

**THE CHALLENGES OF ACHIEVING MILLENNIUM DEVELOPMENT GOALS IN NIGERIA: SMALL AND  
MEDIUM SCALE ENTERPRISES: AN OPTION**

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**ABSTRACT**

*The declaration of Millennium Development Goals in Nigeria in 2000 led to the systematic implementation of several policies and programs to help attain the different targets set for Millennium Development Goals (MDGs) latest by the year 2015. Stakeholders over the years have modified a few targets and refocused them to reflect local peculiarities as well as target more specific and measurable problems. Despite these efforts, there are still challenges to be surmounted. Small and medium scale enterprises therefore become an option or strategy for contributing to the economic development of Nigeria towards surmounting the challenges of MDGs. The paper attempts to examine the role of SMEs in surmounting the challenges of MDGs. An attempt is also made to ascertain the state of funding of SMEs in Nigeria with particular reference to Benue State, which is the food basket of the nation. The levels of funding were found to be low and operation of SMEs has fallen below expectation. Accordingly, strategies of improving operations of SMEs have been made. These include encouraging people to save and, setting up SMES in rural areas.*

**KEYWORDS:** Millennium development goals, Small and medium scale enterprises

## 1.1 INTRODUCTION

The Millennium Development Goals (MDGs) are eight based on the international development goals the world leaders endorsed at the UN Summit held in September 2000. The MDGs represent an agenda setting for transforming the living conditions of people at the turn of the third millennium.

It is an attempt to reclaim the world for all people by expanding the opportunities and eliminating barriers. In effect, the MDGs envisage a new world that is working hard to find effective solutions to human deprivation and misery. The eight goals of millennium development set to be achieved by 2015 are:

To eradicate extreme poverty and hunger, to achieve universal primary education, to promote gender equality and empower women, to reduce child mortality, to improve maternal health, to combat HIV and AIDS, malaria and other diseases, to ensure environmental sustainability, to develop global partnership for development.

These goals are to be viewed as instrument for reducing poverty in all its ramifications.

As laudable as the efforts and the goals are, according to Oluleye (2010) the concern is about the sincerity of the developed countries in assisting the underdeveloped countries to get out of underdevelopment and the readiness of underdeveloped countries considering the state of their infrastructure. To Tadaro and Smith, (2009) the goals are indeed ambitious. There is the fear that the most anticipated MDGs may amount to not more than just another UN proclamation of worthy goals. Looking at Nigeria as an underdeveloped country, are there institutions, enterprises, and quality infrastructural facilities augured to permit achievement of these goals?

## 1.2 AIMS AND OBJECTIVES OF THE STUDY

The aim and objective of this survey are to examine the capital formation needs of small start-up firms in Makurdi metropolis. In order to do this, the following specific objectives were pursued.

- i. To identify the types of small firms that is operational in Makurdi.
- ii. To determine the ownership profile of the small firms operating in Makurdi.
- iii. To ascertain the various sources of funding of the firms for the first 24 months.
- iv. To determine the adequacy or otherwise of these capital formation needs of the start-up firms.
- v. To determine the general problems faced by these firms.

### 1.3 LITERATURE REVIEW

#### 1.3.1 CONCEPT OF SMALL AND MEDIUM ENTERPRISES (SMES) AND CAPITAL

The investments categories in Nigeria can be both large and small scale. However, the discussion here is limited to small and medium scale firms. The small-scale business has its origin from the Structural Adjustment Program. This program created a new concept called small and Medium Scale Enterprises (SMEs).

The industrial unit of the Obafemi Awolowo University, Ife-Ife, recognizes SMEs as business whose asset in capital, plant and equipment capital are less than N 50,000 and which employ fewer than 50 full time workers.

In Nigeria, the investment ceiling in machinery and equipment alone has raised several times over the years. The limit was set at N 50,000 in 1973/75 Development Plan, rise to N 60,000 during the 3<sup>rd</sup> National Development Plan. (1975-1980). It was again raised to N150,000 in 1981/82, the Nigeria Bank for Commerce and Industries, for the purpose of revolving loan scheme for SMEs defined SMEs as those investing more than N500,000 excluding the cost of land but including working capital.

#### 1.3.2 CLASSIFICATION OF ENTERPRISES

Defining a classification of enterprises requires an understanding of international practices, combined with an assessment of the national character of the enterprises sector (ILO/UNDP 2000). In most countries, enterprises are usually classified into four categories: micro enterprises, small enterprises, medium enterprises and large enterprises. The classification reflects the way enterprises are clustered according to selected criteria and ensures grouping of enterprises with similar characteristics.

#### 1.3.3 CLASSIFICATION CRITERIA

Selected quantitative and/or qualitative criteria can be used for classifying enterprises. The most frequently used quantitative criteria are: the number of workers, value of fixed assets and turnover, (Allal, 1999). Selected criteria should ensure that enterprises classified within a certain range of values have similar characteristics. For this reason therefore, many countries use two classifications jointly (Allal 1999). The most commonly used pairs are:

- For the manufacturing sector, the number of employees and value of fixed assets.
- For the trade and services sector, number of employees and turnover (that is yearly value of gross receipts or sales for enterprises in the trading sector, and yearly value of fees for services rendered in the services sector).

### 1.3.4 CLASSIFICATION OF ENTERPRISES IN AFRICA

Statistics about African countries are not easily available, but table 1 shows definitions of SMEs in Nigeria.

**Table 1: Definition of SMEs in Nigeria**

	Asset Exec. Real Estate		Annual Turnover		Number of Employees	
In million Naira	Medium	Small	Medium	Small	Medium	Small
Central Bank	>50	<1	<150	<1	<100	<50
NERFUND		<10				
NASSI		<40	<40			
Ministry of Industry	<200	<50				
Arthur Anderson			<500	<50		

*Source: The Nigeria Investment Climate (undated).*

### 1.3.5 CLASSIFICATION OF ENTERPRISES IN THE CARIBBEAN

Classifications of enterprises are similar in the Caribbean countries

**Table 2: Classification of SMEs in Trinidad and Tobago**

Micro-enterprises	Small Enterprises	Medium Enterprises
Over managed 1-5 employees	6-25 employees	26-50 employees
Assets – up to US\$15,873	US\$15,874 - \$47,619	US\$47,620-\$238.095
Sales – up to US\$15,714	\$15,873-\$119,047	Above \$119,048- US\$952,2380

*Source: ILO, 2000, Small Enterprises Development in the Caribbean*

### 1.3.6 THE ROLE OF SMALL AND MEDIUM SCALE ENTERPRISES IN SURMOUNTING THE CHALLENGES OF MDGS

The argument has been that SMEs promotion is justified on the ground of the job creation powers of the SMEs of their greater efficiency and growth. Attempts have been made to draw a causal correlation between small and medium scale industries and poverty alleviation so as justify policies and subsidies in small and medium scale industries.

To Kirshin (2000), Khanka (2002), the real reason those governments of developing countries should be interested in micro-enterprises and SMEs is that they account for a large share of firms and generate immediate employment. In other words because they are there, searching for further justification to promote smallness as an instrument of poverty alleviation is not necessary, it is

enough to recognize that small and medium scale industries are emerging private sector in poor countries, and thus form the base for private sector led growth. To Khanka (2002), Social, Political and equity justifications: small and medium enterprises are often said to contribute to a more equal distribution of increased wealth.

Oyekanmi (2005) and Isemin (1983) opined that while there are many expectations to the basic pattern, the weight of audience suggests that larger employers offer better jobs in terms of wages, firm benefits, working conditions and opportunities for skill enhancement as well as job security (Daws, Haltuiranger and Schuh, 1993). With good wages, citizens can have access to good medical services, education and access to quality food.

Researches on SMEs, notably those of Sine (1986) Ahmed (1987) Isemin (1988), Kpelai (2009), Osagie (2008), Peters (1990), Olagunju (2004) and Ikpe (1988) have agreed on some features of SMEs to include, but not restricted to the following areas:

They are capital intensive, the supervision of the whole operation is in the hand of the owner, and these operations include financing, production, and marketing, the proprietors of such businesses usually rely on personal savings and loans from friends, relations or from informal money markets rather than from organized financial markets because they are usually unable to provide the required securities, the level of education of the owner managers is usually low and this does not make for efficient management, the growth of these firms is not rapid because of the low capital base while the mortality rate is high due to poor management. These firms employ simple technology with low import content both in capital and structure and raw materials, hence they are said to have greater inter-sector linkages, Small firms confine themselves to local markets and thus ignore wider distant markets, and invariably reduce the quality of goods and hence the profit made,(Ocholi,2001).

The foregoing theoretical and conceptual framework has thus provided the much needed foundation for the survey of capital formation needs of small start-up firms in Makurdi metropolis.

#### **1.4 METHODOLOGY**

The procedure adopted in conducting this study was descriptive research design. The study was conducted among 25 25 small firms distributed throughout Makurdi metropolis. Questionnaire was used to collect data from a randomly selected sample of 25 small firms distributed throughout Makurdi metropolis.

**INSTRUMENT:** questionnaire was used as the main instrument for data collection. The information sought also related to sources of funds and how these funds are used. Official documents of the State Ministry of Commerce, Industry and Co-operatives were examined. Similarly, the branch of Corporate Affairs Commission located along Barracks Road, now at Abu King Shuluwa Road, was visited and officials interviewed.

### PROCEDURE FOR DATA COLLECTION

The researcher identified the available SMEs operational in town, visited them and administered the questionnaire to both the management and employees of these outfits.

Oral interviews were used as supplementary device for obtaining additional information from the staff of the State Ministry of Commerce, Industry and Cooperatives and the branch office of the Corporate Affairs Commission.

### 1.5 RESULTS AND DISCUSSION

The results/findings are organized around the objectives of the study. The results are presented as follows:

*Research question 1: What types of business firms are in operation in Makurdi metropolis?*

The result of the survey has identified the following types of SMEs in Makurdi metropolis:

**Table 3: Types of Small firms in Makurdi metropolis:**

S/n	Firm	Category/type	Ownership
1	Bakery	Production	Sole-proprietor
2	Restaurant	Service	Sole-proprietor
3	Hotel	Service	Sole-proprietor
4	Carpentry	Production	Partnership
5	Poultry	Production	Sole-proprietor
6	Fishing	Production	Sole-proprietor
7	Piggery	Production	Cooperative
8	Tailoring	Production	Sole-proprietor
9	Weaving	Production	Sole-proprietor
10	Retail trade	Service	Sole-proprietor
11	Bricks and block-making	Production	Sole-proprietor
12	Construction, welding, metal work	Service	Sole-proprietor
13	Distribution business (Pepsi, coca-cola goods)	Service	Sole-proprietor
14	Pottery, ceramics	Production	Sole-propitiator
15	Transport	Service	Sole-proprietor

16	Wood and metal work	Production	Sole-proprietor
17	Animal husbandry	Production	Sole-proprietor
18	GSM/Accessories	Service	Sole-proprietor
19	Bookshops	Service	Sole-proprietor
20	Printing	Production	Partnership
21	Vulcanizers	Service	Sole-proprietor
22	Laundry services	Service	Sole-proprietor
23	Electricians/electronics	Service	Sole-proprietor
24	Sachet water	Production	Sole-proprietor

*Source: field survey 2011*

Results from table 3 show that 13 (52%) of the firms covered by the survey are productive firms, while 12 (48%) are service firms. In terms of ownership of the firms, 22 (88%) of the firms are owned by single or sole proprietors.

**Researches Question 2;** *what are the sources of funding for small firms in Makurdi metropolis?*

In order to address this question, data was collected from the management of small and medium scale firms covered by the study. The results are presented in table 4.

**Table 4: distribution of sources of capital of firms in Makurdi metropolis**

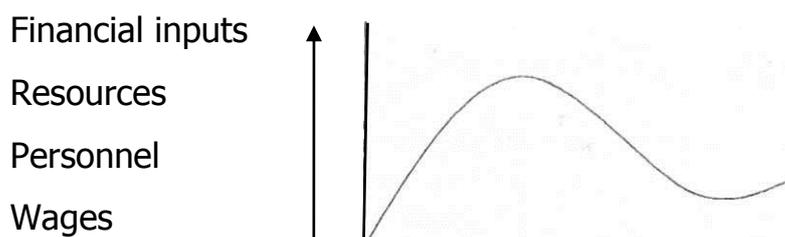
Source	N	%
Personal savings	6	24
Loans from local Financial organizations	14	56
Loans from government agencies	5	20

*Source: field survey 2011*

The results from table 4 show that 56% of the source of funding came as loans obtained from financial organizations while 20% of the sources of funds came from government agencies.

On the adequacy of the start-up capital, majority of the firms covered by the study confirmed that the funds were inadequate. When further interviewed, they alleged that the cost of machinery and acquisition of buildings and staff was rather high. The inadequacy of funds tended to affect the growth of the business.

More capital was needed over time for investment. Thus the input raw materials, personnel, etc. in most of the businesses tended to be on increase with time. This is typical with the life cycles of projects as presented in figure 1



**Figure 1:** Typical pattern of Lifecycle of most Small Scale Enterprises in Makurdi Metropolis.

Further examinations of the data from the Benue State Ministry of Commerce and Industries at 2008 show the following capital formation needs of the corresponding firms.

**Table 5: Capital Formation needs of Corresponding firms**

S/n	Firm	Capital	Percentage
1	Bakery	10,000	0.60
2	Restaurants	20,000	1.20
3	Hotel	30,000	4.81
4	Carpentry	25,000	1.50
5	Poultry	40,000	2.41
6	Fishing	35,000	2.10
	Piggery	50,000	3.01
8	Tailoring	60,000	3.61
9	Weaving	55,000	3.31
10	Retail trade	130,000	7.82
11	Bricks and block-making	98,000	5.89
12	Construction, welding, metal work	145,000	8.72
13	Distribution business (Pepsi, coca-cola goods)	110,000	6.61
14	Pottery, ceramics	100,000	6.01
15	Transport	140,000	8.42
16	Wood and metal work	75,000	4.51
17	Animal husbandry	120,000	7.22
18	GM/ Accessories	150,000	9.02
19	Contracting	150,000	9.02
20	Mechanic workshops	125,000	7.52
21	Ceramics	95,000	5.71

Source: Ministry of Commerce and Industry, SSB Annual Report, 2008

The figure from table 5 compares with the results of the survey.

## 1.6. DISCUSSION OF FINDINGS

Results of the survey show that all start-up firms are on the increase in operation in Makurdi metropolis; these firms are essentially owned by single individuals.

These firms have teething problems confronting them. The key problem is lack of capital. Small-scale enterprises in Makurdi do not have adequate capital for their day to day operations as revealed by our survey.

What are the causes of this gross lack of capital, which has prevented the inducement of economic activities in our state? The survey shows that:

**1. Low Propensity for saving:** in this great country, we lack the spirit of saving. We tend to have the spirit of spending more. If there is low saving, invariably, the capital requirement of small startup firms cannot be met. This is in agreement with First Bank newsletter (2003).

**2. Lack of collateral security:** this is also one of the deaths of capital which has tended to hamper the business operation of small start-up firms in Makurdi metropolis in particular, and Nigeria in general. Therefore, raising loans in Makurdi metropolis and elsewhere for the capital formation needs of SMEs becomes pretty difficult because these firms cannot offer the required collateral security usually demanded by financial institutions. According to Stoner et al, (2003:166) 'capital is even harder for women to come by, because women often start businesses in the service sector, where, although start-up costs are lower, banks make smaller money on the smaller loans'.

**3. Discrimination:** it is disheartening to bring to the notice of our readers that some SMEs are discriminated against in matters concerning the advancement of loans in Makurdi metropolis and elsewhere. This is affirmed by Stoner et al (2002) as they assert 'women borrowers also complain about discrimination, especially among venture capitalists'.

**4. Penury:** that there is poverty in Benue State is indisputable. This is evident in the low tempo of economic activities witnessed by small start-up firms in Makurdi metropolis. Even the few small scale businesses that are found are owned by non-indigenes of the state.]

### **1.7 CONCLUDING REMARKS**

SMEs can be enterprises in the agriculture, industry or service sectors with a possible investment of more than millions of naira on fixed assets. For the past few years, we notice that some of our Small and Medium-Scale Enterprises (SMEs) are closing down due to various problems of finance and the bad state of our infrastructure. One of the current method of solving this dire problem is to offer incentives for setting up of enterprises for the production of goods and services and the removal of disincentives laced by existing ones. A new legislation may be required for SMEs and the government should encourage such enterprises also as a means to combat poverty as well as eradicate it, improve the health sector.

The rural/peasant farming areas of this country are often neglected areas, where high unemployment and underemployment are endemic. It is about time that the government found a way that new enterprise developments whether small or medium are brought to these deprived areas as part of our industrial revolution. It would give incentives to people of rural areas to show their hidden talents by creating their own designs and inventions.

### **1.8 RECOMMENDATION**

Government and venture capitalists should continue to encourage the propagation of SMEs. Our country Nigeria urgently needs the existence of Small and Medium-Scale Enterprises not only to enable the resolution of the challenges of achieving the millennium development goals but also resolved the problem of unemployment, and underemployment of people living in rural areas, to boost their purchasing power, so that the additional demand created could push the country's entire economy to grow at a faster pace.

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