THE ROLE OF SME FIRM PERFORMANCE IN NIGERIA

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Abstract
Purpose – The purpose of this paper is to discuss the role and contribution of SMEs performance in the national development of a developing country like Nigeria. The performance of SMEs plays a major role, but there is a dearth of literature about their contribution which are not well researched in Nigeria. This paper focuses on what SMEs performance contribute and what barriers are there which make them not to contribute at their optimum. A lot of research on the SMEs performance contribution is on developed countries and developing countries with little on developing countries.
Design/methodology/approach – This is a general review paper on the performance of SMEs and its contribution that have been made and can make to the national development of Nigeria.
Findings – the role SMEs performance in the national growth in Nigeria cannot be overemphasized. The performance of SMEs and its contributions has manifested and shown that they are a major area to be researched to assist the policy makers and the SMEs, owners to encourage enabling and conducive environment for SMEs to perform more
Originality/value – This work is aimed at raising awareness of the importance and the performance level of SMEs to national and economic development of a developing country like Nigeria.
Keywords
SMEs, Government, Development, Preformamce, Programs, Managemen

Introduction

Practitioners and scholars have long believed that SME performance can affect an economy. However, earlier studies in the area of entrepreneurship have focused on examining the growth, survival and performance level of SME (Altenburg & Eckhardt 2006; Lumplin & Dess, 1996; Wiklund & Shephered, 2005; Sandberg et al. 2002, 3). Small and medium-sized enterprises (SMEs) play a critical part in the economic growth of countries. Consequently, the performance of the SME sector is closely associated with the performance of the nation. Performance is a process or the manner by which the business owner or manager of SMEs executes their functions and crucial element to improving business performance in organizations (Garengo, Biazzo, & Bititci, 2005).

The performance and growth of small and medium enterprises (SMEs) is a major driver and indices for the level of industrialization, modernization, urbanization, gainful and meaningful employment for all those who are able and willing to work, income per capital, equitable distribution of income, and the welfare and quality of life enjoyed by the citizenry (Aremu & Adeyemi, 2011), because SMEs contribute to employment growth at a higher rate than larger firms (Farouk & Saleh, 2011). The SME sector is globally regarded as an important force of driving the economic growth and employment creation in both developing and developed countries (Ariyo, 2008; Kpleai, 2009), which is well documented (Birch 1989; Storey 1994). SMEs (firms with 200 or less employees) makes up the largest business sector in every world economy (Culkin & Smith 2000), and governments around the globe are increasingly promoting and supporting the SME growth as part of their overall national development strategy (Abdullah & bin Dakar 2000).

SME sector offers linkage development of large industries and essential for a competitive and efficient market apart from the stated contributions. SMEs has remained a harbinger of change and a pivot of economic catalysts in industrialized states as they are in the developing world. In many developed nations, more than 95% of all enterprises are within the SME sub-sector, while 80% of the total industrial labor force in Japan, 57% Germany and 46% in USA small businesses contribute nearly 39% of the country's national income (Wang et al, 2011). Comparable figures in many other developed countries are even higher.

In Nigeria, the Small and Medium Scale Enterprises (SMEs) is the driving force and establish an important mainstay of the Nigerian economy. A few years ago SME represent about 90 percent of the industrial sector in terms of the number of enterprises (NIPC, 2002). This sector economically, holds the key to sustainable development of the country and its importance can be put in proper aspect in relation to the structure of the Nigerian economy with many performance contributions as the source of technology innovation and new products (Jocumsen 2004: 659).

In spite of the exploitation of petroleum oil, SMEs provide gainful employment for about 70% of the Nigerian population. Available reports suggest that the agricultural sector accounts for close to 35% to 40% of the nation‘s gross domestic product (GDP). Most of the operators in the agricultural sector are small-scale self-employed individuals engaged in agro-allied processing activities such as farming, handicraft, fishing, agro forestry and livestock rearing. In achieving optimal economic development and to reduce dependency on crude oil for redistribution of economic wealth, the government seeks rescue from the SME sector by employing economic diversification.

Definition of SME by Nigerian Institutions

It is hard to develop a general definition of a small concern because the economies of countries differ and people take on particular standards for special uses. Secondary research (Bowler, Dawood and Page, 2006;Phakisa, 2009) indicated that there are no universally accepted small business definitions. Different institutions and nations use different standards to define SMES. Because, a lot of their bodily processes depend on the industry in which they operate, also, the personalities and ambitions of those in charge of these businesses.

Even though the definition of entrepreneurship, change we found one from Expert Group Meeting of 2010 “entrepreneurship is a process that starts with someone –the entrepreneur-recognizing an opportunity to create something new” to be more fitting to the topic under discussion.

There is no clear cut definition of SMEs in Nigeria, but, it varies over time from organization to organization. Various organizations or institutions in Nigeria have at specific times, defined SMEs in different ways, but the definitions have as common measures fixed assets, gross output, and the number of employees.

Table 1: Classification Adopted by SMEDAN for National Policy on MSMEs

S/N	**SIZE CATEGORY**	**EMPLOYMENT**	**ASSETS (N million) (excluding land and buildings)**
1	Micro enterprises	Less than 10	Less than 5
2	Small enterprises	10-49	5 – less than 50
3	Medium enterprises	50-199	50- less than 500

Source: SMEDAN, 2007

Table 2: EU Definition of SMEs

Criteria	**Micro enterprises**	**Small enterprises**	**Medium enterprises**
No of Employees	<10	<50	<250
Turnover (million Euros)	2	10	50
Balance sheet (million Euros)	2	10	43

Source: United Nations Economic Commission for Europe, 2005

In spite of the degree of definitional problem, there exists a high level of consensus agreement on the role and importance of SMEs especially the SMEs sub-sector for economic growth and development. Oluba (2009) noted that the importance of SMEs varies with sectors and with the developmental stage of a state. He opined that developing characteristics such as the degree of capital allocation and requirements, management size and arrangement as well as limited market access which makes SMEs less amenable to the unsatisfying effects of growth schemes that concentrate on large, capital intensive and high import dependent industrial plants as well as failed public enterprises.

Government Development Support Strategy and SMEs performance

The function of government in the performance of entrepreneurship in Nigeria became significant only after the Nigeria civil war. Since the mid-1980s, banks were mandated to set up branches in the rural regions. The objective of this policy was to improve access to financial services (Soludo, 2008). There has been an increased loyalty of government to entrepreneurship development, especially after the founding of the Structural Adjustment Program (SAP) in 1986.

The Nigerian government has introduced different development support policy programs since the early 1970s to help improve the performance of small and medium business owners and small and medium business investors through financing and to help diversify the country dominance of an over-reliance on the oil sector economy. To this goal, the Federal government policy interventions for the financing of SMEs are generally geared towards improving the expected contribution of the sector to the outgrowth and evolution of the home economic system. Some of the initiated development support strategy programs, aimed at promoting SMEs performance are:

- ✓ Small Scale Industries Credit Guarantee Scheme established in the (1971);
- ✓ Agricultural Credit Guarantee Scheme established in the (1973); The fund guarantee credit facilities offered to farmers by banks up to 75% of the amount in default net of any security realized.
- ✓ National economic reconstruction fund (NERFUND), established in the mid-1980s.
- ✓ Agricultural credit guarantee scheme fund (ACGSF), has between 1978 and first quarter of 2011 supported 701,000 beneficiaries with a total loan of N43.12 billion.
- ✓ SME II loan facility, the government secured a $270 million loan facility to further compliment other SME financing sources.
- ✓ The community banking scheme, established in 1991, with the objective of rural development, financial assistance to star-ups small and medium enterprises.
- ✓ The year 2002 saw the Bank of industries (BOI) emerging from the merger of NERFUND and NIDB with the target to provide credit at 10% to the industrial sector including SMEs.
- ✓ The microfinance initiative (MFI), introduced in 2005, with a policy to convert all the community banks to microfinance banks.
- ✓ The Small and Medium Enterprises Equity Investment Scheme (SMEEIS). As at the end of 2009, the scheme has attracted a total amount of N42.3 billion, with N28.87 equity investment in 336 projects
- ✓ Intervention funds of N500 billion established in 2010 to improve access to credit by SMEs –N200 billion to refinance and restructure the outstanding credit portfolio of manufacturing SMEs in the country. As of June 2011, the sum of N197 billion had been disbursed to 539 SME projects. – N300 billion off-grid power and airline fund in support of SME clusters.
- ✓ N200 billion SME credit guarantee fund – here CBN provides 80% guarantee to deposit money banks (DMB) to boost lending to SMEs. As of June, 2011, only N1.36 billion has so far been guaranteed.

SMEs play a key role in the informal sector in Nigeria. The performance and survival of SMEs depends on the favorable policy that can drive and develop the SME in Nigeria. Driver et al (2001) suggests that the link of SMEs performance and economic growth remains complex, and that entrepreneurial ability remains a necessary component of a country's capability to support economic development. The importance of SMEs has always been observed by the government through various strategic policies and documents were a bit implicit on the matter.

The Nigerian government in realizing vision 20:2020 is putting in place, enabling policies in collaborating with a number of committed international agencies and NGOs to promote an effective development of the SME sector for Nigeria through credit schemes. In accession to that, the Nigerian government also pursues viable cooperation with other interested stakeholders like States and Local government for the positive growth of the SME sector in Nigeria by revolving grants, on more liberal conditions than the banking institutions to aid in satisfying the demands of SMEs.

The government efforts at meeting the performance needs of the SME sector towards its contributions to the economic growth, after returned to democracy in 1999, have to put in place a well-intentioned strategic policy, schemes, programs and institutional arrangements designed to provide succor to the performance of the small business sector. Equally share of government attempts at directing the fiscal demands of micro entrepreneurs, a micro-finance policy was established by the Federal Government.

Small and Medium Enterprises Equity Investment Scheme (SMEEIS)

The establishment in 2001 of the Small and Medium Enterprises Equity Investment Scheme (SMEEIS) was recognized by the government of the need to improve the performance of SMEs via equity capital. The scheme was instituted in response to the Federal Government's concern and policy measures for promotion of small and medium enterprises, as vehicles for rapid industrialization, sustainable economic growth and development, poverty alleviation and employment generation (Anyanwu et. al., 2003).

Small and Medium Enterprises Equity Investment Scheme (SMEEIS) was introduced to make access to cheap sources of fund possible. It is a fund pooled together by the participating banks with the objectives as noted by (Anyanwu, et. al. 2003)

i. Easing the flow of funds for the establishment of new and viable small and medium industrial (SMI) projects;
ii. Stimulating economic growth through evolution of local technology for capable and suitable Nigerians;
iii. It will also generate employment;
iv. Eliminating/ reducing the burden of interest and other financial charges for the entrepreneurs;
v. Providing financial, advisory, technical and managerial support;
vi. Consulting to the entrepreneurs; and
vii. Ensuring output expansion, income redistribution and productivity of intermediate goods meant to strengthen inter and intra-industrial linkages.

The scheme was initiated to provide solutions to the dearth of long-term finances to SMEs in Nigeria. Through the scheme, banks are expected to jump-start the development of the real sector of the economy by financing. The scheme covered enterprises, except trading/merchandising and financial services, in the following sectors- Agro-allied, information technology and telecommunications, manufacturing, educational, service, tourism, solid minerals and construction.

The scheme provides for the funds invested by the banks to be in the form of equity investment in eligible firms. Banks are allowed to take up to a maximum of 40% equity holdings subject to a limit of N200 million per enterprises. A consortium of banks can jointly invest in an enterprise subject to the 40% equity holding limit. The scheme also provides for the allocation of 90% of the entire amount set aside by the banks to the real sector, while the remaining will be allocated to micro/cottage enterprises (Udoh, et.al, 2011; Ughulu, 2007).

The key stakeholders of SMEEIS are the Federal Government, the Central Bank, the Banker's Committee, Individual Banks, Independent Fund Managers, the Securities and Exchange Commission (SEC) and the various SMEs promoters (Ughulu, 2007). Small and Medium Industries Equity Investment Scheme (SMEEIS) as at June 2009, a total amount of N28, 204,078,746.00 had been set aside by the banks. Only it was set aside in 2009 by the government because it was not enforced and supervised.

Small and Medium Scale Enterprises Credit Guarantee Scheme (SMECGS)

The strategy was established in May 2010, to provide guarantee cover for loans advanced to the SMEs by banks. The scheme is intended to further complement SMEEIS in channeling funds to the real sector of the economy by cover all enterprises. In this regard a bank would be compensated under the scheme on the condition that it extends credit to SMEs (CBN, 2003; Dabo, 2006)
The objectives of the scheme are as follows:

(a) Fast-track the development of the manufacturing SME sector of the Nigerian economy by providing guarantees for credit from banks to SMEs and manufacturers.
(b) Set the pace for industrialization of the Nigerian economy.
(c) Increase the access to credit by promoters of SMEs and manufacturers.
(d) Increase output, generate employment, diversify the revenue base, increase foreign exchange earnings and provide input for the industrial sector on a sustainable basis.

In a bid to unlock the tight credit market in Nigeria, and enhance credit to the real sector, the Management of the Central Bank of Nigeria (CBN) has recently approved the establishment of a N200 billion Small and Medium Enterprises Credit Guarantee Scheme (SMECGS), to promote access to credit by manufacturers and SMEs in Nigeria (CBN, 2010). All deposit money banks (DMB) and development finance institutions are to participate in the scheme. The Bank of Industry (BOI) is the managing agent. The interest rate of 7% will utilize for the loans, the tenor is 15years with two year moratorium. The scheme also makes provision for refinancing/restructuring facilities. The overall goal is to increase production, get employment, diversify the revenue base, increase foreign exchange earnings and offer input for the industrial sector on a sustainable footing.

There are more institutions to help finance SMEs such the reconstruction of the former NIDB in the year 2001 and the merger of the Nigerian Bank for Commerce and Industry (NBCI) and the National Economic Reconstruction Fund (NERFUND) with the newly created Bank of Industry (BOI), Microfinace bank and others. In that respect are other establishments who are major role players in policy shaping and non-financial support such as Nigeria Commerce and Industry and Small and Medium Enterprises Development Agency of Nigeria (SMEDAN).

Despite the lofty programs that had been severally embarked upon by the Federal Government much is left to be presented for recording successes from the performance of SMEs. The problem of poor financing has remained as they have not been able to perform the role expected them. The contribution of SMEs to the GDP has remained well below 5% (Gbandi and Amissah, 2014). Commercial bank loans to SMEs as a percentage of total credits decreased from 48.79% in 1992 to 0.15% in 2010 (Luper, 2012). Similarly, merchant bank loans to SMEs as a percentage of total credits, reduced from 31.2% in 1992 to 9.0% in 2000 (Achua, 2011).

Empirical results conducted by Adebusuyi B. S. (1997) and the Nigerian Institute for Social and Economic Research (NISER) attested to the fact that funding of SMEs is mainly from personal savings which represents 96.4 percent and 73 percent, 0.21 and 2 percent from the formal sector respectively. From the CBN report, the situation has not shown any significant changes from the evidence in the reports of the research studies and other related research and literature on the same subject. The current situation whereby less attention is paid to strategic policies that should enhance the development and growth of SMEs has to be reversed with intensified efforts towards creating an enabling environment for SME operations (Etim, 2010).

SMEs Performance Contribution to Nigeria's Development

A healthy and robust SME sub-sector is a *sine qua non* for inclusive and socially sustainable development (Ogboru, 2005) and one of the significant characteristics of a flourishing and growing economy is a booming and blooming small and medium enterprises SME sector (Fida, 2008).

The performance and role of SMEs going forward are bound to be even greater and more pervasive with a demonstrable impact on the emerging world trading order. SME is the driving force and establish an important mainstay of the nation's economic system. The evolution of this sector leads to poverty relief, employment creation and multiplication of potential entrepreneurs. It offers linkage development of large industries.

SME has remained a harbinger of change and a pivot of economic catalysts in industrialized states as they are in the developing world. Oluba (2009) observed that the importance of SMEs varies with sectors and with the developmental stage of a country. He opined that developing characteristics such as the degree of capital allocation and requirements, management size and arrangement as well as limited market access which makes SMEs less amenable to the unsatisfying effects of growth schemes that concentrate on large, capital intensive and high import dependent industrial plants as well as failed public enterprises.

Employment

Employment generation globally is one of the most significant reasons for encouraging the promotion and development of SMEs. SMEs account for well over half of the total shares of employment, sales and value added (Davis, Haltiwagner, Schuh, 1993). From the viewpoint of economic development, small businesses create almost half of new jobs in the economy, and it is assumed that they are good jobs ((Davis, Haltiwagner, Schuh, 1993; Edmiston, 2007). SMEs make the most viable and authentic vehicle for self-sustaining industrial development, as they have the capability to produce an indigenous enterprise culture to a greater extent than any other strategy.

According to Hallberg (1995), In Ecuador, firms with fewer than 50 employees accounted for 90 percent of firms and 55 percent of employment in 1980; in Malaysia, enterprises with fewer than 100 workers accounted for 99 percent of enterprises and 58 percent of employment in 1986 (SMECORP, 2011). SMEs represent the sub sector of special focus in any meaningful economic restructuring plan that targets employment generation, poverty relief, food protection, rapid industrialization and reversing rural urban migration in essence “small is profitable in Africa”.

Estimates from the Small and Medium Scale Enterprises Development Agency of Nigeria (SMEDAN), SME employs 87.9% of the workforce in the private sector (Kadiri, 2012; Russell Olukayode & Christopher Somoye, 2013), 48% of all industrial output in terms of value added (Mahmoud, 2005; Odeyemi, 2003; SMEDAN, 2006).

Scholars are of the view that enhancing the performance of small business and promoting the development of entrepreneurship would be a good strategy to contribute and promote economic development (Snodgrass & Biggs, 1996).

Poverty Alleviation

The development of SMEs is seen as the means to accelerating the achievement of wider socioeconomic goals, including poverty alleviation (Cook & Nixson, 2000). Reduction of poverty through the promotion of SMEs plays a substantial role in the development process of any country. SME promotion may be one of the most effective poverty alleviation instruments. An increase in the living standards of the people is the main concern of any development process (Kongolo, 2010).

Income Distribution

The SMEs is often supposed to contribute to a more equal distribution of income or wealth. The SME managers and workers are in the lower half of the income distribution; promoting the growth of SMEs may lead to a more equitable distribution of income. SMEs contribute not just to income generation, but also income distribution which improved living standards, being close to substantial local capital formation and achieve a high degree of productivity and capability. The development of SMEs would therefore help spread income to more people. Since the majority of Nigeria SME owners is over 68 percent are living in rural areas, in narrowing the gap between urban and rural development and to monitor social inequities and rural migration (Pansiri & Temtime, 2008) promotion of the development of SMEs should continue to be a policy priority.

Transformation of Indigenous Technology

All economies have transited from household artisan industries over time to the modern industrial set-up which has witnessed phenomenal upgrading of skills, machinery and equipment, and management practices (Kongolo, 2010). Historical evidence indicates that most of today's giant corporations began as very small firms. These include Guinness of Dublin and Philips international of the Netherlands; as good as Sonny and Honda of Japan. Developing countries can take from the experience of these giants and create conducive environment that will enable small and medium enterprises to adapt imported technologies, modernize their process and grow to become large corporation.

Production of intermediate Good

SMEs produces intermediate and final consumption goods needed by larger enterprises and the economic system as a whole. These include raw materials, machinery and equipment, spare parts and household goods. The deliveries to the large corporations is done through sub-contracting, which enables smaller enterprise to supply their needs, instead of competing with them in the production of final consumer goods in which small enterprises are relatively deprived. The interdependence of the sector provides the backward and forward linkages which an economy needs for self-dependence and sustenance. In the advanced economies, this symbiotic relationship is so developed that the sectors extensively depend on each other for survival. In Japan, for example, close to 70 per centime of the value of exports of large firms is the products of SMEs (ADCG, 2000).

Factors Affecting SMEs Performance and Sustainability in Nigeria

Financial Factor

Tung and Aycan (2008), insufficient access to financial resources is a significant barrier to the performance and growth of SMEs. These are the major challenges that have accounted for the non- performance and high rates of failure among SMEs in the country. The government has made concerted efforts to increase accessibility to finances, but the targeted programs recorded limited success because of low awareness of the programs (Thwala & Phaladi, 2009, Ogunjuiba, 2004 et al).

Furthermore, high interest rates also pose a constraint to SME performance and development. The interest rate which is between 20 and 25 percent need to be redressed. This is because the spreading between lending and borrowing rates is high in Nigeria, with banks, preferring to give lower rates to blue chips. This calls for more subtlety in handling the differentiation, so that optimal results can be achieved as a spread from all sectors of the economy (Etim, 2010). Moreover, (Gounden 2000) reports that SME owners face core difficulties in terms of discrimination by financial institutions such as high collateral demand, difficulties in accessing information and a lack of market exposure Also, SME owners lack business plan preparation, mentoring and management training in accessing external finance for transformation stages of micro-enterprises with growth potential for expanding (Nissanke, 2001). The criteria and credit rating used by banks diminish the performance of SMEs.

Human Resource Factor

The performance of SMEs is not only related to only the financial aspect. It also depends on the characteristics of the entrepreneur in terms of character and many more key strategic factors (Menefee, Parnell, Powers & Ziemnowicz, 2006). Reynolds and Miller (1992) one of the key factors for fully developing new firm is the full time commitment of the owner manager and subordinates. (Castanias and Helfat, 1991; Spender, 1993; Lei and Hitt, 1995; Conner and Prahalad, 1996) noted that human resource factors from one of the most significant areas for successful performance of a company. Hornsby and Kuratko (1990), one of the biggest problems for small firms is recruiting, motivating, and retaining employees. Chandler and McEvoy (2000) concluded in a study of small companies that there are positive effects of HR practices, which increased employee skills and motivation, and ultimately resulted in improving productivity.

Also in one research study conducted it shows that one of the most significant reasons for the non-performance of SMEs in the country is their inadequate application of essential business management practices (Alasadi & Abdelrahim, 2007). It was found that there is a positive impact of professional HR practice on long term performance and sustainability of small firms. SMEDAN and other institutions are trying to play a role to try and reduce unskilled SMEs but the numbers are still at alarming rates.

Marketing Factor

The assumption is if the potential customers are not aware of your products or services no one will do business with you (Scheers, 2010). There is also, ample research evidence to demonstrate that marketing takes on a substantial part in the performance of SMEs. Marketing determines in the long term, whether the business will succeed or not. In fact, it has been recognized as one of the most important business activities and essential element to the survival and growth of the enterprises (Stokes 2000b, Simpson & Taylor 2002). Murphy (2006:13-14) states that small business owners exhibit certain personality traits that are responsible for the success or failure of their businesses. Inadequate marketing skills of owners create marketing problems in the small business sector. Gilmore (2001) reviews marketing limitations of SME as limited resources (such as financial, time and marketing knowledge), shortage of exclusive marketing techniques, and limitation in market influence. The performances and sustainability of SMEs in Nigeria have been hampered due to lack marketing skills.

Technological Factor

Nigerian SMEs rely on more traditional labor rather than the use of modern technology due to lack of enough capital or sheer ignorance of technological advances, entrepreneurs tend to purchase obsolete and inefficient equipment, thereby setting the stage *ab initio*, which brings about lower levels of productivity and poor product quality. Most SMEs manages their business with traditional approach. This effect on low functioning in terms of productivity, low quality products and exploring to small and local market. It is noted that generally SMEs tend to have low productivity and as a result are weak in terms of competition. This as a result of using conventional technology and not having maximum utility of machinery. Due to limitation of funding it will not be possible for them to improve in technology (NPC, 2009; OSMEP, 2007; WEF, 2009). Developed countries are upgrading their machinery time to time, but it becomes difficult for SMEs of developing countries due to financing limitation mainly. Upgrading technology time to time and coping up with market demand will generate highly positive results for SMEs. There has to be efforts and incentives from policy makers to help SMEs to embrace new technology.

Corporate Governance Factor

Mahmood (2008), the role of corporate governance is also an essential factor for SMEs performance and sustainability. For SMEs, corporate governance is all about the individual roles of the shareholders as owners and the directors. Also, it is about establishing and following rules and procedures to manage and run the enterprise, setting up a system of checks and balances to stop abuses of authority and to ensure the integrity of financial statements.

The way forward

The business needs to change the way it operates and must become more formal without becoming too bureaucratic (Burns, 2001) and these changes must be properly managed if the SMEs is to grow and perform successfully. The apparent appease in the activities of the Small and Medium Scale Enterprises Credit Guarantee Scheme (SMECGS) shows that the problem with the performance growth of the SMEs is not just capital. In this respect, the various current initiatives (SMECGS, BOI, ACGSF etc.) Should be strengthened and refocused in order to forestall the problems related to past initiatives.

There should be enligtment and awareness of the problem of inertia, unwillingness to dilute ownership and control, fear of the unknown, etc. Likewise, on that point should be the dispersal of information about the awareness of various schemes set in place by the government for the promotion and performance of SMEs in order to enhance wider coverage and patronage from all SMEs operators. Experience has also shown that information on assessment of various schemes is yet to be adequately disseminated.

Kauffman (2004), has suggested approach to increase, develop and improve SME performance

1. Provide business start-up training, entrepreneurial skills, and mount a proper monitoring system to help in the running of small businesses.
2. Provide business advice, training and finance to small business enterprises.
3. Provide financing for growth and startups
4. Provide financial assistance with low interest rates and assign someone to monitor the businesses

5. Improving business conditions which should contribute to proper information, clear accounting standards, impartial legal system, favorable tax policies and prompt payment of government debts.
6. Helping SMEs meet the requirements of formal financing.
7. Making the financial system more accessible to SMEs.
8. Expanding the supply of finance through the non-financial private sector.

In addition, in order for optimum performance of SME operator to get successful, current attempts to coordinate workshops and preparation programs for entrepreneurs to improve their skills and capabilities in the field of marketing skills and business management knowledge must be sustained. Also, the government should establish a national entrepreneurial institute to provide management skills training and development. This is an indication of how well an entrepreneur can perform important tasks and activities related to the functions of a business. The marketing challenges of SMEs can be reduced by organizing a training and business marketing skills to SME owners/managers and assist them to use the marketing concept more efficiently. Adequate physical and human resources should be provided for the existing programs and policies initiated by the government should be funding efficiently. Financial management should be emphasized as well as networking and cluster with other people with similar businesses and keeping records of workers to help in the evaluation of the performance.

Conclusion

No doubt, the performance of small and medium scale Enterprises in Nigeria has been crystal clear by accounting for over 90% of Nigerian business, 95% of formal manufacturing activity and 70% of industrial businesses. In spite of this dominance of the Nigerian economy by the SMEs, their contribution to the GDP is below 5%. The results of the study show that several policies directed at small and medium scale Enterprises development did not stand the test of time and while exploiting the economic potentials of SMEs in Nigeria is still a mirage as the program had constraints SMEs from deriving maximum benefits from them due to administrative bottlenecks on their performance. There should be a change in business operation and must become formal without becoming too bureaucratic (Burns, 2001) and the change must be properly managed if successful, the SMEs are to perform and grow. The Federal government and its agencies should also formulate policies that will encourage SMEs to source funds from the capital market as well as improving business conditions and the business environment.

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