

Microenterprises Management and Unemployment Rate Reduction in Nigeria

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Abstract

It is becoming increasingly recognized that a major objective for the promotion of microenterprises is employment generation. From the early 2000s Nigeria introduced relevant measures, including the MSMEs Act to support the growth of the sector. From then, unemployment rate in Nigeria entered a downward trend reducing from about 9.6 percent in 2010 to about 4.9 percent in 2016. It is estimated that MSMEs sector accounts for about 99.6 percent of the registered businesses in Nigeria and employs about 63 percent of the labour force. In India and Bangladesh the MSMEs sector employs about 96 percent and 87 percent of the total working force respectively, while making a contribution of over 30 percent to the GDP. The exploratory research design was used for the study. It was found that microenterprises management has positive correlation with unemployment rate reduction in Nigeria.

Keywords

Employment Generation, Registered Businesses, Cottage Industries, Total Working Force, Productive Enterprise

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1. Introduction

For a very long time in the history of mankind employment has been seen as a means of providing the individual with the necessities of life. People therefore seek employment to be able to earn money to get food, clothing, shelter, education, healthcare, among others; for themselves and the household. According to Uwazie (2006) economists believe that employment is an act of engaging somebody for a wage or payment for his services. This could also involve those people who are engaged either permanently or temporarily in any productive enterprise for a wage or salary. Following the years of employment scarcity the Nigerian government sought out many ways and programmes to encourage self-employment through the promotion of microenterprises. This is justified on the basis that a high number of the population who are unable to find paid employment have the qualities, capabilities, capacities, as well as drive and energy to be self-

employed, and also generate more employment opportunities (Sunday and Miriam, 2015). In the 1980s when the Nigerian economy started showing major signs of recession with the resultant effect of high unemployment and poverty, the government introduced programmes such as the National Directorate of Employment (NDE) the Directorate of Food, Roads, and Rural Infrastructure (DFRRI) among others to equip the people for the world of self-employment. Still battling with unemployment the government in 1997 launched the Family Economic Advancement Programme (FEAP) based on the Family Support Programme (FSP) initiative which was the original idea of Mrs. Maryam Abacha. FEAP was conceived as an economic empowerment programme designed specifically for locally based producers of goods and services and potential entrepreneurs in the establishment of cottage industries. It was aimed at improving the standard of living of the low income people through employment generation. As its major aim was to create employment, indigenous skills, plant,

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machinery and equipment fabricated in Nigeria were the cornerstone of the defunct programme, thus seeking to lay the foundation for the technological development of the nation. FEAP sought to promote viable agro and non-agro based projects at ward levels and build cottage industries in over 100,000 communities throughout the country to generate new employment opportunities. FEAP was scrapped in 1997 due to a change in government and its ideas on employment generation through microenterprises were jettisoned. However, by the time the Obasanjo government introduced the National Economic Empowerment and Development Strategy (NEEDS) in 2003 to tackle major national economic problems including unemployment, the productive sectors of the economy were performing at very low levels. This problem was compounded by the speed of urbanization in Nigeria. For example, according to Sani (2007) the rate of urbanization in Nigeria – about 5-3 percent a year is one of the fastest in the world. According to him urban unemployment is estimated at about 10.8 percent, and if manufacturing and services sectors do not grow significantly to absorb the surge of labour to urban areas and if rural areas are not transformed to stem the growth in the migration to urban areas, the rate of urban unemployment could become unmanageable. And the implication for poverty, crime, conflict and maintenance of democracy, will be serious. To this extent NEEDS recognizes the urgency to handle the unemployment situation but it also understands that there will be a lag in the expected job-creation effects of the reform programme. Therefore, NEEDS sees the need for necessary steps to encourage individual empowerment particularly among the youth and other target vulnerable groups, by the creation of new jobs through microenterprises (Soludo, 2003) Pursuant to this, the government launched the Micro, Small and Medium Enterprises (MSMEs) framework in 2004, to serve as a catalyst for employment generation. For the purpose of categorization and funding under the MSMEs Act (2006) the meaning of MSMEs or microenterprises is understood with respect to the investment made in the plant, machinery and equipment. The Act suggests that a microenterprise refers to a business with the capital investment of not more than N1million only which includes a working capital but excluding land and or a labour size of between one and ten workers. Small enterprise refer to a business with capital and investment of over N1.5million only but not exceeding and a labour size of between eleven and thirty five workers, while a medium enterprise is a business venture with capital and investment of over N50m only but not more than N200m including working capital but excluding cost of land or a labour size of between 101 and 300 workers. According to UNIDO (1969) the traditional way of categorizing businesses is according to asset base and number of the labour force. It is estimated that Nigeria has

over 17.3 million MSMEs that account for over 70 percent of industrial employment (Aganga, 2012). According to Afolabi (2014) the MSMEs sector in the last five years accounted for about 99.6 percent of the registered businesses in the country by which 63 percent of the labour force earn a living. Awasthi and Shrivastav (2016) believe that one of the most important objectives of promoting microenterprises is to create employment primarily because such enterprises are labour intensive and help to produce goods and services. They involve more labour than capital, which is scarce, and self-employment is the critical mode of employment. Osagie (2010) believes that the recent global meltdown exposed the Nigerian economy to financial disruption in the foreign exchange and stock markets and that efficient management in the private sector is critical for the development of the Nigerian economy (Ogbuabor, et al, 2013).

1.1. Conceptual Framework of the Study

Because of the different meanings attached to the concepts of employment, full employment and unemployment by different experts, the study recognizes that employment implicates the situation of the exchange between service and payment. Uwazie (2006) posits that full employment is a situation where not more than two or three percent of the labour force in an economy is out of work. Also full employment is said to be the maximum level of employment that can be achieved in a private enterprise or capitalist economy without experiencing inflationary pressures. Countries all over the world introduce different reforms with the hope of achieving full employment as a major objective. On the other hand, unemployment reflects a situation where some citizens who are qualified, ready, able and willing to work, do not find work to do. According to Uwazie (2006) it is also a situation where some citizens who fall within the ages of the working population are unable to secure befitting jobs to do. Unemployment is a situation of the inability to find suitable paid employment (Fajana, 2000). In Sunday and Miriam (2015) The International Labour Organization (ILO) defines the unemployed as numbers of the economically active population who are without work but available seeking for work, including people who have lost their jobs and those who have voluntarily left work. In Nigeria it is believed that microenterprises have the greatest potential to create new jobs. This has led to the introduction of different programmes in the last decades to support the growth of microenterprises. The Small and Medium Enterprises, Guarantee Scheme and the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) are leading the promotion of microenterprises in Nigeria. According to Agboola (2012) the Bank of Industry (BOI) created over 1.4m new jobs through SMEDAN in 2012. According to Nwaizugbo (2010) Small and Medium Enterprises (SMEs) have been known to

contribute substantially to the economic growth of nations. He opines that literature greatly extols their contributions to the economic growth of America, Japan, England and other major developed nations, especially in the Asian Continent. He recognizes the critical role of microenterprises to economic growth as SMEs have contributed about 58 percent of working population and about 30 percent to the GDP, of the global economy. He reports that in India, SMEs accounted for about 42 percent of employment and 35 percent of export in 2005 alone. In addition to contributing to the GDP SMEs have the capacity to function as incubation ground for industries and large enterprises, provide training opportunities to future business and industrial managers of large enterprises, and in the whole process maintaining the employment value chain (Susman, 2007).

1.2. Statement of the Problem

Reducing unemployment in any economy to a great extent hinges on strong investment and the productive capacity of a particular economy. In Nigeria there is not much activities in the industrial sector and this is one reason why the employment / unemployment levels still remain issues of public debate. Also in Nigeria both the industrial sector and the MSMEs sector have difficulty in accessing credit that would otherwise enable them to launch into more productive activities. The problem of lack of access to credit by MSMEs in Nigeria is greatly compounded as the economy has been in and out of recession in recent history. According to Osagie (2010) an economy in recession cannot recover unless productive enterprises have access to credit and government is ready to run budget deficits. He opines that the link between bank lending and productive activity in the private sector is critical not only for recovery but also for normal growth in the economy. He postulates that a disconnection between the two, whether in a major economy such as the United States or a struggling economy like Nigeria which has been thoroughly traumatized by decades of economic reforms must not be allowed to take place. Without industrialization the rate of unemployment in a country will still remain high. According to Ekesiobi and Ibekilo (2010) the role of industrialization should be seen as an unparalleled catalyst in the development of a country. They opine that the history of the economically developed nations reveal that industrialization is a vital pre-requisite for their advancement in relation to social transformation, employment creation, increased national income, and technological diversification among other benefits. Microenterprises are supposed to complement the large enterprises (LEs) in employment generation but with such challenges as lack of access to credit technology, skilled manpower, among others MSMEs may not have the capacity to play better roles than what is obtainable at present in Nigeria. Ekesiobi and Ibekilo (2010)

emphasize that a challenge of the Nigerian economy is that it is characterized by dualism in the industrial sector with majority being micro and informal while the formal sector with little or no international linkages are into production for mainly the domestic market and leftover for export. They believe that despite the effort at industrialization the industrial sector in Nigeria has remained grossly underdeveloped and has impacted negatively on growth and welfare low capacity rate, low employment generation, winding down of industries and inadequate linkages with other industries both at home and abroad. These challenges have contributed to the inability of the MSMEs to make more positive impact on the Nigerian economy. According to Nwaizugbo (2010) efforts to make MSMEs to achieve higher growth have not been impressive, in addition to the sad news that only about 40 percent of the MSMEs celebrate their fourth anniversary, indicating a high mortality rate. According to him the contribution of the sector was not impressive at less than 20 percent output in (2005) whereas it constituted over 90 percent of the industrial sector of the economy. Not many previous reports have examined the incremental value of microenterprises management on unemployment rate reduction that would warrant a focus of attention on the need of industrialization as the catalyst for employment creation. The present study believes that the impact of microenterprises will be felt more on unemployment if the economy becomes more industrialized. According to Ekesiobi and Ibekilo (2010) the misfortune of the industrial sector in the country has persisted owing to many inhibitive variables prominent among them are insufficiencies in funding accompanied by high interest on borrowing and a difficult operating environment, especially as regards, government policies, and infrastructural deficiencies. Successive governments in Nigeria have embarked on poverty eradication programmes for drastic reduction of the level of unemployment in the country. For example, the National Poverty Eradication Programme (NAPEP) was initiated to create employment. Such employment was designed to reduce unemployment which would invariably reduce poverty. According to Uwazie (2006) the first step towards combating unemployment is to stop corruption or reduce it to the lowest minimum. He opines that corruption is hydra-headed monster which has destroyed almost all the sectors of the Nigerian economy, because often, funds voted for reducing unemployment find themselves in private bank accounts both in Nigeria and abroad. MSMEs in Nigeria suffer lack of access to credit partially due to poor credit processing records. According to Lienas (2017) the 22 deposit money banks in the country process only 1500 credit reports daily against more volumes by countries like Argentina, South Africa, Egypt and Sri Lanka. He posits that most businesses in Nigeria are

experiencing stagnant growth due to lack of access to finance from the banks who favour the conglomerates with loan facilities at the detriment of hundreds of businesses that can drive the economy. A credit report is the most important document banks rely upon to process every loan request (Ehikoya, 2015, Osehobo, 2012, Ugoani and Ibeenwo, 2015, Musonera 2008)

1.3. Objective of the Study

The study was designed to explore the contribution of MSMEs to employment generation and unemployment rate reduction in Nigeria.

1.4. Significance of the Study

The result of the study will enable students, academics, donor agencies, economic planners and others appreciate the relationship of MSMEs and unemployment rate reduction in Nigeria.

1.5. Area of the Study

The study was conducted in the South-East Nigeria. The area comprised of five (5) states of the thirty six (36) states in Nigeria, with a large concentration of MSMEs.

1.6. Research Questions

- i) Do microenterprises contribute to unemployment rate reduction in Nigeria?
- ii) Do microenterprises employ a large portion of the total working force in Nigeria?

1.7. Restatement of the Research Questions

- i) Microenterprises contribute to unemployment rate reduction in Nigeria.
- ii) Microenterprises employ a large number of the total working force in Nigeria.

2. Literature Review

Despite many programmes aimed at industrialization in many years the desired results of wealth creation and unemployment reduction are yet to be satisfied. Among the major problems militating against industrialization in Nigeria include lack of access to credit by both big and small enterprises in Nigeria. The microenterprises that cut across the rural areas are usually denied access to credit by the formal financial institutions on the basis of high risk of recovery. According Ekiesiobi and Ibekilo (2010) lack of credit access was found to relate to the unstable and unreliable nature of financial infrastructure that characterizes the Nigerian economy such that about 81 percent

of the country's productive enterprises face liquidity and cash flow problems, and out of which only about 35 percent seek bank credit to solve such problems with less than about 5 percent success. They believe that boosting Nigeria's industrial productivity requires sufficient and sustained financial resources from financial institutions with the positive results of employment generation and economic transformation. Basically, financial institutions can easily process requests for credit by MSME's by determining whether the request can impact positively on intervention programmes of government, international donor agencies and other NGOs for the category. Appraisal should also take cognizance of available intervention options to promote MSMEs as well as the value of monetary support required to power the enterprises (Nwaizugbo, 2010, Awasthi and Shrivastav, 2010).

2.1. MSMEs: Employment Generation and Economic Development

MSMEs are today perceived as powerful in economic development in many parts of the world. According to Awasthi and Shrivastav (2010) MSMEs sector has emerged as a highly vibrant and dynamic sector of the Indian economy over the last five decades. According to them, MSMEs not only play crucial role in providing large employment opportunities at comparatively lower capital cost than large industries but also help in industrialization of rural and very backward areas. In this process, MSMEs help in reducing regional imbalances, ensuring more equitable distribution of natural resources and wealth. Awasthi and Shrivastav (2010) emphasize that microenterprises are complementary to large enterprises and contribute enormously to the socio-economic development of the country. In India for example, MSMEs sector account for about 8 percent of GDP and contributes almost 45 percent of the productive output while its share accounts for about 40 percent of export. In terms of employment it is the largest employment provider next only to agriculture MSMEs in India have grown to 36.17 million providing employment to 80.52 million people between 2006 and 2007. Traditionally, MSMEs comprise divergent set of industries, ranging from the microenterprises using rudimentary technology on the one hand to the modern small-scale industries using sophisticated technology on the other. They opine that a huge majority of MSMEs are small in terms of employment and many of them equally work on one man enterprise with very informal structure and family ownership that are engaged in production of various goods and services, usually for consumption (Mali, 1998).

2.2. MSMEs: Definitions and Financing

While it is no longer in doubt that MSMEs are critical in employment generation, industrial productivity and increasing competitiveness in the global economic process,

different definitions of MSMEs and financing pattern in different countries continue to pose a heavy challenge to the development of the sector. According to Ali (2015) some of MSMEs definition in terms of success and failure creates confusion. He opines that MSMEs differ from country to country and regulated by each countries rules, regulations, financial institutions approaches, social attitudes, as well as level of economic activities. For example, definition of MSMEs in Nigeria and UK cannot be the same. According to Ali (2015) because MSMEs are generating employment opportunities the banking sector in Bangladesh tries to finance MSMEs for expansion of employment generation. International Finance Corporation (2010) suggests that finance is necessary for the growth of microenterprises. The World Bank (2012) argues that MSMEs play a key role in economic development and also make an important contribution to employment. It believes that financial access is critical for MSMEs growth and development and that the availability of external finance is positively associated with productivity and growth. The World Bank (2012) suggests that there is a general belief that MSMEs help in poverty reduction and also enhance ability to purchasing power. Large shares of the owners of MSMEs are private entrepreneurs. It is also now believed that rural women are capable to participate in entrepreneurship activities and will be able to raise their purchasing power. Therefore, adequate MSMEs financing will help to enhance women empowerment and employment in society. Ali (2015) states that MSMEs financing through the banking sector is helpful to economic progress of a country. He posits that for example, Bangladesh has a magnificent model of entrepreneurial activities especially in the areas of small and medium businesses from the ancient time period that has helped the growth of small and cottage industries involving shipping industries, textile industries, raw hides, among others. He states that in Bangladesh, MSMEs contribution to GDP is about 30 percent, and that about 90 percent of private sector enterprises are MSMEs, employing about 25 percent of the total labour force and covering about 80 percent of industrial jobs that translate to reduction of rural-urban drift and faster poverty reduction. Khan and Hyder (2006) believe that MSMEs are the lifeblood of any economy and therefore require government support for enhanced entrepreneurial activities, innovations and increased productivity. As the Worldwide trend to eliminate trade barriers and expand cross-border trade continues, MSMEs will play a significant new role in attracting opportunities (Rahman, 2014, Nowduri, 2012, Uddin, 2014). On the relevance of MSMEs to the economy, Qaruzzaman (2015) suggests that they contribute significantly to GDP, employment generation, poverty alleviation and women empowerment. However, he believes that MSMEs may not do better as may be expected

because of lack of access to institutional finance, lack of consumer based market for MSMEs products and non-availability development framework for MSMEs. European Commission (2013) believes that alternative forms of financing SMEs will help to stimulate development, because lack of access to finance constitutes one of the most significant constraints on growth and entrepreneurship in Europe (Agbada, 2010, Anumihe, 2013, Ayehtun and Walsh, 2015, Dasanayaka, et al, 2016, IFC, 2012).

3. Methodology

3.1. Research Design

The qualitative method of exploratory research design was adopted for this study. The objective of exploratory research is to define a problem more succinctly and develop course or courses of action that will lead to its solution. The nature of exploratory research requires the use of a flexible research process. It is evolutionary and historical in nature and it rarely involves the employment of large samples or use of structured questionnaire (Asika, 2004).

3.2. Methods of Data Collection

Secondary data were collected from books, published reports, journals, newspapers, magazines. However, for the verification and testing of the secondary data, primary data were collected through exploratory qualitative interviews.

3.3. Treatment of Data

Secondary data had to be tested for accuracy, relevance at present and freedom from bias. The primary data were integrated for this purpose which helped the investigator to form a unified knowledge base on understanding the practical situation of the study. The qualitative interviews were used to explore issues that the interviewees may hold deeply and secretly which may be difficult for them to articulate and through the process of exploration they are enabled to understand the problem of the study more clearly (Tharaney and Upadhyaya, 2016).

3.4. Sample Size

For the purpose of the study, 430 samples were taken.

3.5. Sampling Technique

Non probability sampling technique was adopted. This involves the selection of units based on factors other than random chance. It is also known as purposive sampling.

3.6. Sampling Area

The study was conducted in South-East Nigeria. The area

comprised five (5) states out of the 36 states of the federation. South-East Nigeria has a high concentration of microenterprises in Nigeria.

3.7. Data Analysis

Data were analyzed through descriptive statistics and result presented in tables.

4. Presentation of Result

Table 1. Criteria of Micro Enterprises in Nigeria.

S/N	Sectors	Fixed Assets Other Than Land (₦)	Labour Force (Not Above)
1	Service	₦1M	10
2	Business	₦1M	10
3	Industrial	₦1M	10
4	Others	₦1M	10

Source: Author Fieldwork (2017)

Table 1 showed the basic criteria for a microenterprise in Nigeria

Table 2. Criteria of Small Enterprises in Nigeria.

S/N	Sectors	Fixed Assets Other Than Land (₦)	Labour Force (Not Above)
1	Service	₦1.5M	100
2	Business	₦1.5M	100
3	Industrial	₦1.5M	100
4	Others	₦1.5M	100

Source: Author Fieldwork (2017)

Table 2 illustrated the basic features of a small enterprise in Nigeria.

Table 3. Criteria of Medium Enterprises in Nigeria

S/N	Sectors	Fixed Assets Other Than Land (₦)	Labour Force (Not Above)
1	Service	₦200M	300
2	Business	₦200M	300
3	Industrial	₦200M	300
4	Others	₦200M	300

Source: Author Fieldwork (2017)

Table 3 was used to show the fundamental element of a medium enterprise in Nigeria. According to UNIDO (1969) the best way of categorizing businesses is by capital investment and labour force (Ibeenwo, 2015).

Table 4. Different Criteria of Small Enterprises in Bangladesh.

S/N	Sectors	Fixed Assets Other Than Land And Building (Tk)	Employed Manpower (Not Above)
1	Service	50,000 – 50,00,000	25
2	Business	50,000 – 50,00,000	25
3	Industrial	50,000 – 1,50,00,000	50

Source: Author Fieldwork, 2017 adapted from Ali (2016)

In Bangladesh small enterprises are categorized according to

sectors as shown in table 4

Table 5. Different Criteria of Medium Enterprises in Bangladesh.

S/N	Sectors	Fixed Assets Other Than Land And Building (Tk)	Employed Manpower (Not Above)
1	Service	50,00,000 – 10,00,00,000	50
2	Business	50,00,000 – 10,00,00,000	50
3	Industrial	1,50,00,000 – 20,00,00,000	150

Source: Author Fieldwork, 2017 adapted from Ali (2016)

In Bangladesh a medium enterprise in the industrial sector employees more manpower as shown in table 5.

Table 6. Unemployment Rate in Nigeria (2000 – 2016) (%).

Year	Unemployment Rate
2000	4.0
2001	4.7
2002	5.8
2003	6.0
2004	5.5
2005	5.1
2006	4.6
2007	4.6
2008	5.8
2009	9.3
2010	9.6
2011	8.9
2012	8.1
2013	7.4
2014	6.2
2015	5.3
2016	4.9

Source: Author Fieldwork, 2017 Adapted from NBS (2016)

A major objective of the MSMEs Act (2006) is to support the growth of MSMEs in Nigeria, and for reducing unemployment. From that period, MSMEs have been contributing more to employment generation. For example, as shown in table 6, unemployment rate has been on the downward trend from about 9.6 percent in 2010, 8.9 percent in 2011, 8.1 percent in 2012, 7.4 percent in 2013, 6.2 percent in 2014, 5.3 percent in 2015, and 4.9 percent in 2016.

Table 7. World Daily Credit Report By Country As At 2017.

S/N	Country	No of Daily Report
1	Argentina	160000
2	South Africa	60000
3	Egypt	50000
4	Sri Lanka	40000
5	Nigeria	1500

Author Fieldwork (2017)

Table 7 showed that Nigeria lags far behind in credit reports when compared with other nations. This may be highly responsible for the tardiness in credit approvals and financing of microenterprises in the country.

Table 8. Profile of Interviewees.

S/N	Description	Category	Total Number	Percent
1	Gender	(a) Male	265	61.63
		(b) Female	165	38.37
		Total	430	100
2	Chronological Age	(a) 15 to 30 years	105	24.42
		(b) 31 to 50 years	175	40.70
		(c) 51 years and above	150	34.88
		Total	430	100
3	Education	(a) Below FSLC	120	27.91
		(b) Certificate & Diplomas	205	47.67
		(c) Bachelor Degree	75	17.44
		(d) Above Bachelor degree	30	6.98
		Total	430	100
4	Business Experience	(a) Less than 5 years	125	29.07
		(b) 10 years to 20 years	210	48.84
		(c) 20 years and above	95	22.09
		Total	430	100
5	Working Experience	(a) less than 5 year	120	27.91
		(b) 10 years to 20 years	240	55.81
		(c) 20 years and above	70	16.28
		Total	430	100

Source: Author Fieldwork (2017)

Table 8 showed the profile of interviewees with regard to the role of MSMEs in employment generation and unemployment rate reduction in Nigeria.

Table 9. Summary of Interview Result.

S/N	Study Statements	Strongly agree 1	Agree 2	Neutral 3	Disagreed 4	Strongly disagree 5
1.	MSMEs contribute to unemployment rate reduction in Nigeria	210	140	10	20	50
2.	MSMEs require govt support for expansion	190	70	05	30	135
3.	Microenterprises are catalysts for employment	205	80	15	35	95
4.	MSMEs help to check rural-urban drift	185	105	03	50	87
5.	MSMEs often face difficulty in obtaining loans from traditional banks	215	90	20	80	25
6.	MSMEs require sound management skills to be effective	175	110	10	90	45
7.	Low industrialization level adversely affects MSMEs contribution	165	170	05	85	05
8.	Improved and stable infrastructure like power, and water, are necessary for MSMEs growth	220	107	07	60	36
9.	There should be different criteria for MSMEs categories in Nigeria	195	140	10	30	55
10.	MSMEs need improved technology for more connectivity	165	150	10	20	85
11.	Banks should explore alternative means of financing MSMEs outside conventional collateralization	180	130	08	50	62
12.	MSMEs employ over 50% workforce in Nigeria	160	155	10	80	25
13.	MSMEs need to explore avenues for business advice for their growth	185	145	15	36	49
14.	SMEs should engage and retain skilled manpower for higher productivity	210	120	10	40	50
15.	Most SMEs in Nigeria do not have succession plans	230	90	30	20	60
16.	Well managed SMEs can grow into Large Enterprises (LEs)	218	95	20	70	27
17.	The World Bank believes that MSMEs contribute to employment generation	185	110	10	55	70
18.	MSMEs are mostly privately owned	191	106	65	45	85
19.	MSMEs help to reduce poverty in society	205	145	07	25	48
20.	MSMEs are growing across the world	219	118	10	31	52

Source: Author Fieldwork (2017)

Table 9 was used to summarize the views of interviewees on the role of MSMEs in unemployment rate reduction in Nigeria. This was necessary to test the accuracy of secondary data.

4.1. Discussion

MSMEs are categorized according to the capital outlay and

manpower employed as shown in tables 1 – 5. However, while Nigeria has the same criteria for all the subsectors, Bangladesh has different criteria for the different subsectors in the MSMEs sector. It is well acknowledged that lack of access to finance is a major constraint on the development of MSMEs, the MSMEs Act (2006) now provides the enabling environment for them to easily have access to finance. As shown in table 6, with the contribution of the sector to

employment generation; unemployment entered a downward trend from 9.6 percent in 2010 to about 4.9 percent in 2016. This result supports the report of the World Bank (2012) that MSMEs play a key role in economic development and make an important contribution to employment. It also supports Ali (2016) that SMEs can create employment, and reduce income inequality. It equally lends credence to the views of Awasthi and Shrivastav (2016) that MSMEs have a significant role in creation of employment. The result in table 8 supports substantial evidence in the literature that MSMEs are the catalysts for employment generation and economic development. For example about 81 percent interviewees agreed that MSMEs contribute to unemployment rate reduction in Nigeria. And also, in support of evidence in the literature about 73 percent of the respondents agreed that MSMEs employ a large number of the total working force in Nigeria. It was established that MSMEs help to check rural-urban drift, and that they have difficulty in obtaining finance. MSMEs require skilled manpower to be more effective and low industrialization level in Nigeria adversely affects them. Like in Bangladesh there should be different criteria for MSMEs instead of the same for all in the sector. Information and communication technology is critical for the growth of MSMEs. This supports the findings of the European Commission EC (2013) that better use of ICT can significantly help new businesses to thrive. It believes that ICT is the key source of growth for national economies and European SMEs can grow two to three times when they embrace and use ICT. It was equally established that banks should introduce alternative ways of financing MSMEs. The EC (2013) sought the need of amending current national financial legislation with the aim of facilitating new alternative forms of financing SMEs. It was agreed that MSMEs contribute to over 50 percent of employment in Nigeria. This assertion supports Awasthi and Shrivastav (2016) Ali (2016) that MSMEs contribute about 96 percent and 87 percent respectively to employment generation in India and Bangladesh. Interviewees strongly agreed that SMEs need to retain skilled manpower for productivity, get more business advice, and work on succession plans. In Nigeria many SMEs fold up two to three years after the death of the original promoter due largely to lack of succession plans. Sound management is necessary for the growth of SMEs into LEs as today seen in the Dangote Group. Almost all MSMEs in Nigeria are privately owned and they are contributing to poverty reduction. MSMEs are growing around the world and must be seen as the forerunner of employment creation and unemployment rate reduction in Nigeria. Kumar and Djankor (2009) survey state that small firms that gained access to bank credit for new investments registered 20 percent more jobs. The report states that small businesses are also hurt by complexity in traditional banking.

Microcredit organizations seek to bridge this important gap because MSMEs want to be able to access credit quickly and easily without the complicated procedures of the traditional banking arrangements. This is crucial because to create more jobs businesses need to grow. But credit constraints often limit that growth. A central objective of the proliferation of microcredit agencies in Nigeria has been to create more jobs and reduce unemployment. To support this, the FGN has put N600bn at the disposal of smallholder farmers. According to Moses-Ashike (2012) the FGN through the Central Bank of Nigeria (CBN) has launched the financial inclusion strategy that aims to ensure that a clear agenda is set for increasing both access to and use of financial services by small holder-farmers within the defined timeline which is by 2020. The CBN will collaborate with Development Finance Institutions to achieve the objective. Citing Central Bank of Nigeria Statistics, Afolabi (2014) states "In the last five years, the MSMEs sector accounted for about 99.6 percent of the registered businesses in the country by which 63 percent of the labour force earn a living. Around 35.7 percent of the total sales and value added in the manufacturing sector come from MSMEs as well" Small and Medium Enterprises all over the world have become a panacea to economic growth. And the achievement of financial inclusion goals requires the participation of an array of institutions which serve large scale, medium, small and micro enterprises. Micro, small and medium enterprises play important roles in the economic development of any nation, and this is a major reason why the Nigerian government continues to initiate programmes to support and encourage its development. MSMEs often provide opportunities for learning at all levels and well managed MSMEs eventually migrate to LEs. In many countries, commercial and investment banks provide financial services for large scale enterprises. To stimulate growth and ensure that the credit needs of MSMEs are reasonably met; banks in Nigeria are specially required under the Small and Medium Enterprises Equity Investment Scheme to set aside 10 percent of their profit before tax for the financing and promotion of MSMEs. Other programmes like the Microfinance Bank Project, the Agricultural Credit Guarantee Scheme, Commercial Agriculture Credit Guarantee Scheme are designed in such ways as to give prominence to the requirements of MSMEs in Nigeria. The Small and Medium Enterprises Development Agency (SMEDAN) is at present leading the promotion of MSMEs in Nigeria.

4.2. Recommendations

- i. The process of industrialization should be vigorously pursued to create more employment for Nigerians.
- ii. MSMEs need to embrace and use ICT to enhance their connectivity and efficiency.

- iii. Nigeria should adopt different criteria in terms of asset and manpower for microenterprises as obtainable in other countries like Bangladesh.
- iv. Banks need to evolve alternative forms of financing MSMEs that will not overemphasize formal collateralization.
- v. Government needs to improve infrastructure, particularly in the area of energy supply to help the growth of MSMEs in Nigeria.

4.3. Scope for Further Study

Further study should examine government policy on employment with a view to creating opportunity for the unemployed youths in Nigeria.

5. Conclusion

In recognition of the importance for microenterprises the MSMEs Act (2006) was passed into law to provide support for their promotion. MSMEs are growing rapidly around the world, and in most developing countries they account for over 90 percent of employment. However, lack of access to finance remains a significant constraint to the development of MSMEs. To overcome the problems of financing MSMEs Nigeria has developed programmes including the micro, small and medium enterprises guarantee scheme fund, small and growing businesses guarantee scheme fund, small and medium enterprises guarantee scheme fund, agricultural credit guarantee scheme fund, among others. Since 2010, after the MSMEs Act (2006) was introduced, unemployment rate has reduced from about 9.6 percent to about 4.9 percent in 2016. This study through critical exploration and analysis found a positive correlation between microenterprises management and unemployment rate reduction in Nigeria. This is the interest of the study.

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