of relaxed economic policies and stable political system, the business community is seen to flourish more than one that lacks these qualities" He further added that government policies and laws could have such an overwhelming impact on the business arena leading to economic boom or depression. The regulation of the Central Bank of Nigeria (CBN) over banks on both fiscal and monetary policies coupled with inconsistencies of these policies determines the credit extension to the small and medium enterprises.

Lack of Suitable Training and Leadership Development

Training institution abounds in Nigeria, but they rarely address the relevant needs of SMEs especially in the areas of accounting, marketing, information technology, technological processes and development. SMEs are left most often on their own to survive amidst the avalanche of operational difficult inherent in the Nigeria environment as well as the operational shortcoming, which characterize institution set up to facilitate small scale enterprises businesses.

Lack of Appropriate and Adequate Managerial and Entrepreneurial Skill

Some of this organisation lacks appropriate skills to operate. The lack of strategic plan, business plan, succession plan, adequate organizational set-up, transparent operational system etc on the part of many founders and managers of small and medium enterprises in Nigeria is a fall out on small and medium enterprises. Many of the small and medium enterprises promoters purchase obsolete and inefficient equipment thereby setting the stage from the start up for lower level productivity as well as substandard product quality with dire repercussions on product output and market penetration and acceptance.

Theoretical Framework

Below are underlying theories of this research work. We shall briefly review the theories of poverty.

Theories of Poverty

In this section we shall consider the relevant theories of poverty, specifically the theory of **vicious circle of poverty, and the basic needs theory.**

The Basic Needs Theory was propounded by Maslow (1943). The basic idea behind this theory is that people have needs and the desire to satisfy the unmet needs motivate them to engage in activities that will help them satisfy their needs. The theory states that different needs are active at different times and only those needs not yet satisfied can motivate people. The needs are arranged in a fixed order of importance called a hierarchy. The needs are arranged in a hierarchical order starting from physiological or basic need to self actualization needs as follows:

- i. Basic needs which include food, shelter and clothing.
- ii. Safety needs that is freedom from harm and deprivation.
- iii. Social needs, that is friendship and team work.
- iv. Self esteem needs that are acceptance of self as having value.
- v. Self actualization needs, which is the need for fulfillment of potentials and personal growth potentials. Maslow (1943) noted that the efforts and behavioral changes observed in individuals are meant to achieve one of these needs.

The Vicious of Poverty theory was propounded by Nurkes (1953) which posits that there are circular relationship known as the vicious circles of poverty that tend to perpetuate the low level of development in less developed countries like Nigeria. In other words, there is a circular constellation of forces tending to act and react upon one another in such a way as to keep a poor country in a state of poverty. For instance, a poor man may not have enough to eat, being hungry, he may have poor health, being physically weak, his working capacity is low, which means that he is poor and may not have enough and so on. A situation of this sort relating to a country can be summed up in the right proposition that a country is poor because it is poor. The basic vicious circle stem from the fact that total productivity in low income countries is low due to deficiency of capital market imperfections, economic backwardness and under development and this circle operates both on demand and supply sides. Clearly, the development of natural resources depends on the development capacity of human resources in a country. If the people are illiterates, low skilled, lacks entrepreneurial abilities, natural resources will remain untapped, unutilized or underutilized. On the other hand, under developed natural resources will make people to remain economically backward in a country. According to Jhingan (2007), poverty and underdevelopment of an economy are thus synonymous as a country is poor because it is underdeveloped and a country is underdeveloped because it does not have the necessary resources for promoting development.

The basic idea behind the vicious circle of poverty theory is that poverty once started could continue for generation unless there is outside intervention. According to Marge (2008), breaking the vicious circle of poverty is almost impossible since poor people do not have the requisite resources to get out of poverty and this explains why Valentine (1968) noted that it is a pattern of behavior which cannot be easily be reverted.

Empirical Review

Aigbodua and Oisamoje (2013) examined the historical trend in the development of SMEs in Nigeria and identified several opportunities and competitive advantages now exclusively reserved for Nigerian companies under the Nigerian content Act 2010. The study emphasized the need for access to funding for development of the capital base of SMEs, and suggested that the Act would offer a turning point in the realization of all the policy trusts formulated for growing SMEs in Nigeria in the future.

In the study of Kadiri (2012) he examined the contributions of (SMEs) to employment generation in Nigeria by providing an analysis of the efficacy of SMEs as a vibrant tool for employment generation. Using Binomial logistic regression analysis as the tool for statistical analysis, the study found that the sector was unable to achieve this goal due to its inability to obtain adequate business finance. It was also observed that virtually all the SMES that were sampled relied on informal sources of finance to start their business. The study therefore recommends the integration of the activities of the formal with that of the informal financial institutions; while the government should urgently provide the needed infrastructure such as roads, water, electricity and the need enabling environment.

Oboro and Ighoroje (2011) examined the problems of financing small scale business enterprises in Nigeria and the way forward. The study identified the sources of finance, types of finance available for small business enterprises and problems inhibiting small scale business enterprises in Nigeria in securing funds for their smooth operations. The study concluded that adequate finance is indispensable for the successful operations of small scale business enterprises in Nigeria and recommended among others that government should increase loan able funds granted to small scale business, while micro finance banks should also live up to their responsibility of granting loan able funds to small scale business in Nigeria.

Aremu and Adeyemi (2011) examined the role of small and medium enterprises in promoting economic growth and development in Nigeria. The study identified the major advantage of the sector as its employment potential at low capital cost since the labour intensity of the SME sector is much higher than that of the large enterprises. The study therefore concludes that besides the growth potential of the sector and its critical role in the manufacturing and value chains, it also has multiplier effect on the rest of the economy.

METHODOLOGY

Introduction

This chapter is discussed under the following headlines research design, population of the study, sample and sampling technique, sources of data, method used in data collection, questionnaire design, method of data analysis, and validation of instrument.

Research Design

The design adopted for the study was descriptive survey design because it concerned with collecting data and describing systematically the characteristics of small and medium

enterprises in eradicating poverty and to what extent has SMEs in Anambra State helped in poverty reduction.

Sources of Data

The study made use of primary and secondary data.

Primary Data

The study used a structured questionnaire in getting information from the respondents. The rest were obtained from oral interview. The question was designed and administered in small scale industrialist and the employee. Oral interview were used also as a follow up to the questionnaire on both the industrialist and the employees of small and medium enterprises. This is in order to elicit more information which was otherwise not included in the questionnaire distributed to small and medium enterprises and their employees.

Secondary Data

The study collected Published or printed information from small and medium enterprises textbooks, periodicals, article, journals, seminar papers, magazines, newspapers and previous works of graduated students of other higher institution of learning to provide further information on the research area.

Population of the Study

The population of the study was 150 employees of some selected SMEs in Anambra State cutting across all cadres of workers.

Questionnaire Design

To ensure proper execution of the study, sets of questionnaire were prepared and administered. The questionnaire was divided into two major parts. Part one was based on the respondent's socio-demographic characteristics while the part two dealt on the entire research work or on general information. Furthermore, the study made extensive use of open ended questions, close ended questions, multiple choice questions and dichotomous questions. All these efforts were made in order to cover greater scope of the people and areas as well as provide a wider variety of questions to the respondent, thereby enhancing the simplicity of the question for elicitation of wide and better information from them.

Method of Data Analysis

Basically, the study adopted the tabulation and the interpretation method in analysis of data. These methods were adopted due to heterogeneous nature of the information gotten from the respondents. The study also used close ended and open ended method, oral interview and multiple choice questions in his questionnaire. 100 (70%) of 150 distributed samples indicated positive role played by small and medium enterprises in eradicating poverty. Total of 150 copies of the questionnaire were distributed and 100 copies were properly completed and retrieved. The study was on hand to explain certain points to the respondents.

Sampling and Sample techniques

Sample and sampling techniques is defined by Nnamdi (1996), as a limited number of elements selected from a population which represents the population. The sample was drawn from some of the population by the researcher, as it is difficult to reach everyone. A sample size of 100 respondents is randomly selected. These numbers of respondents are employee of Account/finance, administrative and service department in selected SMEs in Anambra State.

Distribution of Respondents to Various Departments**Table 3.1**

Department	Distribution	Percentage
Account/Finance	50	50
Administration	20	20
Service	30	30
Total	100	100

The sampling size will be generalized by using this formula Taro Yamane 1963

$$Ss = \frac{N}{1 + N(e)^2}$$

Where N = Population

e = Tolerance error allowed (0.05)²

Ss = Sampling size

Thus N = 150

$$e = 5\% (0.05)^2 = 0.0025$$

$$n = ?$$

$$n = 100$$

$$\frac{1}{1 + 100(0.0025)}$$

$$1.25$$

$$Ss = 80$$

Tools for Data Analysis

For the analysis of data, percentage and tables were used. The degree of relationships between variables was determined by the use of chi-square statistic. Thus the hypothesis was tested using the chi-square test statistical tools as show below.

$$X^2 (R-1) (C-1) = \sum \frac{(fo-ft)^2}{Ft}$$

All cells where:

X² = Computed chi-square

fo = Observed frequency

ft = Theoretical expected frequency

R = Number of rows in the contingency table

C = Number of columns in the contingency table

N = Total sample size

Ft = $\frac{nRnC}{N}$

Validity of the instruments

Content validity of a scale is qualitative (Akyol and Akehurst, 2003). Therefore, the validity of the instrument was ascertained by test experts to ascertain its contents before its use. The experts were three lecturers in the Department of Entrepreneurial Studies, COOU Igbariam. Also discussion with the supervisor was adopted to ensure the content and face to face validity. The suggestions, correction and recommendations of the experts were used to correct the drafted questionnaire.

Reliability of the instrument

This has to do with how reliable the information given in the research project is ok, it is to tell the examiner or supervisor that the information or data gathered were from the company used as case study and from the right source. It is to ensure that real field work is carried out and unadulterated information was gathered from selected SMEs in Anambra State.

DATA PRESENTATION AND ANALYSIS**Introduction**

Data obtained from the field of investigation are analyzed and interpreted in table. The responses of the respondents were critically analyzed using sample percentage based on the opinions of the respondents.

Socio-Demographic Characteristics of the Study

Results from the analysis of the socio-demographic characteristics of the respondents indicated that majority of the respondents are male suggesting that most of the management teams of this selected firms are male. Moreover, the respondents concentrated within the age bracket of less than 35 years to 45 years and above. Those with SSCE/GCE constitute about 50% of the respondents. It implies that most of the SMEs in Anambra State are managed by persons with first degree or its equivalent.

Socio-demographic characteristics of the respondents**Table 4.1**

Variables	Frequencies	Percentages
Sex		
Male	70	70%
Female	30	30%
Total	100	100
Age		
Less than 35 years	10	10
35-40 years	22	22
41-45	30	30
More than 45 years	38	38
Total	100	100
Marital Status		
Single	80	80
Married	20	20
Separated	-	-
Divorced	-	-
Total	100	100
Educational Qualification		
SSCE/GCE	50	50
OND/NCE	25	25
HND	15	15
B.Sc	10	10
Total	100	100
Length of Service in the Firm		
1-5 years	50	50
6-10 years	30	30
11-15 years	20	20
Total	100	100

Source: Field Survey 2016

Analysis o Research Questions**Table 4.2:** contribution of the industry to employment

Question: Small and medium enterprises has helped in the reduction of unemployment problem on the area?

Option	Frequency	Percentage
Strongly agree	60	60%
Agree	20	20%
Disagree	10	10%
Strongly disagree	10	10%
Total	100	100%

The table 4.2 above indicates that out of the sampled opinion of 100 respondents 60% reacted strongly to the view, 20% agreed while 10% proved otherwise to the view, 10% strongly disagree to the view. The implication of this is that small and medium enterprises actually have helped in solving unemployment problem in the state.

Table 4.3: The role of small scale enterprises in poverty reduction

Question: Do you think that small scale enterprises have played a role in poverty reduction in Nigeria?

Option	Frequency	Percentage
Yes	90	90%
No	10	10%
Total	100	100%

The information in the above shows that all the 100% of the respondent used 90% answered in affirmative while 10% reacted negatively, thus the industry has helped in reducing poverty in Nigeria.

TEST OF HYPOTHESIS

This section deals essentially with statistical testing of the hypotheses formulated for this study and also interpreting the results making use of Chi-Square to show the outcome.

Decision Rule

At 5% level of significance, reject the null hypothesis (H_0) if the calculated value is greater than the table i.e. that is if $X^2 > X$ table, otherwise the null hypothesis should be accepted.

All cells

Where

X^2 = Computed chi-square

f_o = Observed frequency

f_t = Theoretical expected frequency

R = Number of rows in the contingency table

C = Number of columns in the contingency table

$$f_t = \frac{nRnC}{N}$$

nR = Total number in row

nC = Total number in column

n = Total sample size

Test of Hypothesis one

Ho: Small and medium enterprises has not helped in poverty eradication or unemployment reduction.

Table 4.5: Response on small and medium enterprises in reduction of unemployment
Table -2x1 contingency table

Sex	SA	A	D	SD	Total
Male	40	10	7	3	60
Female	20	10	3	7	40
Total	60	20	10	10	100

Computation for $f_t = \frac{nRnc}{N}$

$$\begin{aligned} \Sigma_1 &= \frac{60 \times 60}{100} = 36 \\ \Sigma_2 &= \frac{20 \times 60}{100} = 12 \\ \Sigma_3 &= \frac{10 \times 60}{100} = 6 \\ \Sigma_4 &= \frac{10 \times 60}{100} = 6 \\ \Sigma_5 &= \frac{60 \times 40}{100} = 24 \\ \Sigma_6 &= \frac{20 \times 40}{100} = 8 \\ \Sigma_7 &= \frac{10 \times 40}{100} = 4 \\ \Sigma_8 &= \frac{10 \times 40}{100} = 4 \end{aligned}$$

Computation of the chi-square test statistic
For 2 X 1 contingency table

Cells	Fo	Ft	Fo-ft	(fo-ft) ²	$\frac{(fo-ft)^2}{ft}$
1	40	36	4	16	0.44444
2	10	12	-2	4	0.33333
3	7	6	-1	1	0.16667
4	3	6	-3	9	1.5
5	20	24	-4	16	0.66667
6	10	8	2	4	0.5
7	3	4	-1	1	0.25
8	7	4	3	9	2.25
	100				228.86

To determine the tabulated chi-square value

$$\begin{aligned} V &= (R-1)(C-1) \\ &= (2-1)(4-1) \\ &= (1)(3) \\ &= 3 \end{aligned}$$

At 0.05 level of significance (a) checking through the chi-square table, the table value 7.815 that is $X^2(3) 0.05 = 7.815$.

Decision Rule

Reject H_0 and accept H_1 if the computed chi-square value is greater than critical (tabulated) chi-square value otherwise do not reject H_0 , since the calculated $X^2 (3) 0.05 = 228.861$ is greater than the tabulated value of we reject H_0 and accept H_1 and conclude that small and medium enterprises has helped in unemployment reduction.

Test of Hypothesis two

Ho2: Small and medium enterprises has not played a role in poverty reduction in Nigeria.

Table 4.6: Responses from your industry, do you think that small and medium enterprises have played a role in poverty reduction in Nigeria.

Options	Frequency	Percentage
Yes	90	90%
No	10	10%
Total	100	100%

2 X 2 contingency table

Sex	Yes	No	Total
Male	50	6	56%
Female	40	4	44%
Total	90	10	100%

Computation for $f_t = \frac{nRnC}{N}$

$$\begin{aligned} \Sigma_1 &= \frac{90 \times 56}{100} = 50.4 \\ \Sigma_2 &= \frac{10 \times 56}{100} = 5.6 \\ \Sigma_3 &= \frac{90 \times 44}{100} = 39.6 \\ \Sigma_4 &= \frac{10 \times 44}{100} = 4.6 \end{aligned}$$

Computation of the chi-square

Test statistic for 2 X 2 contingency table

Cells	Fo	Ft	Fo-ft	(fo-ft) ²	$\frac{(fo-ft)^2}{ft}$
1	50	50.4	-0.4	-0.16	3.17460
2	6	5.6	0.4	0.16	0.02857
3	40	39.6	0.4	0.16	4.04040
4	4	4.6	0.6	0.36	0.07826
	100				7.32183

To determine the tabulated chi-square value:

$$\begin{aligned} \text{Degree of freedom } V &= (R-1) (C-1) \\ &= (2-1) (2-1) \\ &= (1) (1) \\ &= 1 \end{aligned}$$

At 0.05 level, of significance (a) checking through the chi-square table, table value

That is $X^2 (1) 0.05 = 3.841$

Decision Rule

Reject H_0 and accept H_1 if the computed chi-square value is greater than the critical (tabulated) chi-square value otherwise do not reject: H_0 , since the calculated $X^2 (1) 0.05 = 7.32183$ is greater than the tabulated values, we reject H_0 and accept H_1 and conclude that small and medium enterprises has played an immense role in reducing poverty in Nigeria.

SUMMARY, CONCLUSION AND RECOMMENDATION**Discussion of the Findings**

The general finding of this research study centered on the achievement and role of SMEs in eradicating poverty in the state.

(1) It was discovered that the small and medium enterprises provided employment opportunities, training ground, harnesses utilization of local resources but also acts as a pillar hold of a nation, Nigeria inclusive.

(2) More so, the problems of the industry were also identified as; managerial /technical problem ,inadequate and improper utilization of funds, commercials and infrastructural problems and instability in government policy as envisage by the various authors whose works were cited in chapter two (2)of the research studies.

(3) Further analysis in chapter four (4) reflected these problems as major causes of failure in the industry and more importantly in the areas of managerial capability, which encompasses the general ideality, resources and motivation within the reach of the entrepreneurs. In other words low productivity and inefficiency were attributed to poor managerial function existing in small and medium enterprises.

(4) A critical view in this study revealed that 85% of the failures of these firms were due to inadequate fund in the running of the enterprises.

However, intent objectives of the government in establishing the various credit schemes as aforementioned in the study with a view to promoting the manufacturing industries never materialized. Other problem as discovered by the study is infrastructural facilities especially in the peculiar problem of inaccessible road, a major problem in Anambra state, is no exception. There is no doubt that this problem is an impediment to the entrepreneurial development as it deprives the SMEs easy reach to the intended consumers.

(5) The study also noted other problems which militate against the industry; they include: irregular water and power supply, consultation services. However in spite of these hindrances, the entrepreneurs still anticipate positive yield especially as it concerns growth and improvement of the industry.

CONCLUSION

From the information supplied by the various related literature, regarding problem, nature, capacity and prospect of small and medium enterprises including oral interviews and information gotten from the analyzed questionnaire, it becomes clear that many variables needs the attention of the small and medium enterprises and government alike such include the provision of incentives, credit and loan facilities, provision of infrastructural facilities, promotional campaign support programme etc the impact made by these SMEs cannot be underestimated especially in the areas of providing employment opportunities and utilization of local resources. Its immense contributions in providing for the general public and basic needs of the society cannot be quantified. A good development strategy if employed by these SMEs will grow to large-scale capital intensive.

RECOMMENDATIONS

In line with the above premise of findings and conclusions drawn by the study, the following recommendation if applied effectively will serve as a means of achieving economic growth and eradicating poverty in Nigeria.

1. Firstly small and medium enterprises should source their loans from the financial institutions where interest rates are low. Entrepreneurs should insist on revolving loan scheme from government which should be interest free.
2. Secondly, government should introduce a revolving loan scheme for small and medium enterprises; she can equally set up a team to monitor the use of such loan so as to avoid its diversion. To this and Nigeria Industrial Development Bank (NIDB), Nigeria Bank of Industry (NBI) and Nigeria Agricultural and Cooperatives Bank (NACB) should gear up towards assisting the small and medium enterprises in satisfying their capital needs.
3. Thirdly, the government can jointly open a data bank with small and medium enterprises. The duty of this bank will be to furnish potentials and prospective investors with information concerning the availability of factors of production and the existing market potentials in the economy.
4. Finally, an improvement and reliability by the government on the infrastructural facilities such as accessible road and regular power supply will facilitate efficient operation of the industry; moreover, a positives thinking, concern and implementation in the development plan and policies of the government over small and medium enterprises will yield positively to the promotion of the industry.
5. The government therefore should protect the manufacturing industries by way of banning and increasing tariff on import of similar goods so as to promote our indigenous entrepreneurs. Besides, recognition of the small scale industries as a base to industrialization will assist in achieving a maximum productivity, efficiency and total independence in the near future.

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