

**EVALUATING THE IMPACT OF THE NATIONAL DIRECTORATE OF  
EMPLOYMENT POLICY ON SELECTED AGRO - CHEMICAL SMALL MEDIUM  
ENTERPRISES IN AKURE, NIGERIA**



**BY**

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**DECLARATION**

I declare that this research study titled *Evaluating the impact of the national directorate of employment policy on selected agro – chemical small medium enterprises in Akure, Nigeria* is my own work and it has not been submitted for any degree or examination in any other university or research institution of higher learning. The sources that I used or quoted have been indicated and acknowledge by complete references.

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## **DEDICATION**

This dissertation is dedicated to my father and mother. Mr Joseph Babatunde Ilori and Mrs Regina Abass Ilori (Nee Inekhomoh) who inspired me the value of education, discipline and ambition to succeed in life.



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## **KEY WORDS**

Policies

Programme

Impacts

Small Medium Enterprises

Employment

Concept of Entrepreneurship

Business Development

Skills and Training



## **ABBREVIATIONS**

CAMA- Company and Allied Matters Act

CBN- Central Bank of Nigeria

FGN-Federal Government of Nigeria

GDP- Gross Domestic Products

ILO- International Labour Organisation

MSES-Micro and Small Scale Enterprises

MDGS-Millellium Development Goal Strategy

NERFUND-National Economic Reconstruction Fund

NEEDS-National Economic Empowerment Development Strategy

NDE- National Directorate of Employment

NGO-Non Governmental Organisation

SAP-Structural Adjustment Programme

SMECGS- Small and Medium Enterprises Credit Guarantee Scheme

SME- Small Medium Enterprises

SMEDAN-Small Medium Enterprises Development Agency of Nigeria

UNCTD- United Nations Conference on Trade and Development

UNIDO- United Nation International Development Organisation

UNDP-United Nation Development Programme



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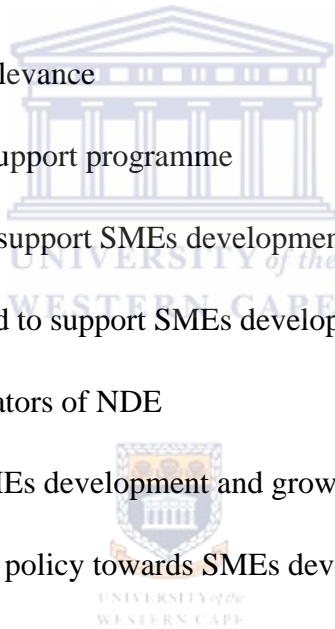
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## **ABSTRACT**

The focus of this research is evaluating the impact of the National Directorate of Employment policy on selected agro - chemical small and medium enterprises in Akure, Nigeria. The importance of small and medium business development cannot be overemphasized because it plays a significant role in developed nation's economy of the world.

The development of small business has been variously referred to as a "source of employment generation". Poverty and unemployment is a big challenge to the government of Nigeria and there is continual increase in the unemployment rate, which is alarming and has resulted in socio-political and economic crises.

There are efforts by government to tackle this scourge. In order to fill this gap, government established various institutions with policies and programmes to tackle unemployment and poverty. However, the problem still persists.

The government of Nigeria established the National Directorate of Employment programme, which main objective is designed to cater for unemployed youth and jobless people across the country.

This study evaluated the impact of the National Directorate of Employment policy on selected agro chemical - sector in order to assess its influence in job creation and poverty reduction in Akure, Ondo State Nigeria. Within the investigation, my research focused at the appropriate legislation and policies of the National Directorate of Employment programme. The study comprises of mixed methods (qualitative and quantitative approach) using both primary and secondary data.

## **CHAPTER ONE**

### **1.1 INTRODUCTION**

The National Population Commission Census Report was conducted in 2006 and reported that Nigeria is regarded as the most populated country in Africa. The population of Nigeria is over 160 million people and rank at eight positions globally with a nominal Gross Domestic Product (GDP) of \$207.11 billion, per capita income of \$1,401.

As stated by Salami (2011:53), the Nigerian economy is rated the second largest in Africa. The above mentioned GDP and per capita income are very impressive, but the high rate of unemployment is a direct cause of poverty and unemployment, which are major challenges for the Nigerian government. The continual daily increase in the unemployment rate is alarming and has led to the socio-political and economic crisis.

The United Nation Development Programme UNDP (1998:51), Federal Office of Statistics FOS (1999:121) and the World Bank. (1999:61) agree that the level of poverty has since tremendously increased. The poverty profile indicated that poverty increased from 28.1% in 1980 to 43.6% in 1985 and 42.7% in 1992. In 1996, the poverty rate increased detrimentally to 65.6% which classified Nigeria as a poor nation.

According to Subair (2013), unemployment rate in Nigeria is at 22%, while youth unemployment rate is 38% and about 4 million people entered into the labour market every year after graduation from institutions of higher learning. Unemployment, according to International Labour Organisation, is among the biggest threats to social stability in many countries (including Nigeria) putting the global rate at 12.6% ILO (2012).

The importance of small and medium business development cannot be overemphasised because it plays a significant role in the development of any nation's economy. The development of small business has been variously referred to as a "source of employment generation" Adejumo, (2000:89). This is because small business activities are capable of making positive impacts on the economy of a nation and the quality of life of the people Adejumo, (2000:112).

Previous studies have established that SMEs stimulate economic growth; employment generation; empowerment of the disadvantaged segment of the population, which include women and the poor (Oluremi and Gbenga, 2011:9; Thomas and Mueller, 2000:45; Reynolds, 1987:54).

According to the Global Entrepreneurship Monitor Report (2000:67), about 70% of an area's economic performance and well-being is dependent upon how entrepreneurial the area's economy is. Nigeria, as a nation, is endowed with numerous investment potential, business opportunities, abundant, vibrant, dynamic human and natural resources. Utilisation of these resources requires the ability to identify potentially useful and economically viable fields of endeavours as well as good policies. Most recently, government attempted to address these challenges by implementing good policies and programmes, yet some of these problems still persist.

Small business development in Nigeria requires input from the various business sectors to assist with further development of the SMEs because they regarded as a major contributing factor for economic and social development of any nation. Entrepreneurship and small business development has been prescribed by intellectuals as the lasting solution for poverty alleviation and unemployment. Therefore, it is vital for the Nigerian government to take drastic measures to develop and implement small business and entrepreneurship policies that would ensure poverty alleviation, unemployment are addressed and it would, in turn, ensure a stabilised economy.

While small business entrepreneurship development has been regarded as the solution for employment generation and economic development in Nigeria, the sector is neglected and not well developed. This has negatively affected economic growth and development.

## **1.2 BACKGROUND OF THE RESEARCH PROBLEM**

The role of policy making in creating an enabling environment for small business development cannot be underestimated. A nation's capacity to empower and assist people with entrepreneurial skills and capabilities depends on existing infrastructures, policies and programmes, adaptability of the various regulatory agencies, institutions and service providers.

According to Batra & Mahmood (2003:24) "government use a variety of instruments to provide direct support to private enterprises, which includes the provision of finance subsidy, direct credit, and business development services management, marketing advice to small businesses,

agricultural extension services, support for enterprise level training and support to technology development”.

It is generally accepted that small and medium enterprises are the means by which economic growth is ensured as such, it is vital to formulate policies that are effectively geared towards the development of SMEs.

As stated in the United Nations Millennium Development Goals Strategy (MDGS) report in 2000, the objective for developing nations is to speedily enhance socio economic development processes and provide basic amenities of life to the masses. The President of Nigeria, Dr Goodluck Ebele Jonathan, has set up a presidential committee to speed up the socio economic process of Nigeria in order to achieve the MDGS.

The president’s vision for the MDGS is that by 2020, Nigeria would be amongst the 20 largest economies in the world. This vision is commonly known as the 20-20-20. More attention should be given to the development of the SMEs sector to achieve the millennium development goals strategy mandate, which in turn, would transform the socio economic development of Nigeria. Suleiman (1986:18) states that, it is while attending to small matters that bigger things are created. Small and medium enterprises play an important role in economic growth and sustainable development of any economy Ariyo (2005:26). They may look small or inconsequential but are the foundation of any economically stable nation.

Terungwa, (2011:79) is of the view that “the potential benefits of SMEs to any economy includes contribution to the economy in terms of output of goods and services; creation of jobs at relatively low capital cost; provision of a vehicle for reducing income disparities; development of a pool of skilled and semiskilled workers as a basis for future industrial expansion, among others”.

Various measures have been employed and put in place; effort is still in the making to promote small and medium-scale enterprises in Nigeria. This is not a recent phenomenon but can be traced back as far back as when the country became independent (Badejo 2000:109).

The Central Bank of Nigeria statistical report published in 2003 indicated that SMEs in Nigeria are mainly formed in the private sector. SMEs contribute greatly to the nation’s GDP and help to

alleviate poverty by means of job creation in the informal business sector substantially generating income. Government should come up with initiatives and enabling policies that will assist as well as create an appropriate, friendly, conducive business environment for small business owners to grow and develop.

### **1.3 PRELIMINARY LITERATURE REVIEW**

There is no universal definition of small and medium enterprises. (Storey, 2000:36) According to Egbuogu (2003:177), small and medium enterprises vary both between countries and between continents. The major criterion used in the definition of SMEs is based on the combinations of the following: number of employees, financial strength, sales value, relative size, Initial capital outlay and nature of business. (Carpenter, 2003:161).

According to United Nations International Development Organisation (UNIDO) report in 1999, it is estimated that SMEs represent over 90% of private business and contributed more than 50% of employment and of gross domestic product (GDP) in most African countries. SMEs focus their efforts in reducing poverty by fostering productivity, growth and development of any nation's economy.

The SME and informal sectors are acknowledged internationally. Defining an SME is a challenging task as every country has its own definition. There is no single or specific definition of SME that is uniformly accepted (Storey, 2000:89). Many authors and commissions have formulated their definitions; differences exist even amongst countries. Some definitions emphasise on measurement of size number of employees, net worth and turnover, profitability and margin) but, firms differ in sales, employment and capitalisation. So these size measurement definitions may work in some sectors, but not in others.

Firms differ in their levels of capitalisation, sales and employment. As such, definitions which employ measures of size such as number of employees, turnover, profitability and net worth when applied to one sector, might lead to all firms being classified as small, while the same size definition when applied to a different sector might lead to a different result.

The Bolton Committee indicated in 1971 that great attempts were made to overcome this definition problem when it put forth an "economic" and a statistical definition (Quartey & Kayannula 1999:190). Table 1.1 provides some definitions of SMEs.

Table 1.1: Some definitions of SMEs

|   | Definitions  |
|---|--|
| World Bank since 1976                           | Firms with fixed assets (excluding land) less than US\$ 250,000 in value is Small Scale Enterprises  |
| Grindle et al (1989:9-10)                       | Small-scale enterprises are firms with less than or equal to 25 permanent members and with fixed assets (excluding land) worth up to US \$50,000.    |
| USAID in the 1990s                              | Firms with less than 50 employees and at least half the output are sold (also refer to Mead, 1994).  |
| UNIDO's Definition for Developing Countries     | Large - firms with 100 workers<br>Medium – firms with 20 - 99 workers<br>Small – firms between 5 - 19 workers<br>Micro – firms between 1 - 5 workers |
| UNIDO's Definition for industrialised countries | Large - firms with 500 workers<br>Medium – firms with 100 – 499 workers<br>Small – firms between 1 - 99 workers                                      |

Source: Quartey and Kayannula (1999:190)

Small, medium and micro businesses have contributed positively to economic growth in many countries across the globe such as Malaysia, Japan, South Korea, Zambia, and India amongst others. They contribute substantially to the Gross Domestic Product (GDP), export earnings and employment opportunities of these countries.

Micro and small scale enterprises (MSEs) have been widely acknowledged as the foundation for sustainable economic development and contribute to the increase in per capital income and output. MSEs also creates employment opportunities, encourages the development of indigenous entrepreneurship, enhance regional economic balance through industrial dispersal and

generally promote effective resource utilisation that are considered to be critical in the area of engineering economic development (Tolentin, 1996:34; Oboh, 2004:15; Deh,2005:29).

A healthy SME sector contributes prominently to the economy through creating more employment opportunities, generating higher production volume as well as increasing exports and introducing innovation and entrepreneurship skills. The dynamic role of SMEs in developing countries ensures them as a vehicle for economic growth and poverty alleviation. SMEs play a vital role in creating dynamic market economies in the social and economic development of transition countries. Entrepreneurs play an immense role in economic growth, innovation, regional development and job creation.

The literature review has revealed that SMEs play a pivotal role in economic development of any nation through the creation of employment opportunities, promoting of innovation and entrepreneurial skills. Despite their importance, SMEs still face considerable challenges that inhibit the growth of businesses, such as policy initiation, implementation and evaluation towards the development and growth of small business enterprises.

#### **1.4 STATEMENT OF RESEARCH PROBLEM**

Unemployment and poverty have been addressed as a global phenomenon, especially in Africa and continents such as Latin America, Asia, and the Caribbean. In Nigeria, there is a continual increase in poverty and unemployment rate which is alarming and resulted to socio, political and economic crisis.

According to (UNDP Nigeria,1998:51 FOS,1999:121,World Bank,1999:61), the level of poverty has since tremendously increased, the poverty profile has shown that poverty increased from 28.1% in 1980 to 43.6% in 1985 and declined to 42.7% in 1992. It increased to 65.6% in 1996 which classified Nigeria as a poor nation.

The United Nations declared in 1996 the international year for eradication of poverty and 1997-2006 a decade of poverty eradication. SMEs all over the world are generally acclaimed as the engine of growth and they account for at least 70% of employment and contribute significantly to GDP growth (Adejumo, 2000:45).



The private sector in Nigeria is mainly made up of SMEs, this is not only suitable for Nigerian economy but, more importantly contributes greatly to nation's GDP and even helps in poverty alleviation as they are a major source of employment, and helps substantially to generate income. SMEs sector is regarded as a great importance and deserves a good mechanism to cheer its growth and development (CBN publication, 2003:149).

SMEs contribute over 40% GDP growth to countries such as Indonesia, India and Taiwan. However, in Nigeria, SMEs contribute a marginal 15% to economic growth yet over 90% of the companies in Nigeria are classified as SMEs (Bankole, 2007:89). Government in Nigeria came up with various programmes and policies that would eradicate poverty by promoting small business development. However, what remained unanswered was which of these programmes and policies have impacted the development and growth of small businesses. (Anyadike et al, 2012:89).

A healthy economic growth cannot be achieved without developing and implementing programmes and policies that will reduce poverty, unemployment and empower people to be self-reliant. The purpose of this research is to critically evaluate policies and programme of the National Directorate of Employment that would impact the development of small medium enterprises in selected agro-chemical enterprises in Akure, Nigeria.

## **1.5 RESEARCH QUESTION**

The questions this study intends to answer are divided into two namely: main research question and sub research questions.

### **Main Research Question:**

(1) What is the impact of the National Directorate of Employments policies and programmes on SMEs in the agro- chemical sectors in Akure, Ondo state?

### **Sub Research Questions:**

(2) How does the National Directorate of Employment support small medium enterprises in Akure?



(3) What are the opportunities for improvement of SMEs since the inception of the policies and programmes of NDE?

(4) What are the challenges of SME development in the agro-chemical sector in Akure?

(5) What measures have been put in place by the government to ensure effective and efficient monitoring and evaluation of National Development of Employments policies to develop SMEs?

## **1.6 OBJECTIVE OF THE STUDY**

This research tends to evaluate the impact of National Directorate of Employment policies on the development of small medium enterprises in the agro- chemical sector in Akure, Ondo State and it will be guided by the research questions. This research study will specifically aim at the following objectives:

1. To critically assess the objectives of National Directorate of Employment programme on small business development.
2. To examine the effectiveness of National Directorate of Employment programme on agro chemical small and medium enterprises development in Akure, Ondo State.
3. To identify the gaps and opportunities that the policies present.
4. To develop a legislative and theoretical base underpinning this research.
5. Make recommendations

## **1.7 RESEARCH DESIGN AND METHODOLOGY**

The definition of research has been coined in different ways by various authors .This section focuses on the research techniques and sampling methods adopted for this study, with the aim of achieving the research objectives.

According to Leedy (1997:05) “research is a process through which we attempt to achieve systematically and with the support of data the answer to a question, the resolution of a problem, or a greater understanding of a phenomenon”.

According to Leedy (1997:5) “research is a process through which we attempt to achieve systematically and with the support of data the answer to a question, the resolution of a problem, or a greater understanding of a phenomenon”.

This research study will make use of mixed methods (qualitative and quantitative methods). The reason for mixed methods was because of the use of statistical table which needed to be analysed and interpreted as well. The primary and secondary method will be used for data collection.

### **1.8 DELINEATION OF THE STUDY**

This proposed research study will be carried out in Akure, the capital of Ondo State, South Western part of Nigeria. Akure was chosen for this research due to the fact that it is a city with a lot of diverse business and new business activities springing up in the city. A total of 30 SMEs business owners in the agro-chemical sector will be sampled for the purpose of this research study.

### **1.9 SIGNIFICANCE OF THE STUDY**

Small and Medium Enterprises plays significant roles in sustainable development and socio economic growth of any economy. SMEs are seen as the driver of a nation's economy. SME generates employment opportunities and in turn increases the standard of living of people. In the past, research have shown that most of SME businesses still failed despite efforts by government agencies to provide the necessary support and services to survive.

This research study will give an insight into the impact of the policies in the development of SMEs in Nigeria. Moreover, the findings of this work will guide policy makers to formulate and implement policies that would assist SMEs activities to be more successful.

Finally, it is hoped that the findings of this study will be useful to students, entrepreneurs and small business owners, research institutions, private and public institutions, government departments, policy makers and other relevant organisations that may find this research study relevant and useful to contribute to their pool of knowledge.

### **1.10 BASICS TERMS AND CONCEPTS**

#### **Small and Medium Enterprises**

SMEs play a significant role in economic development of nations. There is no single or specific definition of SME that is uniformly accepted (Storey, 2000:08). While several authors and researchers have formulated their definitions, this disparity exists even among nations. Small and

medium business enterprises dominate the economic landscape of most countries and have contributed to economic development, increase household income and create jobs (International Finance Corporation, 2000:07).

Some definitions emphasise on measurement of size (i.e. number of employees, profitability, net worth and turnover), but businesses (firms) differ in sales, employment and capitalisation. Small enterprises do not conform to any neat parameters because much of their activities depend on the industry in which they operate also the personalities and aspirations of those in charge of these businesses. These factors vary from manufacturers to retailers, couples team, professional managers, high growth, high start-ups that are funded by venture capitalists to self-financed tradesmen and women for the purpose of making a living. (David.S and Nicholas, 2006:06).

A common definition of SMEs includes registered businesses with less than 250 employees” (IFC, 2009: 09) The National Small Business Amendment Acts of 2003 and 2004 (NSB Act) defines small medium business as a separate and distinct business entity, including co-operative enterprises and nongovernmental organisations, managed by one owner or more which, including its branches or subsidiaries, if any, is predominantly carried on in any sector or sub sector of the economy.

## **Policy**

A policy is a statement of intent to achieve certain goal(s) and is implemented as a guide by a local, state or federal government of a country. Policy is a mechanism employed to realise societal goals and to allocate resources (Baker, 1975:12).

Policy is the activity preceding the publication of a goal, while a policy statement is the making known, the formal articulation, the declaration of intent or the publication of goal to be pursued (Hanekom 1987:7).

A policy could be documented in legislation or other official documents. Government policies are actions designed to affect economic activity and pursue one or more economic goals. A policy is regarded as the identification of different alternative actions such as business support programmes or spending priorities and choosing among them on the basis of the impact they will have.

## **Development**

Development is simply defined as good change. It also implies progress or improvement. According to Chambers (2004:3) developments means the notion of good change, although this raises all sorts of questions about what is good, what sort of change matters (as Chambers acknowledges) about the roles of values, and whether bad change is also viewed as a form of development.

### **1.11 CHAPTER OUTLINE**

Chapter One: This chapter provides an introduction, which is followed by the background to the study. A statement of the research problem, purpose, research objectives and questions, type of research, and finally the significance of the research are outlined. This leads us to the second chapter.

### **Chapter Two**

This chapter focuses on literature review and theoretical framework. Legislations governing National Directorate of Employment and its policies are reviewed in this chapter.

### **Chapter Three**

This chapter centres on the methodology and the research design.

### **Chapter Four**

This chapter primarily focuses on research analysis and perceptions of National Directorate of Employment policies, programmes and people benefited from it.

### **Chapter Five**

This chapter concludes the research. Recommendations, findings and areas for further research will equally form part of the chapter.



## **CHAPTER TWO**

### **2.1 LITERATURE REVIEW**

### **2.2 INTRODUCTION**

The preceding chapter provided a general introduction to the entire study, which included the introduction and background of the study, the problem statement, the objectives of the research, the significance of the study, and research questions. It also covered the analysis of key concepts and limitations of the study. This chapter provides an extensive background of the literature review, the concepts and theories of small medium enterprises.

### **2.3 OVERVIEW OF SMALL MEDIUM ENTERPRISES**

Small and medium enterprises (SMEs) are seen as a driver to economic development of many nation's economies. SMEs have been associated with the rapid economic growth of countries in developed economies of the world. They contribute significantly to the development of living standards, substantial local capital formation and achieve high levels of productivity.

There is no universal definition of small medium enterprises (Storey 2000:36). According to Egbuogu (2003:177), SMEs varies between countries and continents. The major criteria used in the definition of SMEs are based on the combinations of the following: number of employees, financial strength, sales value, relative size, Initial capital outlay and nature of business. (Carpenter 2003:161).

According to the United Nations International Development Organisation (1999), it is estimated that SMEs represent over 90% of private businesses and contribute more than 50% of employment and the Gross Domestic Product (GDP) in most African countries. SMEs focus their efforts on reducing poverty by fostering productivity, growth and development of nation's economies. This is because SMEs generate employment opportunities; skills acquisitions, self-reliance and fosters development and growth of various economies.

Small and medium enterprises have been referred to as “the engine of growth” and “catalysts for socio-economic transformation of any country.” SMEs represent a veritable vehicle for the achievement of national economic objectives of employment generation and poverty reduction at low investment cost as well as the development of entrepreneurial capabilities, including

indigenous technology. Other intrinsic benefits of vibrant SMEs include access to the infrastructural facilities occasioned by the existence of such SMEs in their surroundings, the stimulation of economic activities such as suppliers of various items and distributive trades for items produced or needed by the SMEs stemming from rural urban migration, enhancement of standard of living of the employees of the SMEs and their dependents as well as those who are directly or indirectly associated with them.

## **2.4 CONCEPTUAL DEFINITION OF SMALL MEDIUM ENTERPRISES**

There is no universal definition for Small and Medium Enterprises, (SMEs) and it varies from size, type, assets, revenue, employees, as well as industry to industry from one country to another. There has been no universal agreement as to what constitutes small and medium size Enterprises (SMEs). Different countries classify their industries based on the criteria they adjudged appropriate, with major or minor similarities and dissimilarities. The common criteria used include; number of employees, scale of investment, income generated, and turnover among others (Kimambo 2005:16).

Small and Medium Enterprises (SMEs) have been defined along a broad range of its size and type. In terms of size, measures used to classify SMEs include employment, assets and revenue. The Organisation for Economic Cooperation and Development (OECD:2011) states that the characteristics of SMEs not only reflect the economic patterns of a country but also the social and cultural dimensions. These differing patterns are noticeably reflected within different definitions and criteria of SMEs adopted by different countries: whereas some refer to the number of employees as their distinctive criteria for defining SMEs, others use invested capital, and some others use a combination of the number of employees, invested capital, sales and industry type (Dababneh & Tukan, 2007:34).

The European Commission defines small medium enterprises as those enterprises that employ fewer than 250 people and have annual sales not exceeding \$67 million and/or total assets not exceeding \$56 million.

Dababneh and Tukan in (2007) defines small enterprises as those enterprises employ less than 50 persons and with annual sales or total assets that do not exceed \$13 million. Meanwhile, micro -

enterprises are defined as those which employ fewer than 10 persons and with annual sales or total assets that do not exceed \$3 million.

According to the United Nation International Development Organisation, the definition of SMEs is a significant issue for policy development and implementation and depends primarily on the purpose of classification.

In Japan, small medium enterprises in the manufacturing sector are defined in terms of upper limit of paid-up capital of 300 million Yen or 300 employees. In South Korea, SMEs are defined as firms, which are independently owned and employ less than 300 persons in the manufacturing, mining, transportation and construction sectors.

The European Union defines “Small Medium Enterprises in terms of employment, turnover and balance sheet. To be classified as an SME, an enterprise must satisfy the criteria for the number of employees and one of the two financial criteria, that is, either the turnover total or the balance sheet total. In addition, it must be independent” (Subrahmanya, 2005).

**Table 2.1 European Union definition of SMEs**

| <b>Criteria</b>                    | <b>Micro Enterprises</b> | <b>Small enterprises</b> | <b>Medium enterprises</b> |
|------------------------------------|--------------------------|--------------------------|---------------------------|
| No of employees                    | <10                      | <50                      | <250                      |
| Turnover (million euros)           | 2                        | 10                       | 50                        |
| Balance sheet total(millions euro) | 2                        | 10                       | 43                        |

**Source: United Nations Economic Commission for Europe, 2005.**

According to Industry Canada in 2005, a small business is one that has fewer than 100 employees (if the business is a goods-producing business) or fewer than 50 employees (if the business is a service-based business). A firm that has more employees than these cut-offs, but fewer than 500 employees, is classified as a medium-sized business. SMEs refer to businesses with fewer than 500 employees, while classifying firms with 500 or more employees as large businesses in Canada.



**Table 2.2 Comparative definitions of SMEs**

| Definition by                       | Micro enterprises | Small enterprises      | Medium enterprises |
|-------------------------------------|-------------------|------------------------|--------------------|
|                                     |                   | <b>No of employees</b> |                    |
| US Small Business Administration    | 1-19              | 20-99                  | 100-499            |
| UK department of Trade and Industry | 1-9               | 10-49                  | 50-249             |
| Eurostat                            | 1-9               | 10-99                  | 100-499            |

**Source: Dagmar Reclies, 2001a.**

## **2.5 THE CONCEPT OF ENTREPRENEURSHIP**

Entrepreneurship is a process where an individual discovers, evaluates and exploits opportunities independently (Darren et al. 2009:45). Ogundele (2007:16) argued that entrepreneurship is a process involving recognising opportunities in the environment, mobilising resources to take advantage of such opportunities in order to provide improved goods and services for consumers and making as a reward for risk taken. Entrepreneurship is also all about environmental opportunities that are waiting to be tapped.

Entrepreneurship is a creative process of organising, managing enterprises and assuming the risk involved in the enterprise (Rebecca et al. 2009: 31). It is a process of creating something new and assuming the risks and rewards (Hisrich & Peters, 2002:44). There are four essential elements used in those definitions which include: creative process, risk taken, rewards, time and effort. (Awodun 2008: 22) adopted the same approach in his effort to describe entrepreneurship; he saw entrepreneurship as an act involving the following:

- Recognising opportunities in your environment;
- Mobilising resources to take advantage of such opportunities;
- Ensuring the provision of new or improved goods and services to consumers; and
- Obtaining profit in return for the risk to dare.

Entrepreneurship is the creation of something new and assuming the risk and rewards. (Robert et al. 2008:21). Entrepreneurship is therefore all about learning the skills needed to assume the risk of establishing a business and developing the winning strategies and executing them with all vigour, persistence and passion needed to win any game (Rebecca et al.2009: 45). The authors

stress the need for entrepreneurs/firm owners to learn new skills that would aid their firms' performance. As such, an entrepreneur must possess some skills if he is to achieve a significant firm performance.

According to Rebecca et al (2009: 65) she further concluded that entrepreneurship is simply concerned with what an entrepreneur actually does -the utilisation of resources in managing an enterprise and assuming the risks and maximising profit from the business venture. They affirmed that entrepreneurship is a dynamic process of creating wealth for the well-being of both the entrepreneurs and individuals in the society. Therefore, successful entrepreneurship requires that the entrepreneur possess certain managerial skills. These skills amongst others include the ability to learn new techniques in handling business operation, ability to adapt to change and ability to handle changes in the environment.

Entrepreneurship is the coming into existence (in a society or country) of the class of individuals, who are not timid to face odds and are ready to achieve a significant performance (Arowomole 2000:56).

According to Amit et al (1993:49), entrepreneurship development is seen as the process of extracting profit (firm performance) from new, unique and valuable combination of resource in an uncertain and ambiguous environment. Considering these definitions, entrepreneurship development, could equally be seen as a gradual process in which an individual takes in establishing a business or creating wealth for the purpose of making profit. These maybes in line with Amit et al. (1993:19) submission as both definitions are concerned with the issue of profit, wealth creation and firm performance.

Entrepreneurship involves the process of cultivating the actual or potential entrepreneurs to become more effective in running their own business organisations. This involves ensuring how well the firm performs in its business activities and must be taught at various stages and in various institutions with the necessary support to run the business effectively and efficiently in order to grow. It is therefore, clear that entrepreneurship is a process. Thus, it is a process that leads to the establishment and creation of small medium enterprises or business ventures. Entrepreneurship process leads to the birth of small business enterprises and business ventures in many sectors. This may be manufacturing, service, wholesale and retail outlets.

## **2.6 DEFINITION OF SMALL AND MEDIUM ENTERPRISES IN NIGERIA**

There is no definite or specific definition that differentiates small medium business enterprises from medium - scale business enterprises in Nigeria. The classification of business into small or large scale is a subjective and qualitative judgment. (Ekpenyong & Nyong 2002:4). The Central Bank of Nigeria, Monetary Policy Circular No. 22 of 1988, defined small-scale enterprises as having an annual turnover not exceeding 500,000 naira. The Federal Government of Nigeria National Budget of 1990 defined small-scale enterprises, for purposes of commercial bank loans as those with an annual turnover not exceeding 500 000 naira, and for Merchant Bank Loans, those enterprises with capital investments not exceeding 2 million naira (excluding cost of land) or a maximum of 5 million naira.

The Companies and Allied Matters Decree of 1990 (CAMA), Section 37b subsection (2) defined a small business (company) as one with an annual turnover of not more than 2 million naira and net asset value of not more than 1 million naira. The National Economic Reconstruction Fund (NERFUND) put the ceiling for small-scale industries at 10 million naira (Ekpenyong & Nyong, 2002:5). However, the bankers committee review of SMIEIS scheme, defined small medium enterprises as any enterprise with a maximum asset base of N500 million (excluding land and working capital) and with no lower or upper limit of staff.

If we observe critically the aforementioned, and the conceptual definition of SMEs in this chapter, there is no consensus on the real definition of small and medium-scale enterprises (SMEs) as it can be seen that small and medium are relative and differ from industry to industry, country to country and over time within countries. The difference amongst industries could be seen to be the difference in capital requirements of each business, which those among countries could arise as a result of difference in industrial organisation by countries at different stages of economic development. What might therefore, be defined as SME in a developed country can be regarded as a large scale enterprise in a developing country. It is important to recognise that definitions change over time and even in a developing country, what was previously classified as large - scale industry could be regarded as small and medium enterprises in the future.

The Small and Medium Enterprise Credit Guarantee Scheme (SMECGS) by the CBN (CBN, 2010) defined small business enterprises that have an asset base (excluding land) of between N5 million – N500 million and a labour force of between 11 and 300.

Small Medium Enterprises in Nigeria today are characterised by an ownership structure which largely revolves around a key man or family. Majority of the small and medium enterprises are either sole proprietorships or partnerships. Even where the registration status is that of a limited liability company, the true ownership structure is that of a one-man, family or partnership business.

According to Olokoyo (1999:54), apart from the matter of size, capital base, and employees, small and medium scale businesses usually have these three distinguishing characteristics, which are as follows:

- ❖ Management: The management of a small business unit is generally coordinated by the owner. As an owner or manager, he is in a position to make his own decisions. He is both an investor and employer, which gives him total freedom of action.
- ❖ Capital requirement: The amount of capital required is relatively small compared with that required by bigger firms. The capital required is supplied by one or, at most, few individuals' friends, relations and so on.
- ❖ Local operation: Small business area of operation is mostly local. The employers and employees often live in the community in which the business is located. This does not mean, however, that all small firms serve only local markets. Some go beyond their areas of operation and border by seeking outlets for their products or services in other parts of the country, or even export.
- ❖ Other characteristics of small business enterprises include simple organization structure lack of specialised managers, owner knows his/her employees (better industrial relationship); high percentage of business failures, few employees; long and short- term capital are difficult to obtain; freedom of action, easy adaptation to local needs, etc.

Odeyemi (2003:12) in his paper "Conceptual Issues and Feature of Nigerian SMEs" presented in the Development Focus, June 23 – July 23, 2003, opined that SMEs start typically with an ownership structure of sole proprietorship. However, in the past two decades, this orientation has been changing, partly as a result of the indigenisation decree of 1970s and partly as a consequence to better exposure and enlightenment.

## **2.7 THE ROLE OF SMALL AND MEDIUM ENTERPRISES IN AN ECONOMY**

Small and medium enterprises (SMEs) have been universally acknowledged as a delivery mechanism for economic development and poverty alleviation in both developed and developing countries. This global recognition and interest in SMEs is justified by their potentials in the areas of employment generation, capacity to reduce inequalities, ability to mobilise domestic savings for investment, introduction of business methods, products and services that help to restructure weak agricultural sector or other uncompetitive transition economies, enhancement of economic balance through industrial dispersal, promotion of effective resource utilisation and linking participants in supply chain among others (Ojo, 2006: 24:25; Ogujiuba, Ohuche & Adenuga, 2004:6; Small Enterprises Assistance Funds SEAF, 2004).

The role of SMEs in many economies of the world cannot be over emphasised. SMEs are important to all economies in the world, especially in developing countries and those with major employment and income distribution challenges. The importance of SMEs both national and international settings is undoubtedly of higher relevance. These firms are important not only in what concerns their representation for economic analysis, but also for the countries' economies and the implications that it brings to the society. The role played by SMEs in any society is undoubtedly important, for instance, in Portugal around 98 percent of the industrial fabric is composed of SMEs (Duarte, 2004:1).

According to Small and Medium Enterprise (SME) Statistics for the UK, 1999 URN 00/92, small businesses are recognised as the backbone of the British economy, and accounted for more than half of the UK's turnover. Businesses employing fewer than 50 people account for 37 per cent of UK turnover and 44 per cent of private sector employment. SMEs have remained as important and relevant economic catalysts in industrialized countries. In many developed countries like in the UK, where there are 3.7 million businesses, or one for every ten people of working age. Of those businesses, 99.8 percent have fewer than 250 employees. Only 31 000 businesses have 50 or more employees. One in eight of the workforce, or 2.3 million businesses, were self-employed; Also Asia has been recognised as a continent with some of the world's best performing economies. Notably Taiwan and Hong Kong are heavily based on small enterprises. Eighty-one percent of all employment in Japan is in SMEs where the average enterprise employs nine staff as opposed to four in the EU (Lukacs, 2005:12).

According to the United Nations Industrial Development Organization (UNIDO) report in 2005, for developing countries, integration into the global economy through economic liberalisation, deregulation and democratisation are seen as the paramount ways to triumph over poverty and inequality. This process involves development of an animated private sector, in which small and medium enterprises can play a central role. SMEs have a propensity to employ more labor-intensive production processes than large enterprises. Consequently, they contribute significantly to the provision of productive employment opportunities, the generation of income and, eventually, the reduction of poverty. SMEs also play an essential role as subcontractors in the downsizing, privatisation and restructuring of large companies. SMEs constitute nearly 90 percent of all the enterprises in Pakistan; employ 80 percent of the non-agricultural labour force; and their share in the annual GDP is 40 percent, approximately (Qimiao 2003:27).

One of the significant characteristics of a flourishing and growing economy is a booming and blooming SME sector. Small and medium enterprises play an important role in the development of a country. SMEs contribute to economic development in various ways: by creating employment for a rural and urban growing labour force, and providing desirable sustainability and innovation in the economy as a whole (Bashir 2008:23). SMEs are different from large-scale enterprises in three main aspects, namely: uncertainty, innovation and evolution. The SME sector itself can be classified into micro enterprises, small enterprises and medium enterprises. SMEs are the starting point of development in the economies towards industrialisation. However, SMEs have significant effect the income distribution, tax revenue, employment, efficient utilization of resources and stability of family income.

SMEs make a significant contribution to the transition of agriculture-led economies to industrial ones, furnishing plain opportunities for processing activities which can generate a sustainable source of revenue and enhance the development process. SMEs shore up the expansion of systemic productive capability. They help to absorb productive resources at all levels of the economy and add to the formation of flexible economic systems in which small and large firms are interlinked. Such linkages are crucial for the attraction of foreign investment. Investing transnational corporations look for sound domestic suppliers for their supply chains (Bashir 2008:9). SMEs are the major growing force behind the fastest growing economy of China, in terms of contribution to the national GDP (accounting for 40%), scale of assets, diversification of



products, and the creation of employment. Similarly, the role of SMEs is well acknowledged in other countries such as Japan, Korea, and all other industrialized economies in terms of creating employment, reducing poverty and increasing the welfare of the society, (Bashir 2008:11).

According to Central Bank of Nigeria Seminar on Small and Medium Industries Equity Investments Schemes published in 2003, it is difficult to obtain exact and comparable figures on SMEs for developing countries and it is obvious that the role of SMEs is equally important in the economies of developing and developed countries alike. “Small domestic markets, inadequate infrastructure, high transportation costs, shortage of capital and foreign exchange, weak currency, lack of access to technology and foreign markets as well as surplus low quality labour are the general characteristics of developing countries and hence are susceptible to being trapped in a technology divide and investment gap. Foreign direct investment and the acquisition of technology are indispensable elements for economic transformation which developing countries require to achieve sustainable economic growth and poverty alleviation” (Udechukwu 2003:10).

The African Development Bank and OECD Development Centre, African Economic Outlook (2004–2005) in Kauffmann, (2005) opined that some African countries have started to feel the impact of small and medium enterprises, as summarised below:

- SMEs in Kenya employed some 3.2 million people in 2003 and accounted for 18 percent of national GDP.
- SMEs in Senegal contributed about 20 percent of national value-added.
- Nigerian SMEs accounted for some 95 percent of formal manufacturing activity and 70 percent of industrial jobs.
- Nearly 80 percent of firms in Congo have fewer than five workers and the country has 2 100 firms in the formal and 10 000 in the informal sector.
- A 1997 survey in Benin showed that of the 666 SMEs counted, half were in commerce and the rest were mostly in construction, or were pharmacies and restaurants. Only 17 percent were in manufacturing.
- Micro and very small businesses in South Africa provided more than 55 percent of total employment and 22 percent of GDP in 2003. Small firms accounted for 16 percent of

both jobs and production. Medium and large firms 26 percent of jobs and 62 percent of production.

- In Morocco, 93 percent of all industrial firms are SMEs and account for 38 percent of production, 33 percent of investment, 30 percent of exports and 46 percent of all jobs.

## **2.8 SMALL AND MEDIUM ENTERPRISES – THE CASE IN NIGERIA**

The National Population Commission Census conducted in 2006 in Nigeria estimated a population of 150 million people. Nigeria is regarded as the most populous nation in Africa due to her population. It is ranked eight position globally with a nominal GDP of \$207.11 billion, per capital income of \$1,401 (Salami 2011:53). The major problem in Nigeria's quest for socio-economic and industrial development over the past years has been an absence of a strong, vibrant and virile small and medium enterprises sector. Given a population of well over 150 million people, vast productive and arable land, rich variety of mineral deposits, as well as enormous human, capital and other natural resources, Nigeria should have been a haven for small and medium enterprises with maximum returns, as it also has the location advantage as a marketing hub for the West and even East African Countries (Udechukwu, 2003:6).

There are many reasons adduced as to why the expectations from the SMEs have not been met. If anything, the performance of small and medium enterprises in Nigeria has been rather dismal. First and foremost, the little progress made by the courageous and entrepreneurial efforts of the first generation of indigenous industrialists were almost virtually wiped out by the massive devastation, dislocations and indeed, traumatic devaluation, which resulted from the Structural Adjustment Programme (SAP) (Onugu 2005:28). The underlying policies and good intentions of SAP were based on the neo-classical theory of efficient, perfect and competitive markets whose assumptions were, unfortunately, not harmonised with the prevailing circumstances, constraints and operating environment of SMEs in a developing economy like Nigeria. (Onugu 2005:30)

The SAP era, thus, represented the anti-climax of the thriving, flourishing period for SMEs in Nigeria over the past decade and the economy of the country has been on the decline with no appreciable real growth. People gradually moved out of the farms into urban areas for lack of agricultural incentives. Even in the urban areas and cities, infrastructure continued to deteriorate, roads were uncared for, water supply was irregular, power outage was a regular phenomenon,



and even for people who could afford to use electricity-generating sets, petroleum products to power them might not be available as needed.

Political instability negatively affected the performance of primary institutions responsible for policy enunciation, monitoring and implementation, resulting in distortions in the macroeconomic structure and its attendant low productivity. These and other problems constitute drawbacks to the development of SMEs which, to all intents and purposes provide the critical building blocks for sustainable industrialization and economic growth. (Onugu 2005:31)

According to Central Bank of Nigeria Seminar on Small and Medium Industries Equity Investments Schemes, published in 2003, the human and natural resources base is a significant feature that gives Nigeria a special status in Africa. However, like most less developed countries, the country is witnessing a rapid population growth and this contrasts with the less than average rate of development in communication, technological and social infrastructure. Instability and high turnover have impacted negatively on the performance of primary institutions responsible for policy monitoring and implementation, resulting in distortions in the macroeconomic structure and low productivity.

These problems constitute hindrance to the development of small and medium enterprises. As you are aware, this is a very important sector that will enhance the contributions of the private sector and provide the critical building blocks for industrialisation and sustainable economic growth. Consequently, SMEs in Nigeria are struggling to survive under intense competitive environments, both domestic and international. There is an urgent need to provide the required enabling environment for the development of SMEs so that they could adequately play the role expected of them in economic transformation. This role includes mobilisation of domestic savings for investment, appreciable contribution to gross domestic product, increased harnessing of local raw materials, employment generation, and significant contribution of poverty reduction efforts through sustainable livelihoods and enhancement in personnel income, technological development and export diversification. This will be made possible through a responsive industrial policy and government's overall economic development strategies that will ensure the collaboration of all development partners and the effective coordination and utilisation of economic resources.

## **2.9 THE ROLE OF SMALL MEDIUM ENTERPRISES IN NIGERIA**

In Nigeria, research has shown that SMEs accounts for more than 95% of all productive activities (besides oil and agriculture) with the capacity to employ over 70% of the work force as well as the ability to contribute about 70% to GDP (Ubom, 2003:20; Ojo 2003:24:25). These are indicative of the seminal role SMEs can play as a strong agent of economic growth and a fast track out of the present devastating and debilitating scourge of poverty. Small and medium enterprises are referred to as the engine room for the development of any economy because they form the bulk of business activities in a growing economy like that of Nigeria. They play a significant role in the development and growth of Nigeria's economy as a whole. SMEs are referred to as "the engine of growth" and "catalysts for socio-economic transformation of any country. The importance of small medium enterprises is enormous and cannot be overemphasized. They contributed to the economy in terms of output of goods and services, jobs creations, at a relatively low capital cost, especially in the fast growing service sector.

According to United Nation Conference on Trade and Development,(UNCTD 2004), "It is a vehicle for the reduction of income disparities thus developing a pool of skilled or semi-skilled workers as a basis for the future industrial expansion; improves forward and backward linkages between economically socially and geographically diverse sectors of the economy; provides opportunities for developing and adapting appropriate technological approaches; offers an excellent breeding ground for entrepreneurial and managerial talent, the critical shortage of which is often a great handicap to economic development among others". According to (Udechukwu 2003:11) small medium enterprises contribute to improved living standards, bring about substantial local capital formation and achieve high level of productivity and capability. SMEs are recognised as the principal means of achieving equitable and sustainable industrial diversification and dispersal. It have been fully recognised by government and development experts as the main engine of economic growth and a major factor in promoting private sector development and partnership. The development of SMEs is an essential element in the growth strategy of most economies and holds particular significance for Nigeria.

SMEs also serve as veritable means of mobilisation and utilisation of domestic savings as well as increased efficiency through cost reduction and greater flexibility. They have been very prominent in the manufacture of bakery products, leather products, furniture, textiles and

products required for the construction industry (Olorunshola, 2003:43). They also provide veritable means of large-scale employment, as they are usually labour intensive and can provide training grounds for entrepreneurs even as they generally rely more on the use of local materials (Anyanwu, 2003:20).

Chibundu (2006:3) in an interview with the Vanguard Newspaper on “Strategies for Nigerian SMEs to grow economy”, opined that the role of SMEs in the national economy cannot be underestimated. He stated that the impact of SMEs is felt in the following ways: greater utilization of local raw materials, employment generation, encouragement of rural development, development of entrepreneurship, mobilisation of local savings, linkages with bigger industries, provision of regional balance by spreading investments more evenly, provision of avenue for self-employment and provision of opportunity for training managers and semi-skilled workers.

There is need in Nigeria to create a friendly and enabling environment for the nurturing and development of SMEs so that they could play the crucial roles expected of them in economic transformation. The key roles of SMEs include mobilisation of domestic savings for investment, significant contribution to gross domestic product (GDP) and gross national income (GNI), harnessing of local raw materials, employment creation, poverty reduction and alleviation, enhancement in standard of living, increase in per capita income, skills acquisition, advancement in technology and expert growth and diversification. This can, however, only be realised with the existence of a responsive and vibrant industrial policy and involving government’s overall economic development strategies which will involve all stakeholders and ensure the effective and efficient harnessing, coordination and utilisation of economic resources.

## **2.10 PROBLEMS OF SMALL AND MEDIUM ENTERPRISES IN NIGERIA**

The facts remain that SMEs play a significant role and account for the capacity to generate employment opportunity and, thus, contribute to the gross domestic product of a nation’s economy. However, much has not been made by SMEs to impact on the Nigerian economy in spite of all the efforts and supports of both past and present administrations. This is a big concern and challenge to government. It underscores the belief that there exist fundamental issues or problems, which confront SMEs but which hitherto have either not been addressed at all or have not been wholesomely tackled.

Chibundu (2006:3), he highlighted the following challenges confronting SMEs in Nigeria as poor management practices and low entrepreneurial skill, poor implementation of policies, restricted market access, overbearing regulatory and operational environment, lack of infrastructural facilities, financial indiscipline, constrained access to money and capital markets, among others. He further expresses the incidence of inadequate working capital, which constrains productive capacities of the SMEs as well as absence of succession plans in the event of the death of the proprietor, leads in many cases to frequent early demise of SMEs. Moreover, the persistence of unstable macro-economic environment, arising mainly from fiscal policy excesses has often smothered many SMEs.

Many factors have been acknowledged as being possible causes or contributing factors to premature death a prominent feature of Nigerian SMEs. They include insufficient capital, lack of focus, inadequate market research, over-concentration on one or two markets for finished products, lack of succession plans, inexperience, lack of proper book keeping, lack of proper records or lack of any records at all, inability to separate business and family or personal finances, lack of business strategy, inability to distinguish between revenue and profit, inability to procure the right plant and machinery, inability to engage or employ the right calibre staff, cut-throat competition, lack of official patronage of locally produced goods and services, dumping of foreign goods and over concentration of decision making on one key person, usually the owner (RAMP, 2010). Other challenges that affect small medium enterprises in Nigeria include infrastructural insufficiencies (water, roads, electricity), poor power supply and unpleasant economic and fiscal policies, multiple taxes, levies and rates, fuel shortages, policy inconsistencies, reversals and shocks, uneasy access to funding, poor policy implementation, restricted market access, raw materials sourcing problems, competition with cheaper imported products, problems of inter-sectoral linkages given that most large scale firms source some of their raw material outside instead of sub-contracting to SMEs, insecurity of lives and property, fragile ownership base, lack of required skills and experience (Onugu, 2005:51). The extent to which some of the identified challenges to SMEs are still relevant today is among other factors this study tends to identify.

## **2.11 PROGRAMMES AND POLICIES FOR SMES DEVELOPMENT IN NIGERIA**

Small and medium enterprises in Nigeria are not exempted from the constraints SMEs in other developing nations across the globe face. This is because each nation's SMEs are associated with one problem or the other. As a result of the significant role SMEs play in the economic growth and development of Nigeria as a nation, the small medium Enterprises in Nigeria have received supports from both past and present governments of Nigeria in the past years. The return from military government to civilian government in May 27, 1999 saw various policies and programmes initiated and put in place with the assistance of international organizations and donor agencies to encourage the development of SMEs. Policy measures like generous tax incentives and export promotion incentives were targeted at employment generation, integrated rural development and intensive use of local resources for production. These policy initiatives were favourable to the SMEs and facilitated their growth and development. Credit facilities and institutional support were also developed to encourage credit delivery to SMEs.

Governments in Nigeria had various initiatives aimed at promoting the welfare of SMEs in the country. These measures increased the number and size of small and medium scale enterprises and became the focus of enduring industrialisation, and income and employment generation that could improve the standard of living and economic growth. Monetary, fiscal and industrial policy measures were adopted to promote the development of small and medium-scale enterprises (SMEs). Other measures initiated by government were as follows; Economic Stabilization Act of 1981, the National Economic Emergency Fund (1985) and the Structural Adjustment Programme (SAP) were put in place to encourage local producers to use local inputs in their production.

Other services provided by some governments include commercial finance, venture capital, information training and retraining, research and development (R&D) support, infrastructure and tax incentives. Some of these facilities are provided through local authorities and industry associations at times with the involvement of non-governmental organisations (NGOs). There have been other support institutions and opportunities created by the government as well to enable SMEs access funding which include;

- Mandatory Credit Guideline in respect of SMEs (1970).

- Small Scale Industries Credit Guarantee Scheme (1971).
- Agricultural Credit Guarantee Scheme (1973).
- Nigeria Agriculture and Co-operative Bank (1973).
- Nigerian Bank for Commerce and Industry (1973).
- Rural Banking Scheme (1977).
- The World Bank Assisted SME I (1985) and the World Bank Assisted SME II (1990) Second – Tier Security Market (1985).
- The National Directorate of Employment.(1986)
- African Development Bank – Export Stimulation Loan Scheme (ADB-ESL) in 1988.
- Peoples Bank (1989).
- National Economic Reconstruction Fund (1992).
- Small and Medium Scale Enterprises Loan Scheme (1992).
- Family Economic Advancement Programme (1997).
- Bank of Industry (BOI) - being merger of NIDB, NBCI and NERFUND) in 2001.
- Nigerian Agricultural Co-operative and Rural Development Bank (NACRDB) - being merger of NACB, Peoples Bank and Family Economic Advancement Programme (FEAP) in 2002.
- Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) in 2004.
- Microfinance banks.
- Small and Medium Enterprises Credit Guarantee Scheme for SMEs (SMECGS) 2010.

These institutions were established by governments to provide relief to small and medium enterprises in Nigeria. However, the sector is yet to find its bearing in the murky waters of Nigeria's business environment, as well as political and economic factors that mar the administration of these institutions to achieve their goals. The Federal Government of Nigeria with the help of some specialised agencies seeks intervention in the SMEs sector by restructuring and redesigning its policies and programmes on some of her institutions that support SMES so that they can fully achieve the set goals and the Millellium Development Goals Strategy. For the purpose of this research, the National Directorate of Employment policy is the focus and the policy is evaluated in terms of small business development programmes. This is because of its strategic position towards small business enterprises development.



## **2.12 BACKGROUND HISTORY OF THE NATIONAL DIRECTORATE OF EMPLOYMENT**

The Chuckwuma Committee Report set up in 1985 by the Federal Government of Nigeria under the Military Administration of General Ibrahim Badamosi Babangida, the President and Commander in Chief of the Armed Forces of Nigeria, led to the establishment of the National Directorate of Employment (NDE). The committee's task was to design strategies to create mass employment opportunities for Nigerian youth particularly by training them to establish their own small - scale enterprises in the private sector. The mandate of the National Directorate of Employment is to tackle employment problems in both the short- and long - term perspectives by formulating and administering job creation as well as employment related training programs. The philosophy of NDE is self-enterprise, which emphasises self-employment and self-reliance in preference to wage employment. The National Directorate of Employment was established in November 1986 and its job creation programmes were launched in January 1987. The National Directorate of Employment was established by Act CAP 250 of the laws of the Federal Government of Nigeria. The Act was published in the Federal Government (extraordinary) Gazette No.61 of 20<sup>th</sup> October, 1989, which gave the NDE legal backing.

The law establishing the NDE presented its mandate as follows:

- To design and implement programmes to combat unemployment.
- To collect and maintain a data bank on employment and vacancies in the country with a view to acting as a clearing house to link job seekers with existing vacancies in collaboration with other government agencies.
- To articulate policies aimed at developing work programmes with labour intensive potential.
- To implement any other policies as may be laid down from time to time by the board established under Section 3 of its enabling act.

The function of National Directorate of Employment is attached in its mandate. The functions are as follows:

- Combatting mass unemployment through skills acquisition
- Self-employment

- Labour intensive work scheme.

In order to actualise her mandate, the NDE developed various strategies that have mass employment generation potential under the following broad programme:

- The vocational skills acquisition training.
- Entrepreneurship development training.
- Training for rural employment and development
- Training for labour -based works programme.
- Employment counselling services
- Small business enterprise creation fund and resettlement of trained beneficiaries.
- Collaboration with national and international agencies.

### **The Vocational Skills Acquisition Training**

The NDE conceived and designed vocational skills acquisition training to impart to unemployed youth to enhance their employment status for either wage or self-employment. The training involves the use of informal sector operators such as master craftsmen/women as training outlets for unskilled school leavers through apprenticeship for periods long enough for them to acquire the requisite skills. It also includes the deployment of well - equipped mobile workshops to train unemployed youth both in the rural and urban areas where informal training outlets are either inadequate or non-existent

### **Entrepreneurship Development Training**

The National Directorate of Employment adopted the strategy of creating pools of entrepreneurs through impartation of entrepreneurial skills to Nigerian youth as a panacea for youth unemployment, especially among graduates of tertiary institutions. The trained young entrepreneurs are assisted with capital to establish and finance their own enterprises. These enterprises are also assisted with support services such as business advice and are introduced to NDE identified business mentors to avoid failures.



## **Training for Rural Employment and Development**

The rural economy is predominantly dominated by agriculture and agricultural related activities. To this end, in a bid to awaken the interest of unemployed youth in agriculture and to exploit the tremendous opportunities for employment and wealth creation in the agricultural sector and consequently, stem the rural-urban drift of the youth, the NDE designed a special training programme for youth in agriculture. The training programme covers modern agricultural practices in the area of crop production, crop processing and preservation, livestock management and other agro/ allied ventures.

## **Training for Labour –Based Works Programme**

The construction and maintenance of urban and rural infrastructure in Nigeria have hitherto depended on heavy capital –intensive equipment and technology. The trend was efficient and sustainable while the economy was buoyant. Graduate and school leaver unemployment at that time constituted no thread to the nation. The present poor states of the economy have had its toll on the acquisition of heavy equipment in adequate quantities to meet the high demand for infrastructural development and maintenance in the country. This situation exists while there are abundant and idle manpower made up of mostly fresh graduates and young school leavers. The National Directorate of Employment therefore views infrastructural construction and maintenance as capable of becoming a labour sponge and a also a way of providing transience jobs, fresh graduates of tertiary institutions are recruited and attached to willing corporate organisations for tutelage for a period of six months. It is therefore expected that the attaches would have gained needed skills and practical experience that would help address the skills mismatch identified as one of the causes of graduate unemployment thereby enhancing their potentials for wage or self-employment.

## **Employment Counselling Services**

The employment counselling service was designed by the NDE to ameliorate the disillusionment of Nigerian youths caused by a long period of searching for jobs and to re-orientate their minds for positive thinking towards self-employment and self-reliance. The services are provided by the NDE Job Centre. The centre inculcates an attitudinal change in the unemployed to the present realities in the Nigeria Labour Market. The services also facilitate and promote the realisation of

self-competence and latent abilities that can be engaged and, thus, assist in reducing the difficulties faced by young unemployed graduates and every other unemployed person.

### **Small Business Enterprise Creation Fund and Resettlement of Trained Beneficiaries**

The ultimate objectives of the NDE are to empower unemployed persons particularly the youth both learned and unlearned, to become self-employed and self-reliant. To achieve this goal, the NDE takes a further step after entrepreneurial training for graduates of tertiary institutions by providing them with soft loans to establish their own micro - business enterprises. Also, some of the unemployed youths who participate in NDE's Vocational Skills Acquisition Programme are provided with resettlement equipment and other materials to enable them establish their own self-employment enterprises, while others who are not covered by the resettlement equipment and do not possess the needed security to enable them access funds from financial institutions. Through these activities, the directorate not only helps the participants of the skills acquisition programme to establish their own enterprises but also demonstrates and at the same time assesses the effectiveness of the training programmes. It is expected that the success of these enterprise-creating funds would encourage family members who have needed funds and even financial institutions to assist other beneficiaries to realise their entrepreneurial ambitions.

### **Collaboration with National and International Agencies**

The National Directorate of Employment from its inception has collaborated with both national and international organisations in areas of technical support and capacity building assistance as well as in programme delivery. The agencies are ILO, UNIDO, German Agency for Technical Assistance (GTZ), National Youth Service Corps (NYSC), Nigerian Railway Corporation (NRC) Nigerian Building and Road Research Institution (NBRRI) Federal Institution for Industrial Research and Development Oshodi (FIIRO )Centre for Management Development (CMD) Nigerian Employee Consultative Association (NECA),Ahmadu Bello University, Zaria (ABU) National Institutes for Oil Palm Research (NIFOR) National Board for Technical Education,(NBTE)Shell Petroleum Development Company (SPDC) and International Institutes for Tropical Agriculture.(IITA) to mention few. The benefits of these collaborative arrangements include facilitation of programme delivery and strengthening NDE's internal

capacity in terms of human resources development as well as the capacity of a number of operations in the informal sector.

### **2.13 NATIONAL DIRECTORATE OF EMPLOYMENT CONSTRAINTS IN ENHANCING SMALL AND MEDIUM ENTERPRISES DEVELOPMENT.**

The philosophy of the establishment of National Directorate of Employment is saddled with the responsibility of creating jobs, self-enterprises which emphasises self-employment, self-reliance and sustainability. Over the years, the gap in the supply of and demand for jobs by young school leavers and graduates in Nigeria has increased tremendously. The agency established by government to tackle this problem, the National Directorate of Employment has not really achieved its goals by performing beyond expectations and fully achieved their objectives. The problems associated with the National Directorate of Employment in achieving its full goals and objectives are as follows:

- Inconsistency in government policy and governance
- Inefficiency and ineffectiveness
- Corruption
- Poor working environment and inadequate tools and equipment's.
- Poor human capital development
- Unwieldy scope of the programmes resulting in resources being thinly spread among projects.
- Low morale among personnel of the directorate.
- Deceit and low productivity thereby establishing a perception of a dysfunctional and unproductive public sector.

### **2.13 SUMMARY**

This chapter examined the key concepts of SMEs. It also looked in details at the definition and conceptual definition of SMEs, concept of entrepreneurship, characteristics and roles of SMEs in the economic development of Nigeria and other countries. The history and background of the National Directorate of Employment and the constraints faced by NDE to enhance SMEs development since inception are also discussed. A review of the literature on the role of SMEs, challenges of SMEs as well as programmes and policies for stimulating SMEs development in

Nigeria. The next chapter focuses on the methodology employed in this research and discussed the questionnaire that was distributed to agro chemical small business owners (respondents).



## **CHAPTER THREE**

### **3.1 RESEARCH METHODOLOGY**

#### **3.2 INTRODUCTION**

The two previous chapters discussed and reviewed the various concepts, theories, review of literatures as well as characteristics necessary to understand the concept of Small Medium Enterprises, entrepreneurship and the policy of the National Directorate of Employment towards SMEs development. This chapter focuses on the research methodology, approach applied and data collection techniques used. The data collection methods used include both primary and secondary data, the questionnaire and questionnaire design method, sample design. It also explains and describes the sampling method employed in this study. The reliability and validity of the study, and the limitations to the study is also included and well explained.

#### **3.3 RESEARCH METHODOLOGY**

Research has various definitions by various researchers and scholars. Research design is a framework that guides a researcher in the process of collecting, analysing and interpreting data. In real life, it shows interferences concerning fundamental vocations and defines the domain of generalisation. The main purpose of research methodology is to explain the nature and process of research in order to find answers and solutions to specific research problems. It is a process that involves obtaining scientific knowledge by means of various objective methods and procedures.

Research is a process through which we attempt to achieve systematically, and with the support of data, the answer to a question, the resolution of a problem, or a greater understanding of a phenomenon (Leedy 1997:05). In carrying out research, different methods are adopted by the researcher depending on what type of research he or she is engaged in. This is generally known as the research methodology.

According to Leedy (1997:09) “the methodology controls the research study, determines the acquisition of data, arranges them in analytical relationships, sets up a means of improving new data, devising an approach so that the meanings that lie below the surface of those data become manifest, and finally issues a conclusion or series of conclusions that lead to an expansion of knowledge”.

The purpose of this research is to evaluate the impact of National Directorate of Employment policy on selected agro chemicals small medium enterprises in Akure. The research intends to make appropriate recommendations and provide solutions to the challenges of SMEs development and growth. It will also address the policy of the National Directorate of Employments on SMEs development to enhance effective and efficient service delivery to SMEs operators in Akure, Ondo State and within Nigeria.

This research makes use of mixed methods (qualitative and quantitative methods). The reason for mixed methods was because, of the use of statistical table which needed to be analysed and interpreted as well. This method will enable the researcher arrive at a reliable conclusion on the impact of the National Directorate of Employment policy on SMEs development in the agro chemical sector in Akure, Ondo State. This method was adopted to suit the researcher in the most effective and efficient manner in carrying out the investigation.

### **3.3.1 Qualitative research**

(Remenyi, Williams, Money & Swartz 1998: 288) define qualitative research as “research based on evidence that is not easily reduced to numbers.” In the same light, (Brannen 1992: 5) states that qualitative research is associated with concepts and categories and not their incidence and frequency. For the purpose of this study, and to meet the research objectives, this research study uses of qualitative and quantitative methods. A well-structured questionnaire will be used for collecting data.

Qualitative research is usually more open and involved than other research strategies that work with large quantities and strictly standardised (Jenner, 2004: 05).The qualitative approach would be applied in this study in the form of structured questionnaires. Quantitative research explains phenomena by collecting numerical data that are analysed using mathematically - based methods in particular statistics (Gunderson, 2000:23).

Qualitative research as “research based on evidence that is not easily reduced to numbers. (Remenyi et al., 1998:288)

Brannen (1992:5) states that qualitative research is associated with concepts and categories and not their incidence and frequency. Qualitative research is usually more open and involved than other research strategies that work with large quantities and strictly standardised (Jenner 2004:5).

Gillham (2000:10) state that the focus in a qualitative research is on the kind of evidence that is, (what the people tell you, what they do) that will assist the researcher to understand the meaning of what is going on. In qualitative research, the researcher is able to investigate thoroughly the happenings of a particular case where little is known about what there is and what is going on. Also, qualitative research helps to explore complexities that are beyond the scope of more “controlled” approaches to get an in-depth understanding of what happens in a group or organization: to see it from the perspective of those involved, to carry out research into the processes leading to results rather than into the significance of the results themselves (Gillham 2000: 11)

According to Denzin and Lincoln (1994:04) “the word qualitative implies an emphasis on processes and meaning that are not rigorously examined or measured (if measured at all) in terms of quantity, amount, intensity or frequency”. The aim of qualitative research methods is to establish the socially constructed nature of reality, to stress the relationship between the researcher and the object of the study as well as to emphasise the value laden nature of the inquiry.

Gillham (2000:10) states that the focus in a qualitative research is on the kind of evidence that is, (what the people tell you, what they do) that will assist the researcher to understand the meaning of what is going on. This methodology leads to a collection of explanatory data (Brynard & Hanekom, 1997:29). In this instance, a better insight will be derived from the mentors and the interns on various aspects of the programme. In a qualitative research, the researcher is able to investigate thoroughly into the happenings of a particular case where little is known about what there is and what is going on. Also, qualitative research helps to explore complexities that are beyond the scope of more “controlled” approaches, to get an in depth understanding of what happens in a group or organization: to see it from the perspective of those involved, to carryout research into the processes leading to results rather than into the significance of the results themselves Gillham (2000: 11)

### **3.3.2 Quantitative Research**

According to Denzin and Lincoln (1994:04) quantitative research methods do not involve the investigation of processes, but emphasise measurement and analysis of casual relationships between variables within a value free context. The purpose of qualitative research is to evaluate



objective data consisting of numbers as well as analysis based on complex structured methods (Stainback 1984:04). Quantitative research uses controlling method, remote, empirical as well as inferential methods.

Quantitative research is designed to produce statistically reliable data that tells us how many people do or think something. Quantitative data typically is in numerical form such as averages, ratios or ranges. Quantitative research is a study involving the use and analyses of numerical data using statistical techniques. It poses questions of who, what, when, where, how much, how many and how.

Quantitative research generally involves the collection of primary data from large numbers of respondents with the intention of projecting the results to a wider population. It seeks to quantify data by applying a form of statistical analysis. The aim is to generalise about a specific population, based on the results of a representative sample of the population. The research findings are subjected to statistical manipulation to produce broadly representative data of the total population and forecasts of future events under different conditions (Tustin, Ligthelm, Martins & Van Wyk, 2003:89; Cant, 2003:144).

Qualitative research also generates data that are frequently difficult to quantify. It is unstructured, exploratory research based on small samples that provide insights and understanding of the research problem. This research approach is often expressed as personal value judgments from which it is difficult to draw any collective general conclusions. It seeks insights through a less structured, more flexible approach (Tustin, Ligthelm, Martins & Van Wyk, 2003:90; Cant, 2003:144).

### **3.4 RESEARCH DESIGN**

A research design is the plan according to which we obtain research participants (subjects) and collect data from them. (Welman et al, 2008:52)

According to Burns and Grove (2003:195) research design is “a blueprint for conducting a study with maximum control over factors that may interfere with the validity of the findings”. Parahoo (1997:142) describes a research design as “a plan that describes how, when and where data are to be collected and analysed”. Polit et al (2001:167) defines a research design as “the researcher’s overall for answering the research question or testing the research hypothesis”



### **3.5 DATA COLLECTION**

This aspect of this research deals with the procedure of gathering data, which are streamlined to meet the information requirement of this study. The data collection method comprises of primary and secondary data.

#### **3.5.0 Primary data**

Primary data are original data collected by the researcher for the purpose of his or her own research study. Primary source of data are regarded as first-hand data or the original data from direct sources, specifically for the purpose of the research. For the purpose of this study, the researcher's; primary source of data was the use of questionnaire as the main instrument, informal but structural interviews were also conducted to augment and authenticate the information data from the questionnaire.

#### **3.5.2 Secondary data**

Secondary data are data already gathered by other research and compiled for onwards source. An intensive review of literature, completed thesis and dissertations, Government agencies reports, CBN journals, NDE publications, SMEs publications, newspaper and materials from the internet, are the main secondary source of data used to supplement raw data that were generated in this research.

### **3.6 METHODS OF DATA COLLECTION**

The major source of data used in this research was electronic questionnaire and telephonic interview process. The questionnaires were administered to selected agro - chemical small business owners in Akure, Ondo State. The researcher also make use of other sources which include NDE Annual Report, CBN Annual Report, UNDP and USAID Reports, SMEDAN Reports, Federal Office of Statistics articles, related journals, articles text books, literature reviews of SMEs research thesis, published thesis related to this topic, and the use of internet. The main source of data collection in this study was the use of questionnaires and interviews. The use of a questionnaire for data collection in this research study was because it was very easy to obtain data and the selected agro - chemicals small business owners found it very easy, straight forward and reduce wasting of time. Hence, it is very important to mention and explain the term questionnaires and its importance in this study.

### 3.6.0 QUESTIONNAIRE

A questionnaire is defined as a document containing questions and other types of items designed to solicit information appropriate to analysis (Babbie, 1990:377). A questionnaire is equally used in survey research, experiments and other modes of observation. There are many scholars and researchers' definitions of questionnaire. However, majority of the definitions are similar. The main purpose of the questionnaire was to find opinions, experiences and perceptions about the policy of NDE in supporting SMEs development from small business owners in the agro chemical sector in Akure. For the purpose of this study, the use of questionnaire was the major source of data collection. It was administered to 30 selected agro chemical small business owners in Akure, Ondo State.

According to Mnculwane (2008: 41), "the use of questionnaires however has some limitations which could affect the quality of data. Amongst these limitations are; the change in the tone of voice during the interview process can often depict bias. This has the ability to change the quality of information given by the participants. Another difficulty could be lack of participant cooperation most especially if the researcher is seen as an outsider, running the risk of getting unreliable information which might not be very useful for the study".

The questionnaire (the type of questions and the length) can pose a big challenge in the process of conducting the interview. It was a difficult task getting the selected agro chemical small business owners. This is because they were scattered across Akure Town in Ondo State, Nigeria. The long distance from Cape Town South Africa to Akure, Nigeria was a big barrier. As such, the researcher found it most appropriate to send the questionnaire through e-mail with the help of a statistician in Akure who volunteered and assisted with the distribution of the questionnaire to respondents and sent them back to Cape Town by post to the researcher, this led to delay. Ngozi (1984:12) defines a questionnaire as "a device used in getting answers to question" (relating to the aims and objective of the study) by himself. Babbie and Mouton (2001:94) further explain that "a questionnaire is a set of written questions and or statements to which the research subjects are to respond in order to provide data, which are relevant to a research topic". According to Remenyi et al (1998: 150), the main reason for using questionnaires in research is to obtain information that cannot be easily observed or that is not already available in written or computerized form.

According to Babbie and Mouton (2001:95) “a questionnaire is an instrument that is designed for a specific purpose, containing relevant items (questions) to determine the link, cause or result between variables in order to establish the current or potential position of matters in respect of the uniqueness of the subject that is examined. Although the use of structured questionnaires to collect data has many advantages, the general low percentage of documents being returned has to be borne in mind”.

### **3.6.1 QUESTIONNAIRE DESIGNS**

According to OECD (2005), questionnaire design refers to the design (text, order, and conditions for skipping) of the questions used to obtain the data needed for the survey.

Section A of the questionnaire is about the biographical data of the respondents. It sought personal details of the business owners and academic qualifications and emphasises the nature and types of business the respondents are in to. Section B focused on the National Directorate of Employment and benefits. The section further explains if the business owners (respondent) are aware of the National Directorate of Employment organisation and its objectives.

The purpose of this section was to ascertain the impact of NDE on small business development. This is followed by section C, which assessed the impact of the National Directorate of Employment on SMEs growth and development. This is the last session on the questionnaire and focused on the implementation of NDE policy on SMEs and poverty reduction. The section focused on the various programme and policies the NDE has to support employment generation and poverty reduction.

### **3.6.2 INTERVIEW**

According to Higson-Smith (2000: 104) “interviews involve direct personal contact with the participant who is asked to answer questions relating to the research problem”. Jorgensen, (1991: 85) states that interviewing refers to a range of strategies for more formally asking questions, hence as the problems and issues for study become increasingly clear and well defined, the participants’ observers find it appropriate to use the interviewing method.

### **3.7 POPULATION AND SAMPLE SIZE**

Population encompasses the total collection of all units of analysis about which the researcher wishes to make specific conclusions. It is the full set of cases from which a sample is taken. (Welman et al 2008:52)

According to Arkava and Lane (1983: 27) “a sample comprises elements of the population considered for actual inclusion in the study, or a subset of measurements drawn from the population in which the researcher is interested”. The sample is studied in an effort to understand the population from which it was drawn. As such, researchers are interested in describing the sample, not primarily as an end in itself, but rather as a mean of helping us to explain some facets of population (Powers, et al., 1985: 235). Alternatively, a sample is a small portion of the total set of objects, events or persons which together comprise the subject of our study (Seaberg, 1988: 240).

This research focused on selected agro chemical small business owners in Akure, Ondo State. A total number of 30 agro - chemicals business owners were sampled for the purpose of this study. A well-structured questionnaire was designed and sent to the agro chemical business owners, who were the respondents. The questionnaires sent to respondents were very simple in a language understood by the respondents in order to achieve optimal validity of the research.

### **3.8 RESEARCH PROCEDURES**

The researcher obtained permission from the University of the Western Cape authorities and approval was given to embark on the research. The ethics and committee of UWC also gave clearance before the researcher administered the questionnaire to the respondents for the purpose of data collection.

### **3.9 LIMITATIONS OF THE STUDY**

This research involves many difficult tasks. The researcher faced challenges in obtaining data from the National Directorate of Employment. The respondents are scattered across the length and breadth of Akure, which is a very big city and the state capital of Ondo State. Accessing the agro chemicals business owners was challenging and involves a lot of personal cost due to the distance. The respondents were also followed up by the researcher with series of calls and visits

in order to get back the questionnaires. This was due to the nature of their businesses and their time schedule.

### **3.10 DATA ANALYSIS**

According to Brynard and Hanekom (1997:48), “the researcher is engaged in what is referred to as a preliminary analysis of data during the process of data collection. That is, the researcher discards that which is not relevant to the study and retains only relevant data”.

Data analysis can be defined as the process of evaluating data using analytical and logical reasoning to examine each component of the data provided. This form of analysis is just one of the many steps that must be completed when conducting a research experiment. Data from various sources are gathered, reviewed and then analysed to form some sort of finding or conclusion.

According to Maxwell (1996:78) data analysis is an aspect of qualitative research that distinguishes it from experimental or survey research. Data analysis is a procedure that involves coding, presentation and analysis of results (Orgill 2007: 68).

The questionnaire was distributed to selected agro - chemical business owners (respondents) and it was ensured that data collected for this research study were grouped according to themes, analysed and interpreted in order to obtain results. The results will be discussed in the next chapter.

### **3.11 SUMMARY**

This chapter has discussed the methodology for the research. Data collection methods, questionnaire design and reliability and validity of the questionnaires, document analysis and interpretation methods have been discussed. This chapter also covered limitations to the study. The research results, analysis and interpretation are discussed in the next chapter.

## CHAPTER FOUR

### DATA PRESENTATION AND ANALYSIS

#### 4.1 INTRODUCTION

The previous chapter deliberated on the research methodology, and the methods of data collection required for this study. The methods included telephonic interviews, as well as, electronic questionnaires which sent to respondents for the purpose of getting first hand and relevant information. This chapter will focus on the relevant research questions, the objective of the study, method of data collection analysis, as well as, interpretation of data displayed in graphical format.

The objectives of this research study will provide the framework for the discussion and argument of the findings of this research work and it will be guided by the research questions. The objectives are as follows:

1. To critically assess the impacts of National Directorate of Employment policy on small business development.
2. To examine the effectiveness of National Directorate of Employment policy on agro chemical small medium enterprises development in Akure, Ondo State.
3. To identify the gaps and opportunities that the policies present.
4. Develop a legislative and theoretical base underpinning this research.
5. Make recommendations

The objectives of this research, guided by the research questions cover the following theme which include; biographical data, the benefit and awareness of the National Directorate of Employment, accessing the impact of NDE on SMEs growth and development in selected agro chemical small medium enterprises in Akure, Ondo State, Nigeria and the policy implementation towards small medium enterprises development in selected agro chemical small medium enterprises in Akure, Ondo State, examine the effectiveness of NDE policy on agro chemical

SMEs development in Akure, Ondo State and the relevance of NDE on SMEs development in Akure, the efficiency/effectiveness and sustainability of SMEs policy.

The data derived from the study is showed below:

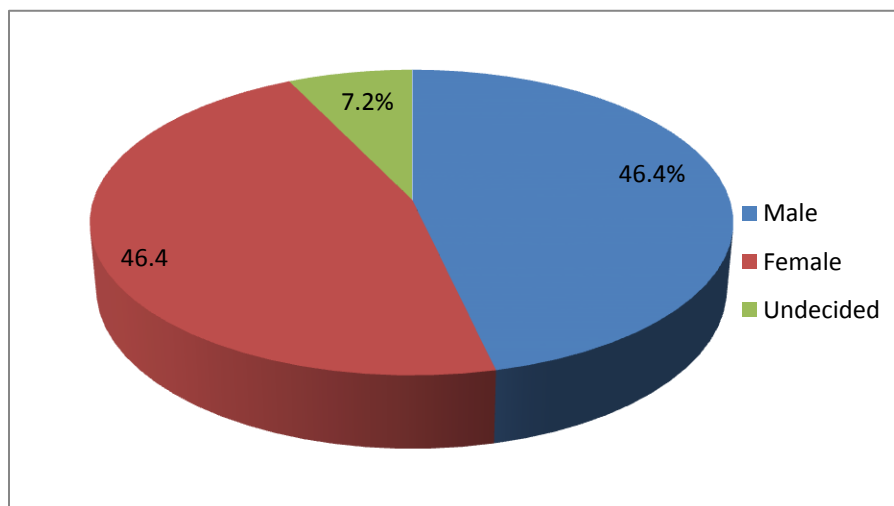
#### 4.1.0 The Biographical Data

The biographical data of respondents which comprises of gender, age, academic qualifications and marital status were as follows:

**Table 4.1 Gender representation of respondents**

| Gender  |        | Frequency | Percent | Valid Percent | Cumulative Percent |
|---------|--------|-----------|---------|---------------|--------------------|
| Valid   | Male   | 13        | 46.4    | 50.0          | 50.0               |
|         | Female | 13        | 46.4    | 50.0          | 100.0              |
|         | Total  | 26        | 92.9    | 100.0         |                    |
| Missing | System | 2         | 7.1     |               |                    |
| Total   |        | 28        | 100.0   |               |                    |

**Figure 4.1 Gender representations of respondents**



The total of 28 respondents comprised 13 males, 13 females and 2 were undecided as shown in Table 4.1 comprises the population of the sample used in the research study.

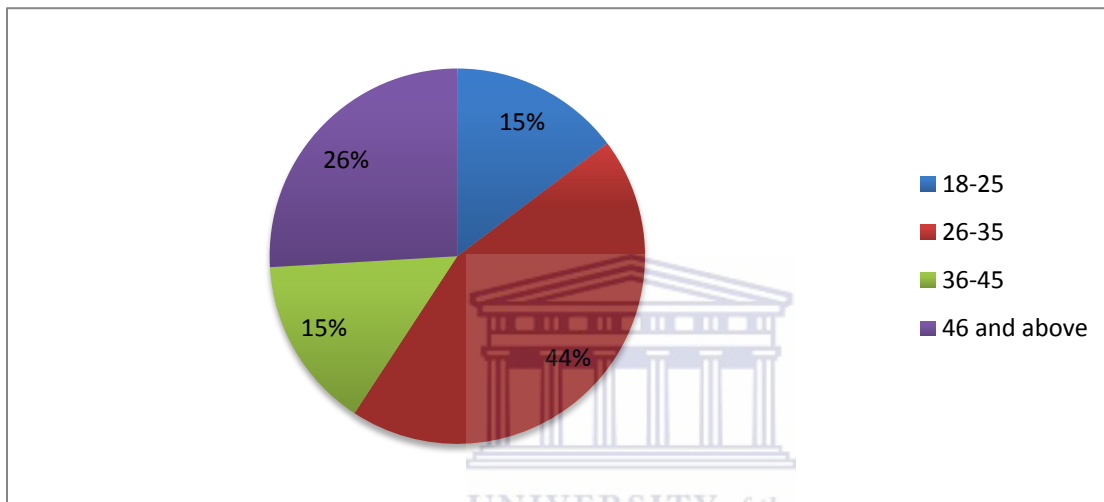
There was an equal balance of the gender representation in this research thesis which consisted of 46.4% males and 46.4% females and 7.2% undecided. This research showed a gender balance equation as respondents were basically represented equally. This is shown in Figure 1 displayed as a pie - chat above.

**Table 4.2 Age representation of respondents**

| Age     |              | Frequency | Percent | Valid Percent | Cumulative Percent |
|---------|--------------|-----------|---------|---------------|--------------------|
| Valid   | 18-25        | 4         | 14.2    | 14.8          | 14.8               |
|         | 26-35        | 12        | 42.9    | 44.4          | 59.3               |
|         | 36-45        | 4         | 14.3    | 14.8          | 74.1               |
|         | 46 and above | 7         | 25.0    | 25.9          | 100.0              |
|         | Total        | 27        | 96.4    | 100.0         |                    |
| Missing | System       | 1         | 3.6     |               |                    |
| Total   |              | 28        | 100.0   |               |                    |



**Figure 4.2 Age representation of respondents**



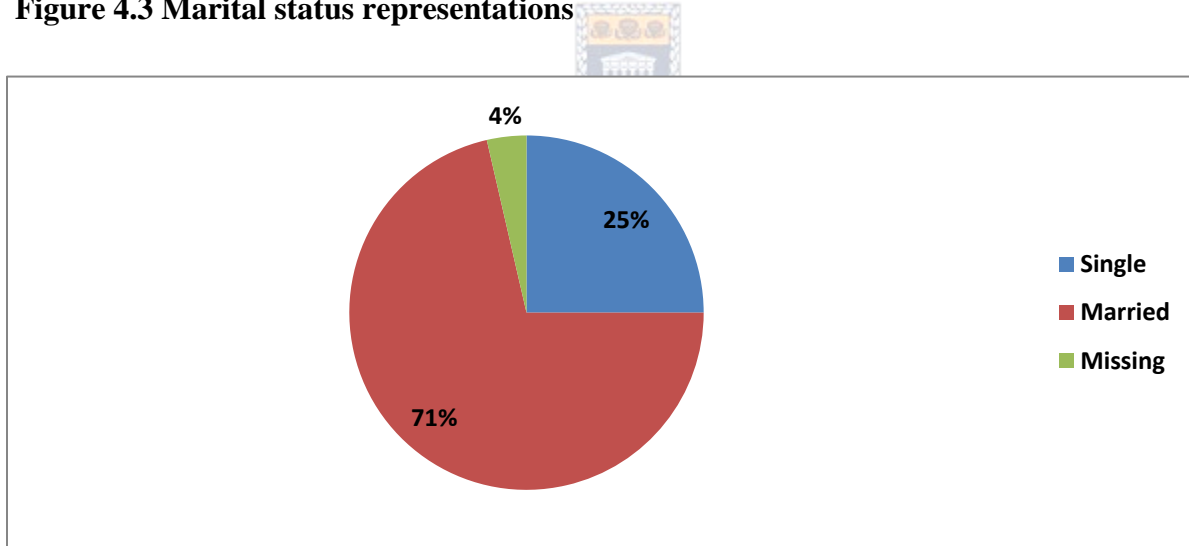
The age representation of the respondents is shown in Figure 2 above. Respondents between 26-35 years old represented 42.9%, followed by the age bracket of 46 years and above, which represented 25%. The age groups of 36–45 years old were 14.3%, whilst the age bracket 18 – 25 years old represented 14.2% and 3.6% respondents were undecided.

The age bracket 26-35 years has the highest percentage in the table. This signifies that majority of the business owners were youths. The mandate of the National Directorate of Employment is to generate employment opportunities skills acquisition and knowledge for youth for them to be self-reliance.

**Table 4.3 Marital status representation**

| Marital Status |         | Frequency | Percent | Valid Percent | Cumulative Percent |
|----------------|---------|-----------|---------|---------------|--------------------|
| Valid          | Single  | 7         | 25.0    | 25.9          | 25.9               |
|                | Married | 20        | 71.4    | 74.1          | 100.0              |
|                | Total   | 27        | 96.4    | 100.0         |                    |
| Missing        | System  | 1         | 3.6     |               |                    |
| Total          |         | 28        | 100.0   |               |                    |

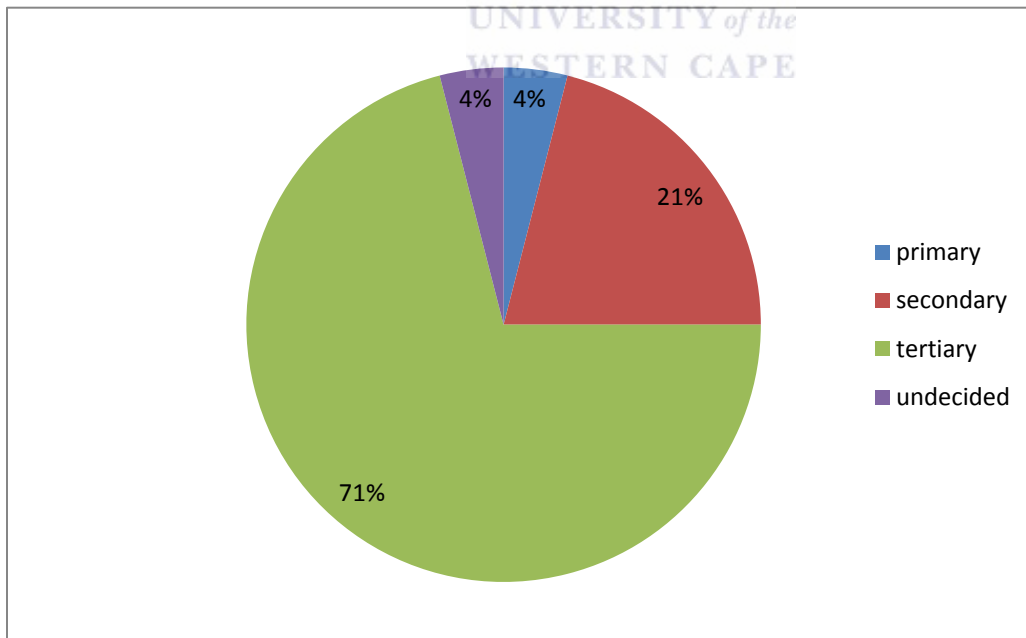
**Figure 4.3 Marital status representations**



The marital status of the respondents illustrated in figure 4.3 shows that 25% of the respondents were single while 71.4% were married and 3.6% undecided. This indicated that majority of the respondents were married with family responsibilities and at the same time coping with their business activities.

**Table 4 .4 Level of educational qualification of respondents**

| Level of education |           | Frequency | Percent | Valid Percent | Cumulative Percent |
|--------------------|-----------|-----------|---------|---------------|--------------------|
| Valid              | primary   | 1         | 4       | 3.7           | 3.7                |
|                    | secondary | 6         | 21      | 22.2          | 25.9               |
|                    | tertiary  | 20        | 71      | 74.1          | 100.0              |
|                    | Total     | 27        | 96      | 100.0         |                    |
| Missing            | System    | 1         | 4       |               |                    |
| Total              |           | 28        | 100.0   |               |                    |

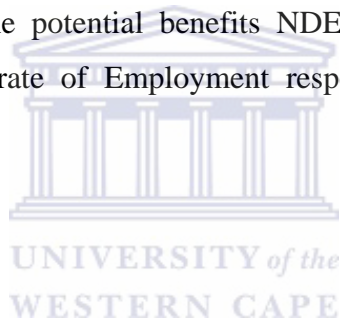


**Figure 4 .4 Level of education**

The respondent's level of education is illustrated in table 4 .4 and figure 4.4. They show that 4% of the respondents had primary education, 21% had secondary school qualifications, whilst 71% had tertiary education and 4% were undecided.

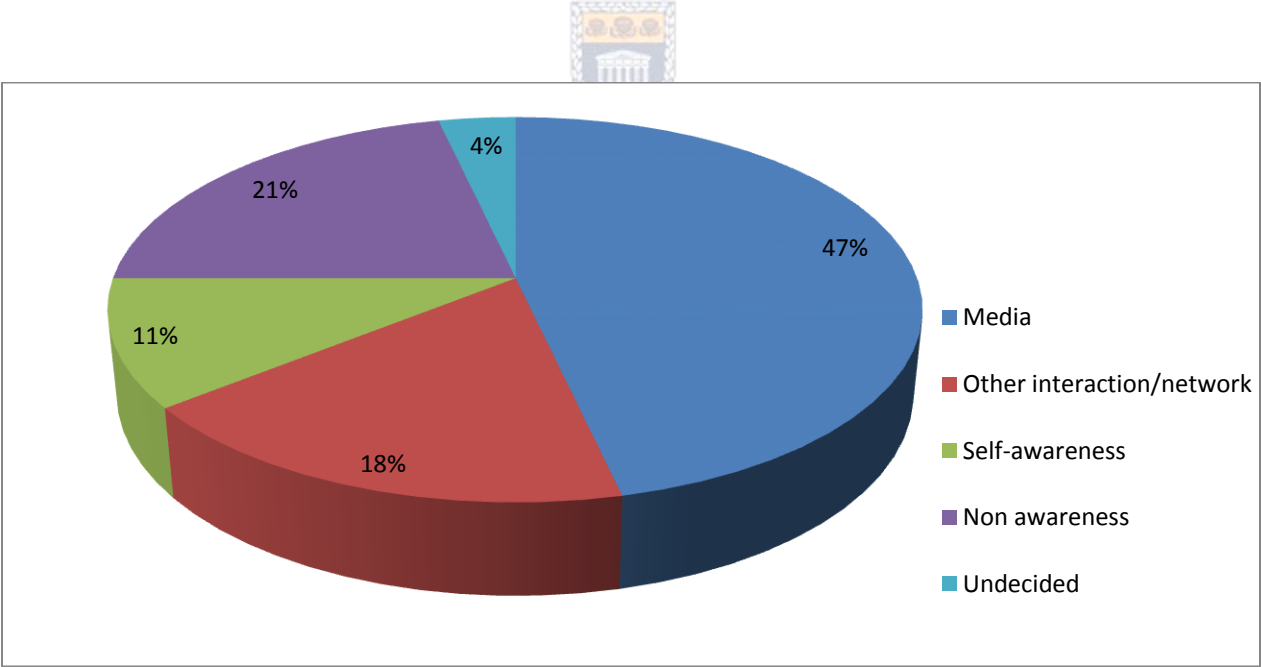
**Data related to awareness of NDE benefits relevance to SMEs development in selected small agro chemical medium enterprises in Akure.**

The mandate of the National Directorate of Employment is to promote and develop small and medium enterprises and generate employment through the launching of various of programmes. The relevance of the National Directorate of Employment towards small business development and the NDE awareness programmes that were created amongst Small Medium Enterprises in Akure, Ondo State as well as the potential benefits NDE seek to provide to beneficiaries. Respondents of National Directorate of Employment responses are illustrated in the under mentioned table and pie chart.



| NDE AWARENESS |                           | Frequency | Percent | Cumulative Percent |
|---------------|---------------------------|-----------|---------|--------------------|
| Valid         | Media                     | 13        | 46.8    | 46.8               |
|               | Other interaction/network | 5         | 17.9    | 64.7               |
|               | Self-awareness            | 3         | 10.7    | 75.4               |
|               | Non awareness             | 6         | 21      | 96.4               |
|               | undecided                 | 1         | 3.6     | 100                |
| Total         |                           | 28        | 100.0   |                    |

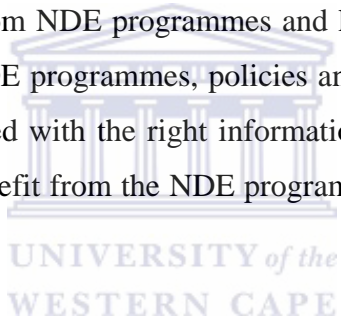
**Table 4.5 NDE awareness and relevance**



**Figure 4.5 NDE awareness and relevance**

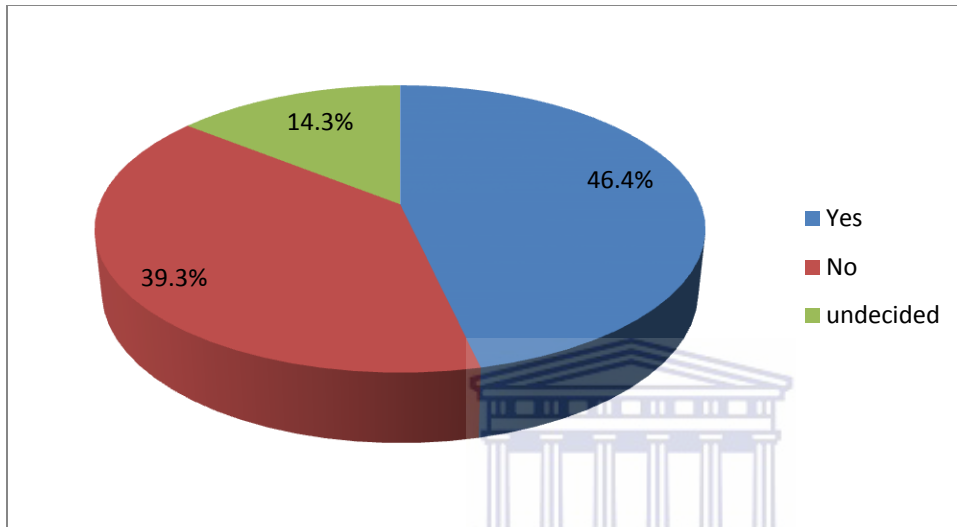
In Figure 4.5, 47% of the interviewed respondents stated that their awareness of the NDE programmes came about through the media (radio, television, newspaper), whilst 18% became

aware through social networking other related networking. Eleven percent (11%) of the respondents gained awareness through self-awareness, while 21% claimed that they were not aware of any programmes offered the NDE and 4% were undecided. From the analysis, the level of awareness of NDE programmes to the public is quite low representing 46% which is below the NDE set benchmark and target of above 50%. This shows that more needs to be done in terms of the NDE awareness strategy to ensure public awareness initiatives are effective so that the public can take opportunity from NDE programmes and leverage on them. When the public is properly informed about the NDE programmes, policies and activities for SME development, SMEs operators will be empowered with the right information which will help them to get the necessary tools they require to benefit from the NDE programmes to support and empower their businesses.



**Table 4.6: Beneficiaries of NDE supports programme**

|       |           | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|-----------|-----------|---------|---------------|--------------------|
| Valid | Yes       | 13        | 46.4    | 45.8          | 45.8               |
|       | No        | 11        | 39.3    | 54.2          | 100.0              |
|       | Total     | 24        | 85.7    | 100.0         |                    |
|       | Undecided | 4         | 14.3    |               |                    |
| Total |           | 28        | 100.0   |               |                    |



**Figure 4.6 (Beneficiaries of NDE supports programme)**

Table 4.6 and Figure 4.6 illustrate the benefits and support received from the National Directorate of Employment programmes in Akure, Ondo State. The research revealed that 46.4% of the respondents agreed that the NDE programme had assisted them in their business ventures and it is relevant to the development of their business which took place through the provision of soft loans to finance their businesses. Entrepreneurial training and apprentice schemes were also provided as means of support.

Above 40% of the respondents stated that they had not benefitted from the NDE programmes and opportunities for SMEs growth and development in Akure. Respondents who were undecided and did not provide without any comments or inputs were 14.3%. This result shows that NDE programmes for SMEs development and growth have not been successful because only 46% of the respondents claimed to have benefitted from its programmes which means that NDE has not achieve its objectives in this direction. The respondent's scores is below 50% and does not meet up with set target and benchmark of the agency. This is not encouraging and shows that resources at the disposal of NDE are under-utilised, or not fully utilised .The implication is that under- utilisation affect the growth of SMEs in Akure and its environment which will affect growth and development of small and medium business and lead to employment problems. The National Directorate of Employment needs to focus more on their targets SMEs owners and re

strategised their activities and plan ahead using their resources effectively and efficiently so as to improve on the results.

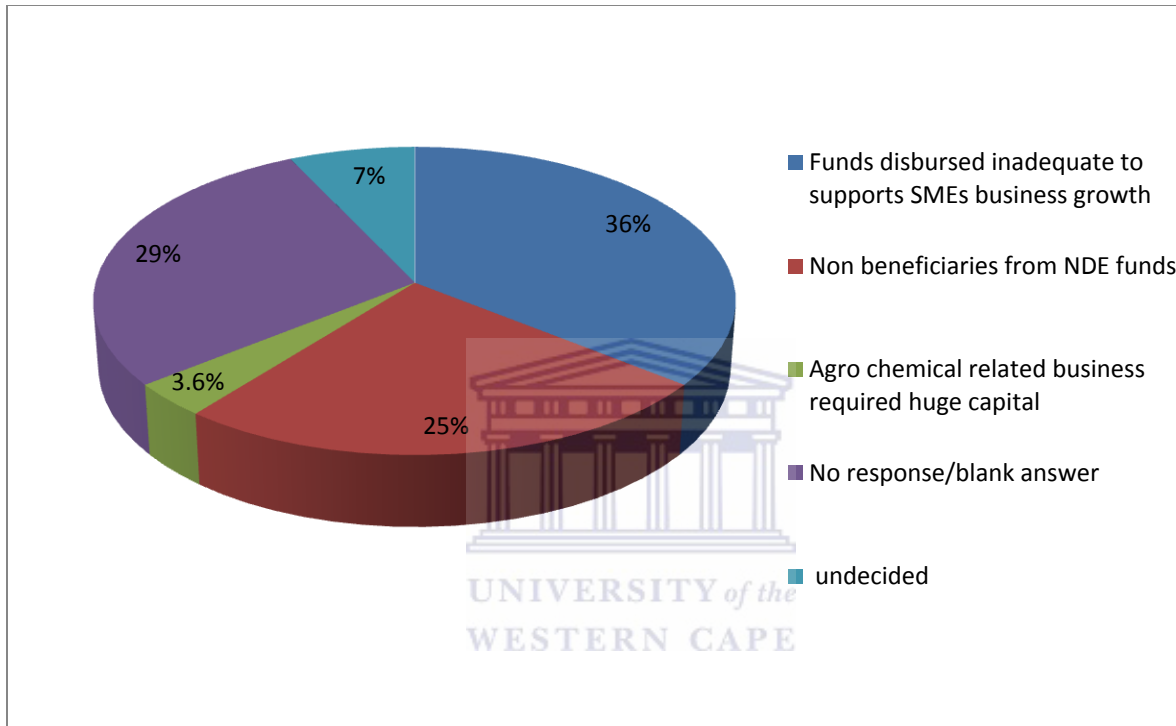
**Table 4.7 Credit disbursement to support SMEs development by NDE**

|         |        | Frequency | Percent | Valid Percent | Cumulative Percent |
|---------|--------|-----------|---------|---------------|--------------------|
| Valid   | No     | 27        | 96.4    | 100.0         | 100.0              |
| Missing | System | 1         | 3.6     |               |                    |
| Total   |        | 28        | 100.0   |               |                    |

**Table4.7: level of funds disbursed to supports SMEs development in Akure**

| Level of funds disbursed to support SMEs |   | Frequency | Percent | Valid Percent | Cumulative Percent |
|--|---|-----------|---------|---------------|--------------------|
| Valid                                    | Funds disbursed inadequate to supports SMEs business growth | 10        | 35.7    | 38.5          | 38.5               |
|  | Non beneficiaries from NDE funds                            | 7         | 25.0    | 26.9          | 65.4               |
|  | Agro chemical related business required huge capital        | 1         | 3.6     | 3.8           | 69.2               |
|  | No response/blank answer                                    | 8         | 28.6    | 30.8          | 100.0              |
|  | Undecided   | 2         | 7.1     | 100.0         |                    |
| Total                                    |   | 28        | 100     |               |                    |





**Figure 4.8 level of funds disbursed to supports SMEs development in Akure**

The illustration in table 4.7 indicates the disbursement of credit facilities by NDE sufficient to meet enough to meet SMEs support. A total of 28 respondents interviewed, 27 respondents stated that the credit facilities were inadequate to support their business. This result is worrisome and it indicates the NDE has failed in its objectives to support the development of SMEs. The responses in Figure 7 above are as follows: 36% of respondents stated that the funds disbursed by NDE are inadequate to support SMEs business growth and 25% stated they were not beneficiaries of the NDE programme, while 3.6% stated that agro - chemical related business requires huge amount of money. The respondents who were undecided were 7% and 28.9% gave no response. This analysis indicates that the NDE programme is incapable of funding SMEs. Growth and development is still below expected target for business development. The NDE should focus more on financial management strategy to maximise its funding and adequate financial growth for small businesses development in Akure.

#### **4.8 Accessing the impact of National Directorate of Employment policy on SMEs growth and development in selected agro chemical small medium enterprises in Akure, Ondo State, Nigeria**

According to Subair (2013) unemployment rate in Nigeria today is at 22%, while youth unemployment is 38% and about 4 million people enter into the labour market every year after graduation from institutions of higher learning. The International Labour Organisation states that unemployment is among the biggest threats to social stability in many countries including Nigeria putting the global rate at 12.6 % (ILO, 2012).

The National Directorate of Employment, established in November 1986, embarked on programmes that impact and promote the growth and development of SMEs in Nigeria. The impact of this programme is assessed by the NDE policy and its effectiveness and efficiency towards the actualisation of its goals and objectives across the seven programmes supported by NDE on SMEs growth.

According to the Director General of the National Directorate of Employment, Mallam Abubakar Mohammed in his 2014 2<sup>nd</sup> quarter reports, NDE have successfully created 2.5 million informal jobs since its inception nationwide, of which 254,000 of this jobs were created in Ondo State, the total of jobs created in Akure were 55,700 and 2500 of these jobs created in Akure were in the agro chemical related sector. Entrepreneurial skills/training centre established across the states in Nigeria.

In Akure, the National Directorate of Employment has an office that coordinates its activities across the state, which includes disbursement of funds to qualified SMEs operators and awareness campaign. According to the Federal Office of Statistics reports in 2014, the population of Ondo State was 3,441,024 and 14% of the population, 481,743 people were unemployed.

Assessing the impacts of the National Directorate of Employment on small medium enterprises development in the agro chemical sector in Akure is based on the following criteria, the indicators and expected result outcome for a period of three years at a glance.

**Table 4.9: Key performance indicators of National Directorate of Employment SMEs development**

| Criteria               | Indicators  | Expected outcomes  | 2011   | 2012  | 2013  |
|------------------------|---|--|--|---|---|
| Funding                | Budget allocation   | Sufficient budgetary allocation to the National Directorate of Employment agency | The budgetary allocation to the National Directorate of Employment for the 2011 financial year was N633.7 million.   | The budgetary allocation for the National Directorate of Employment in 2012 was N611.4 million.   | The budgetary allocation fund to the National Directorate of Employment in 2013 was N603.2 million. |
| Trainings and skills.  | The number of people trained and empowered in terms of skills acquisition | Empowering and training of people on SMEs skills acquisition and development.    | According to the National Directorate of Employment statistics, the total number of people trained in Akure, Ondo State, in vocational skills development, small scale enterprises development in 2011 were 11,078 in total, | The figures of people trained by the National Directorate of Employment in its skills and vocational training programmes in Akure, Ondo State were 10,031 trainees. | A total number of 12,611 people benefitted from the NDE training programmes in 2013.                |
| Infrastructures /tools | Provisions of basic infrastructures and                                   | To adequately equipped the   | The trainees empowered with  | The figures of people   | The year 2012 showed that   |

|  |   |  |   |   |   |
|--|---|--|---|---|---|
|  | tools such as equipment's, to support agro chemicals and SMEs development | trainees and empower their entrepreneurial skills capabilities after the training. | tools and equipment's to promote and developed their business were 47% of the total number of people trained in 2011. | empowered with the necessary tools and equipment by NDE to boost their businesses in 2012 were 41%. | 44% of the trainees were empowered to develop their business. |
|--|---|--|---|---|---|

**Source: NDE, (2013)**

From table 4.9, accessing the impact of the National Directorate of Employment policy on the development of SMEs in Akure in terms of funding from a three - year outlook, indicates that in the 2011 financial year, budgetary allocation to the National Directorate of Employment Agency was N633.7 million against a difference backdrop of N611.4 million allocations in 2012. The amount budgeted for the National Directorate of Employment in 2013 was N603.2 million, with a huge difference of N30.5 million compared to 2011.. This is a huge amount of fund and it shows there was a huge drop in the funding of the agency.

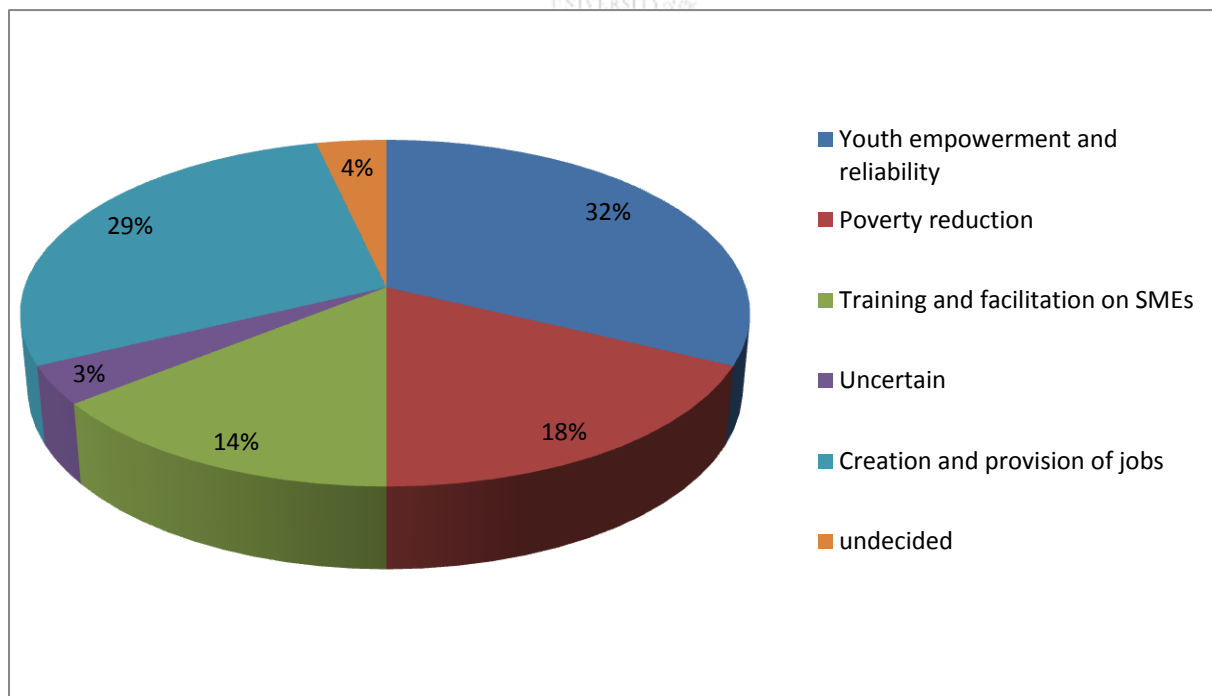
The National Directorate of Employment programmes offered training to 11,078 people in the year 2012, while in 2013 the figure dropped to 10,031 against a slight increase of 12,611 in the year 2013. The training programmes were vocational skills development, small scale enterprises development and rural employment promotion. With these figures, the National Directorate of Employment policy towards the sustainability of SMEs development is not encouraging and there is an urgent need to revise this policy and re strategised the agency to achieve its mandate of developing SMEs.

The provision of infrastructure and tools by the National Directorate of Employment to empower trainees after the mandatory training programmes, Table 9 indicates that only 47% of trainees were empowered with tools to support their businesses in 2011 which reduced to 41% in 2012. There was a slight increase to 44% in 2012. This indicates that the agency has not fully empowered participants after training and much needs to be done to improve on this performance.

**Table 4.9: Impacts of NDE on SMEs development and growth in Akure**

| NDE impacts on SMES development in Akure |                                   | Frequency | Percent | Valid Percent | Cumulative Percent |
|--|-----------------------------------|-----------|---------|---------------|--------------------|
| Valid                                    | Youth empowerment and reliability | 9         | 32.1    | 33.3          | 33.3               |
|  | Poverty reduction                 | 5         | 17.9    | 18.5          | 51.9               |
|  | Training and facilitation on SMEs | 4         | 14.3    | 14.8          | 66.7               |
|  | Uncertain                         | 1         | 3.6     | 3.7           | 70.4               |
|  | Creation and provision of jobs    | 8         | 28.6    | 29.6          | 100.0              |
|  | Undecided                         | 1         | 3.6     | 100.0         |                    |
|  | Total                             | 27        | 96.4    |               |                    |
| Total                                    |                                   | 28        | 100.0   |               |                    |

**Figure 4.9 Impacts of NDE on SMEs development and growth in Akure**



The responses with regard to the impact of NDE on the development of small and medium enterprises in selected agro - chemical sector in Akure were as follows: 32.1% focused on youth empowerment and reliability, 18% targeted poverty reduction whilst 14% concentrated on training and facilitation of SMEs development, whilst 3.6 % were uncertain. 29 % agreed on job creation and 4% remained undecided. From the analysis above, it is obvious that NDE have failed to successfully achieve its objective as its mandate to train, empower and provide jobs have not been fully achieved. The margin is below 50% and unacceptable for NDE. This inefficiency of National Directorate of Employment discourages the growth and development of SMEs. There is urgent need for National Directorate of Employment to be more efficient and effective in service delivery. There is urgent need for National Directorate of Employment to restructure and stream line all their programmes and focus more on youth employment through acquisition of skills and disbursement of funds. Government intervention is urgently required to support NDE with more funds to be able to discharge their responsibilities so as to achieve their goals.

#### **4.10 Policy implementation towards small and medium enterprises development and sustainability**

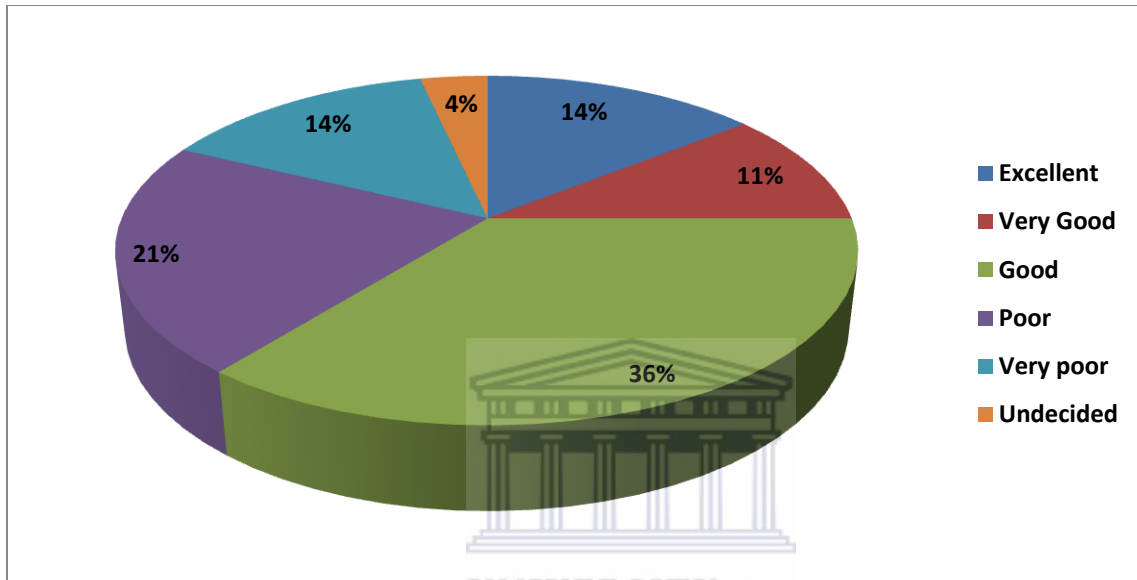
The National Directorate of Employment policy is based on the new National Economic Empowerment and Development Strategy (NEEDS) complemented by SEEDS at the state level and LEEDS at the local government level. This policy envisions SMEs subsector that can deliver maximum benefits of employment generation, wealth creation, poverty reduction and growth of the Nigerian economy. Its mission is to enhance the contribution of SMEs to national output, employment and poverty reduction and build the SME sub sector as a solid foundation for the competitiveness, growth and sustainability of the Nigerian economy.

The National Directorate of Employment has, since its establishment, ensured the sustainability of its programme towards the policy which included small scale enterprise programmes, entrepreneurial development programmes, and vocational education through skills acquisition development programme, through partnership with other government agencies on apprenticeship. The establishment of NDE zonal offices across the nation and offices in each state of the federation in Nigeria has ensured sustainability of the various programmes. They

have trained people in entrepreneurial skills, granted loans to SMEs operators and have been able to sustain this programme till date. However, much is still expected in order for the programme to be successful because recognising that the success of SME policy depends on the activities and interactions of many relevant actors like NDE and other stakeholders. The SME policy is to provide an overall framework of action as a guide for well-focused, harmonious and coordinated programming by the NDE.

**Table 4.11: Sustainability of NDE policy towards SMEs development**

| Sustainability of NDE policy towards SMEs development |           |           |         |               |                    |
|---|-----------|-----------|---------|---------------|--------------------|
|   |           | Frequency | Percent | Valid percent | Cumulative Percent |
| Valid   | Excellent | 4         | 14.3    | 15.8          | 15.8               |
|   | Very Good | 3         | 10.7    | 14.1          | 29.9               |
|   | Good      | 10        | 35.8    | 31.1          | 61.0               |
|   | poor      | 6         | 21.4    | 23.2          | 84.2               |
|   | Very poor | 4         | 14.3    | 15.8          | 100.0              |
|   | undecided | 1         | 3.5     | 100.0         |                    |
|   | total     | 28        | 100     |               |                    |



**Figure 4.11: Sustainability of NDE policy towards SMEs development**

The respondents' opinions about the NDE policy and its implementation towards SMEs development and sustainability are shown in the Table 4.11 and Figure 4.11. They are as follows: 14.3% rated it excellent, 10.7% rated very good, 35.8% of respondents rated it to be good, 21.4% rated it poor, 14.3% rated as very poor and 3.5% of the respondents were undecided. It is obvious that policy sustainability range is not acceptable as it still below 50% of accepted standard by NDE. The sustainability of the NDE policy and its programme towards SMEs development from Table 4.11 above is not encouraging. It is performing below its target and not meeting its goals, objectives and mandate. The NDE needs to focus on supporting small and medium enterprises in Akure to move up to higher value - added links in the value chain, particularly for labour intensive and low technology based enterprises. Reduce the financial constraints, operation and expansion of viable and sustainable development of SMEs, promoting synergy between financing schemes and other complementary enterprise support programmes, provision of improved infrastructures, support and marketing facilities with special emphasis on small business development strategy.



#### **4.5 Examining the effectiveness of NDE policy on agro - chemical SME development in Akure, Ondo State.**

According to the Director General of the National Directorate of Employment, Mallam Abubakar Mohammed, the agency has successfully created 254,100 jobs in Ondo State and 78,000 jobs in Akure since it was established in 1986. The NDE have also established entrepreneurial skills and training centres for apprenticeship which have assisted the youth to acquire necessary skills for SMEs development. This statement made by the Director General of the agency is not encouraging based on the mandate and target of the NDE. There is a need for the National Directorate of Employment to strategically improve on employment generation, wealth creation, poverty reduction and growth of the SMEs sector of the economy. This can be achieved by the full support, engagement and interaction of government and other relevant actors, stakeholders both in public and private sectors for their full participation, contribution and provision of a framework of action as a guide for well-focused harmonious and coordinated programming by all actors.

The establishment of the National Directorate of Employment is an opportunity to improve self-enterprise which symbolises the idea of self-employment, self-sustainability and self-reliance in preference to wage employment. The National Directorate of Employment existence so far has developed small and medium enterprises in Akure and the nation as a whole. With the high rate of unemployment in Akure, which majorly is caused by lack of employable skills, vocational skills and empowerment, the existence of the agency since 1986 has assisted in employment generation and SMEs development. However, much is required from the agency to achieve its mandate effectively and efficiently. The programmes of NDE inhibit the performance of the agency in the area of entrepreneurial skills, employment generation and SMEs development. From the analysis of data presented in Chapter 4 of this research, the results show and clearly indicate that more needs to be done by the National Directorate of Employment towards the development agro chemical sector in Akure.

The following were the criteria used to ascertain how effective and efficient the National Directorate of Employment programmes have developed the agro chemical sector in Akure.

- **Awareness of National Directorate of Employment programmes to SMEs development in selected small agro chemical medium enterprises in Akure.**

The National Directorate of Employment was established to design and provide programmes to combat mass unemployment through skills acquisition, vocational training and other support initiatives to empower people. With this mandate, only a few people in Akure and its environs were privileged to know that the agency exists. Majority of the small business managers and owners have no idea of the National Directorate of Employment's existence and the programmes it offers. This is a very big issue that needs to be addressed by the agency.

The results indicated that 46% of the respondents were not aware of the programmes. There is a need for the NDE and its stakeholders to be actively and fully involved in ensuring that there is a public awareness initiative through programmes in radio, television stations, handbills and bulletins at all levels. Strategies to achieve this should be the major concern of the National Directorate of Employment Agency.

- **Assessing the impact of the National Directorate of Employment programmes on SMEs growth and development.**

The assessment of the impact of the National Directorate of Employment were based on the following criteria: the total number of people empowered through skills and vocational training acquisition programmes, the total amount of funds disbursed to beneficiaries to support SMEs development, monitoring and evaluation of loans disbursed to beneficiaries as well as other support programme initiatives provided by NDE to develop selected small agro-chemical businesses in Akure. Looking at these criteria from the respondents' views, it is obvious that the agency has not really done well and is indeed inefficient. From the respondents' point of view, in terms of disbursement of funds, the National Directorate of Employment has failed in this area as funds disbursed were insufficient to support the development of SMEs in the agro-chemical sector in Akure.

In terms of entrepreneurial skills and vocational training, there are inadequate training centres and facilities. Only few people benefitted from the National Directorate of Employment programme. The criteria for selecting beneficiaries were cumbersome and this does not encourage the development of the SMEs sector. The selection process should be a fair and not

biased with favouritism and influence. Rather people should be selected based on merit, interest and considerable factors which will definitely increase their involvement and participation in the programmes. The National Directorate of Employment agency has no monitoring and evaluation units within the agency that monitors and supervises loan beneficiaries. As there is no monitoring and evaluation unit, it is very difficult to monitor progress of the beneficiaries and, thus, know the challenges they faces and areas where they need interventions.

- **The National Directorate of Employment policy towards small medium enterprises development and poverty reduction in selected agro chemical agro chemical sector in Akure.**

The results of this research indicate that the National Directorate of Employment has not really done remarkably well in terms of its policy towards the development of selected small medium enterprises in the agro chemical sector in Akure. There were gaps identified as factors prohibiting the development of SMEs. Releasing funds adequately and at the appropriate time is a major problem the National Directorate of Employment faces. Quite often, the NDE finds it difficult to discharge its duties and responsibilities due to insufficient funds and stakeholders especially beneficiaries are affected because little funds are disbursed to them to support their businesses. Besides funds are delayed. The National Directorate of Employment was established by law as an independent agency. However, in reality, it is far from being independent as government, its top officials and political office- holders influence the management of NDE in decisions that favour them and their constituencies regarding empowerment of unemployed people.

There is a need for the National Directorate of Employment to be strategically re-structured, overhauled and beefed up with adequate resources and personnel and allowed to be independent from politicians and bureaucratic process so that it can effectively and efficiently achieve its mandate as well as its goals and objectives.

#### **4.6 Gaps and opportunities the policies present**

The data presented in Chapter 4 shows that there are many gaps in the National Directorate of Employment programmes in discharging its duties and responsibilities towards the development

of selected agro - chemicals SMEs in Akure, Ondo State, Nigeria. Inadequate funding, inconsistency in government policies with much political interference, favouritism are major bottlenecks for the agency achieving results. The National Directorate of Employment `has the overall responsibility for coordinating and implementing this policy. The NDE policy envisions an SME sector that can deliver maximum benefits of employment generations, wealth creation, poverty reduction and growth of the Nigerian economy. The policy encompasses seven broad programmes areas, which include:

- 1) Institutional, Legal and Regulatory Framework
- 2) Human Resources Development
- 3) Technology Research and Development
- 4) Extension and Support Services
- 5) Marketing
- 6) Infrastructure
- 7) Finance.

For proper coordination of this policy, there shall be a broad - based consultative committee which should be an apex monitoring organ with the responsibility of initiating monitoring exercises, tracking progress and identifying gaps and recommending remedial measures. An effective way of ensuring a well-focused and integrated approach to this policy actualisation is to establish a strategic and well - dedicated unit for planning, facilitation, support and coordination of all activities promoting SMEs development. It must also create, nurture and promote the necessary conditions for the growth and development of SMEs. There is a need for close partnership and cooperation between the various levels of government, stakeholders, communities, organisations and private institutions.

#### **4.7 Summary**

The establishment of the National Directorate of Employment is an opportunity to improve and develop small and medium enterprises in Akure and the nation Nigeria as a whole .Findings so far show that the running of the NDE requires a dedicated budget with good teams capable of

delivering and achieving results. Inadequate funding, inconsistency in government policies with much political interference and favouritism are major bottlenecks for the agency get the results. There are gaps in the NDE programmes and its policy needs to be monitored. Responsibilities must be assigned to people, and reviewed thoroughly in order to meet the stipulated objectives and achieve results. The next chapter deals with the findings, recommendations, conclusions and areas for further research.



## **CHAPTER FIVE**

### **FINDINGS, CONCLUSION AND RECOMMENDATIONS**

#### **5.1 INTRODUCTION**

The focus of this research study was to evaluate the impact of the National Directorate of Employment policy on selected agro chemical SMEs in Akure. In order to gain a better understanding of this research, chapter focused on the background of the study, the research problem, preliminary literature review, the statement of research problem, the research question, objectives of the study and the method of solving the problem was also presented in the review of literature.

Chapter 2 extensively deliberated on the literature review, the concepts and theories of small and medium enterprises. Chapter 3 focused on the research methodology, approach applied and the data collection techniques used while Chapter 4 was about the relevant research questions, the objective of the study, and the method of data analysis and interpretation of data. The last chapter focused on the findings, conclusions and recommendations. It is obvious from the data presentation and data analysis that there are enormous challenges that are still facing the development of agro chemical small medium enterprises sector in Akure.

The literature review in chapter 2 highlighted the theoretical framework of the thesis which centred on the National Directorate of Employment policies, its programmes, its goals, mandates, objectives and the impact to the development of small medium enterprises.

#### **5. 2 SUMMARY OF FINDINGS**

The data presentation and analysis in chapter four revealed that small medium enterprises in Akure still face enormous development challenges that are significant to welfare improvement, poverty reduction and business sustainability.

Figure 4.5 illustrate NDE awareness and programmes to the public. About 47 % of the respondents indicated that they knew about NDE programmes through the media, 17.9% through interactive means and networking, and 10.7% through self-awareness, whilst 21% indicated non-awareness and 3.6% of the respondents were undecided. The result of the study showed that public awareness towards NDE programmes is quite low and only a few people are aware of its

programmes. The National Directorate of Employment needs to focus on strategic measures to improve on publicity and advertising of its programmes.

Figure 4.6 illustrated the beneficiaries of the National Directorate of Employment programmes in selected agro chemical business owners in Akure. 47% of the respondents benefitted from the programme, 39.4% non-beneficiary whilst 14.3% were undecided. The result indicated that only few people benefitted from NDE programmes. This is not laudable to NDE and to the development of SMEs in Akure.

Figure 4.7 results emphasised on the disbursement of funds by the National Directorate of Employment to SMEs operators, the availability of NDE disbursed funds to meet up to business challenges. 96.2% of the respondents stated that the fund disbursed were not enough to meet up their business survival and growth. Further to this, respondents who benefitted from the funds in Figure 7.0 stated that only 35% received small fund, 25% of the respondents did not receive any fund whilst 3.6% stated that agro chemical related business requires huge capital to start up business. 7.1% of the respondents were undecided. This result indicated that NDE have not successfully supported and empowered the development of SMEs in Akure based on the allocation of insufficient funds to support agro chemical business development. The NDE objectives towards business development and growth are not fully achieved.

Figure 4.8 presentation and analysis explained the impact of the National Directorate of Employment on Small Medium Enterprises growth and development in Akure. 32.1% of the respondents stated that NDE programmes have empowered the youth and 17.9% stated that it reduced poverty whilst 14.3% stated that they received training and facilitation on entrepreneurial skills and business development. About 4 % of the respondents were undecided. This is not a good reflection on the National Directorate of Employment as the results are below expectation and signify inefficiency and service failure on the part of the National Directorate of Employment.

On policy implementation and sustainability towards SME development in selected small agro chemicals business owners in Akure, The results were as follows: 14.3% of the respondents rated



the National Directorate of Employment excellent, 10.7% rated NDE very good, 35.8% rated NDE good, 21.4% rated NDE poor, and 14.3 % rated NDE very poor whilst 3.5% of the respondents were undecided. The policy towards SME sustainability is not encouraging and NDE need to re strategized and work out modalities to ensure effective and efficient goal oriented policies that will uplift the development of SMEs and get optimum results from their clients and stakeholders.

### 5.3 CONCLUSION

- 1) The National Directorate of Employment was established about 27 years ago and as at then, it appears the population of Nigeria was not as big as it is today .There were creation of more states and local governments by subsequent administration. The NDEs response to this phenomenon did not provide or accommodate these population surges and thus affected their operation and performance towards SMEs development.
- 2) The National Directorate of Employment has many programmes to support SMEs development. However, the capacity and manpower to adequately provide and run these programmes effectively and efficiently successfully is limited.
- 3) There is need for adequate publicity and marketing of the various programmes run by the agency, so that the public in general, especially stakeholders will be aware of the NDEs activities and programmes.
- 4) There is persistent government influence on the activities of the NDE. It should be an independent institution with adequate funding and expertise in order to run effectively and achieve the desired results, goals, objectives and mandate.
- 5) Another fundamental issue observed is corruption and favouritism. There is corruption from the top level to the middle level in the organisation. Funds allocated to the agency by government cannot be adequately accounted for and this makes the agency ineffective and a service failure organisation.
- 6) Insufficient funds remain a big challenge for the NDE to operate and survive. It is allocated a little budget from government. A large proportion of funds allocated to the agency is meant for administrative and running cost while the remaining little funds are disbursed to SMEs operators as loans. The agency is not generating any funds on its own to supplement the gaps.



## 5.4 RECOMMENDATIONS

The National Directorate of Employment programmes since its inception according to the current Director General, Mallam Abubakar Mohammed have successfully created 2.5 million informal jobs since its inception nationwide, however, much still need to be done to improve on these figures and ensure its sustainability, efficiency and effectiveness across all phase of its responsibilities. There has been training on entrepreneurial skills acquisitions, apprenticeship and other supports service to boost SMEs development. There is need to improve on these. The researcher's recommendations include the following;

- 1) The major obstacle facing the operations of the National Directorate of Employment to be more effective and efficient in discharging their duties and responsibilities is funding. There is need for the Federal Government of Nigeria to increase the budget allocation to the Ministry of Labour and Productivity so that more funds will be allocated to NDE which is an entity in the Labour and Productivity Ministry. Government should ensure ring fencing of such funds as well. This will enhance the activities of NDE, thus ensure productivity, effective and efficient service delivery and this will develop and revamp the SMEs sector accordingly.
- 2) The mandate to carry out their job effectively and efficiently and achieve results has been vested upon the management and staff of the National Directorate of Employment Agency by Federal Government of Nigeria. It is regarded as an independent agency by law, so government should stop interfering or influencing the activities of the agency. This will allow them to be responsible, accountable, efficient and service delivery per excellent.
- 3) There is need for the National Directorate of Employment to be objective and avoid bias in discharging their duties and responsibilities. The selection of beneficiaries of the programmes should be fair, not be bias and follow appropriate due process.
- 4) The failure of the National Directorate of Employment to succeed is subjected to non-proper monitoring and evaluation of its programmes. There is need for the establishment of an independent monitoring and evaluation unit within the agency tasked with the

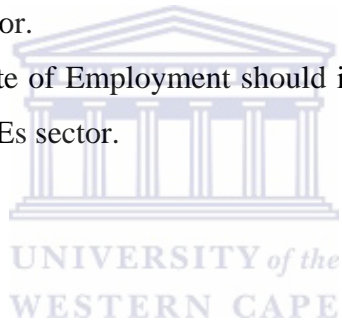
responsibility of monitoring all the activities and projects of the agency as from time to time and give full reports on monthly basis. The establishment of monitoring and evaluation unit within the agency will help to appraise the performance of NDE programmes.

- 5) The National Directorate of Employment is shorts of adequate personnel and manpower due to the establishment of more offices, affiliated centres and units within the agency reach. It is therefore necessary to employ more staff to support the agency goals and objectives. This will enhance efficiency and optimum output.
- 6) It is important for the masses to know that NDE exists, and the National Directorate of Employment programmes, where and how to access them. There is urgent need for publicity and marketing so that people especially the small business managers and owners can harness and take advantage of the agency various programmes. Publicity in radio, newspapers, television, bill boards, handbills and so forth is required.
- 7) There is need for staff of the National Directorate of Employment trained, in house training should be encourage, outside training as well need to be encourage so that employees are equipped, up to date on related issues on SMEs development and growth.
- 8) Proper coordination of its policy with the establishment of broad based consultative committee with sole responsibilities of initiating monitoring exercise, track progress and identify gaps and recommend measures and solutions that will move the agency forward and also enable them to achieve their goals, enhance productivity and result oriented required for the success of NDE.

## **5.5 OPPORTUNITIES**

The findings, conclusion and recommendations of this research sets a ground work for an in depth evaluation of the impact of the National Directorate of Employment policy on selected small agro chemicals in Akure. The opportunity of the National Directorate of Employment to be more successful and be relevant as a key agency lies with the initiatives of taking advantage of the following opportunities:

- 1) The National Directorate of Employment should liaise with multinational agro chemical companies to provide technical supports as part of their corporate social responsibilities.
- 2) They should partner with world class institutions for support and assistance to take courses and programmes related to the development of the agro chemical sector. This will assist NDE in discharging their duties and responsibilities towards the development of the sector.
- 3) The National Directorate of Employment should initiates mentoring programmes for the development of SMEs sector.



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## ANNEXURE: QUESTIONNAIRE



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ECONOMIC AND MANAGEMENT SCIENCE FACULTY  
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*Please note that any information which is provided will be handled with the strictest confidentiality.*

### **PURPOSE OF THE RESEARCH**

The primary objective of this study is to evaluate the impact of National Directorate of Employment policies on the development of small medium enterprises in the agro chemical sector with special focus in Akure, Ondo State. The research findings derived from this study will assist the National Directorate of Employment in developing comprehensive strategies and mechanisms to monitor implementation of policies. It will also to assist academician's researchers, and students in the field to peruse an updated summary of these developments. It is also intended to serve as a guide to small business owners to identify their possible shortcomings in the operations of their business practices and apply corrective measures.

### **INSTRUCTION FOR COMPLETING THE QUESTIONNAIRE**

1. Please read through all the questions before attempting to complete the questionnaire.
2. Please answer the questions based on your current knowledge /or experience.
3. Please complete the questionnaire without discussing it with other members of your organisation.
4. All information will be treated as strictly confidential.

Your assistance in completing the survey questionnaire allows the researcher to gather necessary data for the research study.

## SECTION A

### BIOGRAPHICAL DATA

1. Gender

(i) Male  (ii) Female

2. Age

(i) 18-25  (ii) 26-35

(iii) 36-45  (iv) 46 and above

3. Marital Status

(i) Single  (ii) Married  (iii) Divorced  (iv) Widow

4. Level of Education

(i) Primary  (ii) Secondary  (iii) Tertiary  (iv) None

5. What is the nature of your business? \_\_\_\_\_

6. What is your business income level monthly? \_\_\_\_\_

7. How long have been in the in the line of your business? \_\_\_\_\_

## SECTIOB B

### NATIONAL DIRECTORATE OF EMPLOYMENT AWARENESS AND BENEFITS

8. Are you aware of the existence of NDE?

(i) Yes  (ii) No

If yes, how did you get to know the awareness of NDE?

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9. What type of challenges do you face in your business which government support and intervention would assist you?

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10. Have you ever benefitted from the National Directorate of Employment SMEs support programmes?

(i) Yes [  ]

(ii) No [  ]

If yes specify what type of benefits and how your business benefited from the programme?

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11. What were the criteria's used by NDE for granting you such benefit? Please mention them?

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12. How many times have you benefitted from the NDE support programme? Please explain the number of times and if not, explain why?

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13. What did you use the benefit you received from NDE to do?

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14. Was the benefit received from NDE support programme sufficient for your business? Explain in details why yes or no?

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**SECTION C**

**ACCESSING THE IMPACT OF NDE ON SMES GROWTH AND DEVELOPMENT**

15. In your own opinion, how will you rate NDE policy supporting SMEs growth?

Excellent [ ] Very good [ ] Good [ ] Poor [ ] Very poor [ ]

16. Is NDE programmes actually reducing poverty through the creation of job opportunities and self-reliance? Please explain in details your answer?

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17. Do you face any challenge or difficulties in accessing NDE support programmes for your business development and growth?

(i) Yes [ ] (ii) No [ ]

If yes, please specify

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18. Is the credit disbursed by NDE enough to meet your business challenges? Please explain in details why yes or no?

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19. What are the problems facing your business growth that you need urgent attention for NDE support?

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20. What do you think in your own view can be done to improve the National Directorate of Employment policy on the performance of small medium enterprises development in your area?

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21. Are you aware of any other programme besides NDE that supports SMEs development in your area? If yes, give the details of such programmes and which organisations anchor them

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22. Do you think that NDE programmes and policies are better than other related programmes which support SMEs development? Please explain in details why?

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**NDE: POLICY IMPLEMENTATION TOWARDS SMALL MEDIUM ENTERPRISES DEVELOPMENT AND POVERTY REDUCTION**



23. Does the National Directorate of Employment programmes and policies address SMEs development? Please explain why your answer is yes or no?

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24. Does NDE have good policies and programmes to reduce unemployment and poverty?

(i) Yes [  ]

(ii) No [  ]

If yes please specify the one that most support small businesses?

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25. Are there sufficient funds available for the National Directorate of Employment for SMEs development? If yes why? If no, give your reasons?

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26. Are you aware of any measure in place by government to monitor and evaluate funds disbursed for the development of small medium enterprises?

*Thank you for participating in the study*

