Financing Industrial Development In Nigeria: A Case Study Of The Small And Medium Enterprises In Kwara State

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Abstract - The study was designed to address the financing of industrial development in Nigeria (especially on the Small and Medium Enterprises (SMEs) sub-sector in Kwara State). Hence, the ownership structure, entrepreneur’s capacity development, sub-sector type of the SME, source of start-up (seed) capital, and source of business/financial information and membership of business/trade organization formed the core indices that were examined. The analyses of the data collected including the testing of the hypotheses were carried out using simple descriptive statistical tools and the chi-square.

The major findings of the study concluded that the ownership structure, entrepreneur’s capacity development level, Small and Medium Enterprises sub-sector type, source of seed capital, source(s) of business/financial information and the membership of trade/business organization significantly affect the financing of Small and Medium Enterprises in Kwara State. The sole proprietorship type of ownership, low capacity development level of entrepreneurs, low size of annual revenue and the emphasis placed on Small and Medium Enterprise sub-sector type constituted a clog in the financing of the SMEs cum industrialization process in Kwara State. Also, the recourse to owner’s savings as source of seed capital, usage of unreliable information source(s) and the non-membership of business/trade organizations by SMEs greatly impaired their financing.

Keywords: Small and Medium Scale Enterprises; Industrialization; Entrepreneur; Sub-sector; Chi-square; Kwara State.

I. INTRODUCTION

Western economies realized long ago that Small and Medium Enterprises are the main drivers of the economy. While big businesses are necessary to preserve and maintain structure within the economy, they have considerable problems of their own. Mega corporations of the earlier era increasingly lost their edge to smaller organizations which have spurred all over the western landscape.

Nigeria, like any other nation has witnessed dramatic changes in its industrial landscape. These changes are largely due to the efforts of the government to convert the economy from agricultural to an industrialized one. This arises from the belief that industrialization besidess Minimizing dependence on the developed economies, increases the country’s national output, generates funds for the government, and leads to the conservation of foreign exchange earnings.

The path towards industrialization in Nigeria has not been easy because of the disparity in resources endowment of the economic units and the low level of investment in the economy. While some units have resources beyond their immediate needs, others may have need for resources beyond what they can presently generate. Pass and Pike (1983) opined that the level of investment in an economy is one of the major elements in determining its future productive capacity and ultimately the growth in the real living standards of its people. Also, other authors (Ekpenyong and Nyong, 1992, Adeyemi and Badmus, 2000) argued that shortage of finance is a critical limiting factor in industrial growth and the realization of an entrepreneur’s dream.

In the light of the above and in realization of the fact that industrialization is required for rapid economic development, successive government in Nigeria formulated many policies and sometimes reversing earlier ones to ease industrialization. To solve the financing problems, particularly of Small and Medium Enterprises (SMEs), a number of specialized financial institutions like the Nigeria Industrial Development Bank (NIDB), the Nigerian Bank for Commerce and Industry (NBCI) and the newly introduced Microfinance Banks have been established besides the formulation of many favorable credit policies. It is pertinent to state that Nigeria like many Less Developed Economies (LDEs) has an economy that is characterized by many micro firms. Micro, small and medium enterprises in Nigeria account for 95 percent of non-oil productive activities outside agriculture (Jamodu, 2001). Thus, the Small and Medium Enterprises are accorded high priority and resource commitments by government.

The SMEs are well suited to the factor endowment of the Nigerian economy. This is because they promote the use of local raw materials, low technologies, light industries that employ greater number of persons per unit of capital employed than Large Scale Enterprises (LSEs), serve as entrepreneurial development centers and can facilitate balanced development since they can be operated at remote and rural areas in addition to having short gestation period.

As a result of the immense potential contributions of the SMEs to the industrialization of a country as seen in the middle east especially, the Gulf region led by Dubai which
has become a role model and reference point in industrial and trade development to many nations of the world. Nigeria is not left out in the scheme of activities aimed at developing the Small and Medium Scale Enterprises. In the light of the above and contributing to the various insights and knowledge of the factors that militate against the success of the SMEs, the following objectives ensued for this study

a. To find out if the type of ownership of the SME affects its financing and hence the successes of the enterprises in Kwara State.

b. To determine the extent to which the entrepreneur’s capacity development level affects the finance and hence the success of the Small and Medium Enterprises.

c. To ascertain the relationship (if any), between the sub-sector type and the financing of the SMEs in Kwara State.

d. To find out if the source of the start-up (seed) capital has any significant effect on the financing of the SMEs in Kwara State.

e. To examine the effect of the source(s) of business/financial information on the financing of the SMEs.

f. Make some recommendations that will enhance the success of the SMEs and enable them contribute positively towards the industrialization of the country and on particular, Kwara State.

As stated earlier, the SMEs sub-sector is highly important and is accorded high priority in the challenges posed by industrialization in many emerging economies. To enable these enterprises meet the objectives of industrialization, their problems are given the desired attention by policy makers.

This study is highly important to the extent that the results will be beneficial to policy makers both in the private and government circles. In addition, the study will:

a. Assist and lead to the expansion of SMEs and hence reduce unemployment due to the fact that these enterprises are labor intensive and use relatively light technologies.

b. Bring about even and balance development of the country and Kwara State in particular. The SMEs are easy to operate and can be operated from remote and rural areas.

c. Lead to the development, growth of a healthy and balanced entrepreneurial class that is wholly indigenous.

d. Assist the financial facilitators to enable them package products that will increase the efficiency of the operations of the SMEs. In this way, the objectives of the facilitators and entrepreneurs are accomplished.

e. Further, this study is necessitated by the fact that the current form of information dissemination (marketing, finance and trade) is inadequate largely due to the underdeveloped infrastructure in the telecommunications sub-sector. Hence a research of this nature will attempt to provide some insights into how firms (SMEs—particularly in Kwara State) obtain their information and respond to changes in the environment.

II. RESEARCH HYPOTHESIS

This study is primarily concerned with the financing of industrial development through the SMEs in Kwara State and will try to identify some factors that serve as advantages and or disadvantage to the considered SMEs in Kwara State. It is important to state that the following hypotheses have been formulated to the focus of this research. The hypotheses include:

Ho.1. The type of ownership of the SME does not significantly affect the financing of the SMEs in Kwara State.

Ho.2. The entrepreneur’s educational capacity or development level does not significantly affect the financing of the SMEs in Kwara State.

Ho.3. The sub-sector type does not significantly affect the financing of SMEs in Kwara State.

Ho.4. There is no significance on the source of the start-up (seed) capital and the financing of the SMEs in Kwara State.

Ho.5. The source(s) of business/financial information does not significantly affect the financing of SMEs.

Ho.6. The membership of business/trade organization does not significantly affect the financing of SMEs in Kwara State.

III. LITERATURE REVIEW

This division of the study presents relevant research and findings by other scholars under the following sub-headings:

a. Small and Medium Enterprises Development in Nigeria.

b. The Role of Small and Medium Scale Enterprises Development in the Industrialization of a Nation.

c. The Definitions of Small and Medium Enterprises.

d. Overview of Government Support Programmes to SMEs in Nigeria.

e. Problems of SMEs in Nigeria

IV. THE DEFINITIONS OF SMALL AND MEDIUM ENTERPRISES

While Okonkwo (1996) believes that the definitions of Small and Medium Enterprises is a heterogeneous and relative concept, Osoba (1987) accepts numerous definitions of small scale enterprises exist and they vary from country to country, within and between continents. On the other whole, Oshagbemi (1982) highlights some major criteria used in the definitions of Small Scale Enterprises (SSEs) to include:

i. Number of employees.

ii. Financial strength

iii. Sales value

iv. Initial capital outlay

v. Relative size

vi. Independent ownership

vii. The type of industry
The above criteria have been used (at various times) to define some of these SME in Nigeria. It is therefore pertinent to state some of these definitions.

The Federal Ministry of Industries in 1973 defined a small scale manufacturing outfit as one that had a total capital investment (land, building, machinery/equipment and working capital) of up to N60,000 and employee up to 50 persons. This was later revised to include any manufacturing or service industry with a capital not exceeding N150,000 in machinery and equipment. In 1978, the Industrial Research and Development Unit of the University of Ife (now Obafemi Awolowo University, Ile-Ife), defined a small scale industry as one with total assets of less than N50,000 and that employed less than fifty full-time persons while a medium scale industry was defined as a factory industry that operated with motive power and invested between N50,000 and N500,000, which employed between 50 and 250 persons.

The NBCI defined small-scale enterprises in terms of total capital investment but excludes cost of land in the computation of a ceiling of N300,000 in total capital investment (including land) and that of N500,000 in annual sales turnover.

For the purpose of lending to small scale enterprises, the Central Bank of Nigeria (CBN) defined small-scale enterprises as those enterprises with turnover of up to N500,000 only.

The National Council of Industry in 2001 defined SMEs in accordance with their scale of operation:

Micro/ Cottage: enterprises with capital investment of not more than N1.5m, excluding land but including working capital and maximum of 10 workers.

Small-scale: enterprises with capital investment of over N1.5m but not more than N50m, excluding land but including working capital with work force that ranges from 11-100.

Medium scale: enterprises with capital investment of over N50m but including working capital, work force ranges from 101-300.

Considering other definitions given by some international financial bodies, the World Bank in 1988 classified SMEs as enterprises with fixed assets, excluding land and working capital which do not exceed N10million. The European Economic Commission in 2000, defined an SME as a small scale business with the exclusion of agriculture, forestry and fishing with employment capacity of not more than 500 workers.

Not minding the various definitions and the lack of consensus in these definitions, there is the need to point out that the definitions correspond to parameters considered adequate for policy formulation and the promotion of the sub-sector in the country.

For the purpose of the Small and Medium Industries Equity Investment Scheme (SMIEIS), set up in 1999 by the federal government, a small or medium industry is defined as any enterprise with a maximum asset base of N200million, excluding land and working capital. This study upholds the definition of the small and medium enterprises by the National Council of Industry. This definition, based on the size of the workforce is highly applicable to this study.

V. The Importance of Small and Medium Enterprises in the Development of a Nation

The general characteristics of less developed regions indicate the nature of the needs and these include: unemployed and underemployed labor, a small or negative rate of growth of real per capital income, grossly unequal income distribution, low investment rates and scarce capital and political and economic instability (Lebell et al, 1974). This gives a vivid picture of Nigeria’s industrial landscape which like any less developed country, is littered with many micro, small and medium enterprises. They are expected to provide the driving force for the industrialization and overall development of the Nigerian economy. This explains the increasing policy attention accorded the SMEs in addition to the fact that they play significant roles in meeting some basic economic and industrial developmental objectives. Few among the significant roles played by the SMEs are as follows:

First, the SMEs provide the training ground for the development and growth of indigenous entrepreneurs (Kilby, 1988). Casson (1982) opines that by acting as a seedbed or nursery, usually for the indigenous population, they serve as vehicles for the propagation and diffusion of innovative ideas for far reaching dimensions. They are more flexible and can easily adapt to changes in the external environment.

A second social contribution of SMEs according to Owualah (1987) is the transformation of traditional industry. In both developed and developing countries, the traditional sector has served and continues to serve as the springboard for launching into a vibrant modern sector. Thus a fledging SMEs sector can be a means of achieving a smooth transition from the traditional to the modern industrial sector (United Nations, 1984).

Third, SMEs due to their labor intensively and usage of low-level technology are able to garner and use the widely available local labor supply. This is consistent with the nation’s income distribution objectives (Steel and Takigi, 1983). Also, it is opined that SMEs create more jobs per unit of energy consumed than large scale ones (Vankataraman, 1984).

Fourth, SMEs assist in the dispersal of economic activities through encouraging the development and modernization of these activities outside the major metropolitan areas. Thus, they are able to stem the tide of rural-urban drift. Another economic role of the SMEs is their ability to mobilize financial resources, which would otherwise be idle or untapped by the formal financial sector (Central Bank of Nigeria, 1985).

Fifth, SMEs facilitate the conservation of foreign exchange and the development of the scarce resources of management in developing countries. This is mainly due to their size or scale of operations and unsophisticated management structure. A high percentage of the profit of SMEs, most of which are locally owned is known to be ploughed back to
ensure a higher rate of future growth (Committee of Inquiry on Small Firms, 1971)

Also, Kamaluddin (1982) opined that the SMEs provide the desired linkage effects, especially agro-industrial linkages.

It is pertinent to highlight the contributions of SMEs to the economic of some countries and also, that of Nigeria.

A study carried out by the Small Business Research Unit in the United Kingdom between the periods 1982-1988, showed that SMEs created between 8000,000 and 1,000,000 new jobs. Also, Gibb (1996) opined that small and micro enterprises were by far the most common form of enterprises in Europe and constitute over 98 percent of all registered companies.

In Japan, the industrial strength of the nation is premised on SMEs. They employ more than 82 percent of the total labor force and account for more than 50 percent of the total manufacturing value added.

In Nigeria, Kasimu (1998) opined that the SMEs have through NIDB assisted projects created more than 300,000 jobs and through the Nigeria Agricultural and Co-operative Bank (NACB), created more than 700,000 jobs.

VI. SMALL AND MEDIUM SCALE ENTERPRISES IN NIGERIA

The path towards industrialization differs from one country to another. However, the objectives for industrial development include the following:

i. To expand the range of economics and choices to individuals by giving them independence from other people and nations.

ii. To raise standards of living.

iii. To expand the availability and distribution of basic life-sustaining goods.

In line with the above, Maizels (1963), agrees that industrialization is the key to economic progress in most countries because it tends to increase physical output per head. The ripple effect of this is the increase in the share of manufacturing in the national output. Similarly, a country is said to be industrialized if her industrial output is at least 25 percent of her Gross Domestic Product (GDP). 60 percent of this output is contributed by the manufacturing sub-sector and of the population, at least 10 percent are engaged in manufacturing.

The Nigerian industrial scene is characterized by a wide diversity of industrial structures, technologies, factor intensities, input requirements and product qualities. Also, the industrial scene shows different levels of organization, administration/managerial and technical skills. This is because Nigeria adopted the classical approach to industrialization. However, the industrial development of the 1960s and 1970s concentrated on Large Scale Industries (LSI). These industries subscribed to by the government and foreign multi-nationals had a dramatic turnaround in the early 1980s as a result of the collapse of the oil boom. The reduction in the foreign exchange allocated for the importation of raw materials and spare parts for these LSIs, led to the general shut-down or reduction in capacity utilization of these firms between 1983 and 1996. Accompanying this economic downturn was massive retrenchment by the industries, scarcity of basic goods and services and the subsequent devaluation of the nation’s currency (the Naira).

The above economic scenario led to the adoption of the Structural Adjustment Programme (SAP) in 1986 and a change in the industrial policy in 1988. This change shifted the priority focus from LSIs to SMEs. The change was highly necessary. According to Ogun and Anyanwu (1999), the biased strategy towards large scale production activities invariably undermined the growth and development of indigenous industries most of which are small and medium scale on sizes. Eleazu (1988) opines that the public sector preoccupation with public sector investment led to the neglect of and inadequate attention to development of infrastructural facilities – roads and railways, water and human resources development, telecommunications and lastly electricity and other energy supplies. Also, the SMEs are widely accepted as having greater capacities to utilize locally available raw materials, technologies, manpower and promote even and balanced industrial development.

The major activity in the SMEs development occurred between 1987 and 1989 with the establishment of several institutions to provide financial assistance to small and medium enterprises. Such institutions include: The Nigeria Industrial Development Bank, The Nigerian Bank for Commerce and Industry, Nigerian Agricultural and Cooperative Bank and the National Economic Reconstruction Fund (NERFUND).

However, by the mid 1990s, the funds being made available by these institutions had dried up and most of the SMEs had collapsed as a result of the debt burden (inflated foreign exchange) and the value of the Naira. In addition to the above, the contributions made by the SMEs to the economy were low.

The above scenario necessitated the formulation of new policies and attitudes towards the growth and development of SMEs in Nigeria.

VII. OVERVIEW OF GOVERNMENT SUPPORT PROGRAMS TO THE SMALL AND MEDIUM ENTERPRISES IN NIGERIA

In realization of the vital contributions of SMEs to the attainment of the nation’s economic development objectives, the government (at the federal and state levels) in Nigeria continues to make a number of schemes to support this sub-sector. A review of some of these programme are considered under the following broad sub-headings:

a. Credit financing schemes and institutions.

b. Technical/managerial development.

c. Policy framework to support SMEs.

VIII. CREDIT FINANCING SCHEMES AND INSTITUTIONS

The access to institutional finance by SMEs has remained a problem to the development of the sub-sector in Nigeria. More importantly in the area of working capital (short term finance), the larger industries edge out the small enterprises. The SMEs are classified as high risk ventures by financial market operators and therefore remain unassisted. By and large, this problem led the government to establish specialized institutions and credit schemes to support SMEs development. These agencies are mainly Development
Finance Institutions/Banks (DFIs), which Kasimu (1997) considers to be having a three-tier structure in Nigeria. The first-tier includes the National Development Banks i.e. the NACB, NIDB, Urban Development Bank, NBCI and the Nigerian Export-Import Bank. The second-tier consists of Inter-State DFIs i.e. the O’dua Investment Limited and the New Nigeria Development Company Limited (NNDC). The third-tier consists of the state-owned Development Finance Institutions i.e. the Kwara State Property and Investment Company and the Oyo State Agricultural Development Programme (OYSADP).

Apart from the conventional banks (Commercial and Merchant), the main Development Finance Institutions and Credit Schemes set up to assist the SMEs in Nigeria include the:

a. Nigeria Industrial Development Bank (NIDB)

b. Nigeria Bank for Commerce and Industry (NBCI)

c. World Bank Assisted SME Loan Scheme

d. Nigerian Agricultural and Co-operative Bank (NACB)

e. Federal Ministry of Commerce and Industry’s Small-Scale Industries Credit Scheme

f. Micro Finance Bank

g. National Economic Reconstruction Fund (NERFUND).

IX. POLICY FRAMEWORK TO SUPPORT SMES

Various governments have at various times promulgated a number of policies in support of the development and growth of the SME sub-sector. A categorization of these policies ensues: i. Tariff ii. Fiscal and iii. Infrastructure

The government has used tariffs that have been adjusted periodically at various times to reduce production costs and thus support the SME sub-sector. Also, the introduction of a second-tier window on the capital market, to provide long-term finance for enterprises that cannot satisfy the requirements in the first-tier window has left meaningful mark in the development of the SME sub-sector. In terms of fiscal incentives, a number of tax measures aimed at ameliorating the problems of SMEs have been put in place. This include, among others:

a. Tax relief to all small and medium enterprises during the first six years of operation and;

b. Pioneer status involving non-recoverable tax relief for firms.

c. In the area of infrastructure, the activities of the Directorate of Foods, Roads and Rural Infrastructure (DFRR), National Directorate of Employment (NDE), Petroleum (Special) Trust Fund (PTF) and the various poverty alleviation programmes of the governments have been set up at various times to address the socio-economic problems in the country.

X. PROBLEMS OF SMES IN NIGERIA

In spite of the invaluable contributions of SMEs to economic development, they are beset with a plethora of problems in Nigeria. Thus, their contributions to the industrialization process are still generally low when compared with other countries of South East Asia. The development of the SME sub-sector has been constrained by a number of factors, both internal and external, despite the efforts of successive governments to promote the sub-sector. These factors include:

i. Inconsistence policy measure

ii. Unstable macro-economic environment

iii. Poor infrastructural facilities i.e. roads/railway system, water supply, electricity, telecommunications, etc. This is in line with Giwa (2001) on the problems of the Nigerian industrial sector.

iv. Inefficiency and effectiveness in the institutional support systems for SMEs.

In addition to the above, internal factors that handicap the SMEs in the industrialization process in Nigeria include:

i. Low levels of skills: technical and managerial. To buttress the above, Lewis (1977) opined that what Nigerian entrepreneurs lack most is managerial competence.

ii. Inability to effectively compete in the local, domestic and the international export markets because the home market is saturated with cheap imported products, poor quality of products or the unfamiliarity with the vagaries of export procedures. In line with the foregoing, Giwa (2001) opined that the influx of fake and sub-standard products, under-invoicing, dumping and malpractices at our ports, placing imported goods at undue advantage over local manufacturers, are some of the most damaging issues affecting the manufacturing industry.

iii. Low levels of process technologies

iv. Lack of productive resources. With respect to resources, Ogun and Anyanwu (1999) consider inadequate funding (finance) to be paramount.

According to Daodu (1997), the most intractable of these problems is poor access to capital. So wide is the credibility gap that most banks prefer to pay the stipulated government penalty rather than carry out government directive that a percentage of their funds be set aside to finance SMEs. It is pertinent to reiterate that Nigerian SMEs are usually of sole ownerships (very little are limited liability companies) with limited (though intensive) labor force, centralized administration and management, little access to finance (long term and medium term) and high failure rate.

XI. RESEARCH METHODOLOGY

For the purpose of this research, we conducted some interviews and served questionnaires on the Chief Executive Officers of Small and Medium Enterprises in the state, finance facilitators and some government agencies concerned with the operations of Small and Medium Enterprises.
XII. METHODS OF DATA COLLECTION

The method of data collection in this study has been divided into two major groups’ source: The primary and secondary source.

A. Primary Sources of Data

The primary data for this research work was collected from several sources including the:


ii. Other trade and industry associations in Kwara State taking to consideration the size and their capacity to provide information relevant to the research.

A structured questionnaire was developed in line with previous conversation with some owners and staff of some small and medium enterprises. This questionnaire was structured according to factors that was considered advantages and or disadvantages to their various businesses.

a. Ownership/structure of the enterprise
b. Educational level of owners.
c. Area of operations
d. Size of the enterprises
e. Educational level of employees
f. Sources of finance
g. Sources of business information
h. Membership of industry/trade associations and the services obtained.

B. Secondary Sources of Data

The secondary information was obtained from:

- Academic institutions
- Agencies (state and federal) responsible for industries, agriculture, commerce and the SME sub-sector.
- Business and trade associations like the Nigeria Association of Small and Medium Enterprises (NASME), National Association of Small and Medium Scale Industries (NASSI), Raw Materials Research and Development Council and Manufacturers Association of Nigeria (MAN).

XIII. METHODS OF DATA ANALYSIS

The collected data were analyzed using simple descriptive statistical tools including tables and percentages. The chi-square test ($X^2$) was also used to determine the relationship (if any) between some variables. The chi-square is defined as follows:

$$X^2 = \sum \left(\frac{(O-E)^2}{E}\right)$$

where $X^2$ = Chi-Square

$O$ = Observed frequencies

$E$ = Expected frequencies or theoretical frequencies.

Note that $X^2$ is the value of Chi-Square, which has a probability of 0.05 of being exceeded (.05 is the level of significance and hence the rejection area will be the upper 5% of the distribution). A value of $X^2$ which exceeds the appropriate value will fall in this rejection area and thus, the null hypothesis can be rejected i.e. the sample data do not come from the specified population.

However, a non-significant result does not prove that the specified distribution does apply, merely that the sample data could have come from such a distribution. In practice, however, a non-significant result is taken as enough justification fro assuming that the specified distribution does apply.

XIV. DATA PRESENTATION AND ANALYSIS

As stated earlier, the research was carried out in the form of a survey using questionnaires.

In order to motivate the respondents to complete the questionnaires, due confidentiality was promised in addition to a copy of the research findings upon completion of the study.

A total of 300 questionnaires were distributed to the Small and Medium Enterprises (SMEs) in Kwara State and 175 (representing 58.3%) were returned. Out of the returned questionnaires, 170 (representing 56.7 percent) were found useful.

Due to the many aspect of questions asked, the questionnaire will be divided into three sections namely demographics, finance and information means.

The demographic section of the questionnaire was divided into several parts i.e. the ownership structure, age of promoters, sex distribution, educational qualification of owners, type of industry, number of employees, and educational qualification of employees and year of establishment.

<table>
<thead>
<tr>
<th>Type of Ownership</th>
<th>Frequency</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Sole Proprietors</td>
<td>105</td>
<td>61.8</td>
</tr>
<tr>
<td>Partnership</td>
<td>45</td>
<td>26.4</td>
</tr>
<tr>
<td>Limited Liability</td>
<td>20</td>
<td>11.8</td>
</tr>
</tbody>
</table>

Source: Questionnaire administered Oct., 2008

As shown above, the ownership structure of the Small and Medium Enterprises (SMEs) surveyed varies widely. More than 60 percent (61.8% precisely) of the SMEs were of sole proprietorship, 26 percent were partnerships and approximately 12 percent were Limited Liability Companies.

<table>
<thead>
<tr>
<th>Educational Status</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>No Formal Education</td>
<td>21</td>
<td>12.3</td>
</tr>
<tr>
<td>Primary Education</td>
<td>43</td>
<td>25.3</td>
</tr>
<tr>
<td>Secondary Education</td>
<td>95</td>
<td>55.9</td>
</tr>
<tr>
<td>Tertiary Education</td>
<td>11</td>
<td>6.5</td>
</tr>
</tbody>
</table>

Source: Questionnaire administered Oct., 2008

As shown above more than half of the promoters/owners of SMEs in Kwara State have some form of formal education. About 56 percent had secondary education, 25 percent completed primary school education while about 12 percent did not have any formal education. Some 6.5 percent of the owners were graduates of tertiary institutions and above.
The Small and Medium Enterprises in Kwara State are widely distributed among the sub-sectors of the economy. A significant proportion of the SMEs surveyed (about 28 percent) belong to the repair works/services while 16.5 percent belong to the metal fabrication/iron and steel sub-sectors. The timber/wood work/furniture sub-sector has 22 SMEs (about 13 percent), agro-based industries have 7.6 percent, pharmaceutical approximately 5 percent, chemicals/soaps/plastics/paints sub-sector contains 15 SMEs (about 9 percent) and the textile sub-sector has 12 SMEs (about 7 percent).

Table 3: SME by Industrial Type

<table>
<thead>
<tr>
<th>Type of Industry</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
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<tbody>
<tr>
<td>Agro-based/Food Processing/Beverage</td>
<td>13</td>
<td>7.6</td>
</tr>
<tr>
<td>Pharmaceuticals</td>
<td>8</td>
<td>4.7</td>
</tr>
<tr>
<td>Timber/Woodwork/Furniture</td>
<td>22</td>
<td>12.9</td>
</tr>
<tr>
<td>Chemicals/Soap/Plastics/Paints</td>
<td>15</td>
<td>8.8</td>
</tr>
<tr>
<td>Textiles</td>
<td>12</td>
<td>7.1</td>
</tr>
<tr>
<td>Confectionery/Biscuits</td>
<td>8</td>
<td>4.7</td>
</tr>
<tr>
<td>Footwear/Leather</td>
<td>7</td>
<td>4.1</td>
</tr>
<tr>
<td>Glass/Clay/Stoneware</td>
<td>9</td>
<td>5.3</td>
</tr>
<tr>
<td>Metal Fabrication/Iron &amp; Steel</td>
<td>28</td>
<td>16.5</td>
</tr>
<tr>
<td>Repair Works/Services</td>
<td>48</td>
<td>28.2</td>
</tr>
</tbody>
</table>

Source: Questionnaire administered Oct., 2008

With respect to the number of employees, the SMEs surveyed showed remarkable differences. As shown, a greater percentage of the SMEs (about 65 percent) employ less than 10 persons, 25.3 percent employ between 11 to 100 persons while 16 percent employ above 101 persons.

Table 4: Employees in Sampled SMEs

<table>
<thead>
<tr>
<th>Number of Employees</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 10</td>
<td>111</td>
<td>65.3</td>
</tr>
<tr>
<td>11 to 100</td>
<td>43</td>
<td>25.3</td>
</tr>
<tr>
<td>101 to 300</td>
<td>9</td>
<td>5.3</td>
</tr>
<tr>
<td>Above 300</td>
<td>7</td>
<td>4.1</td>
</tr>
</tbody>
</table>

Source: Questionnaire administered Oct., 2008

With respect to the educational qualifications of the employees in the SMEs, 44 of the workforce did not have formal education. Further, 65 had primary education, 50 attained the secondary school level while 11 had tertiary education.

The finance section of the questionnaire has such indices as the source of initial/start-up capital amount of the initial capital, the asset level/capitalization, current sources of finance, the number of loans received in the last two years, purpose of such loans, collateral securities that SMEs have or can afford to use to obtain loans from credit agencies and the importance of different sources of funds.

Table 5: Employees by their Educational Qualification

<table>
<thead>
<tr>
<th>Educational Status</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>No Formal Education</td>
<td>44</td>
</tr>
<tr>
<td>Primary Education</td>
<td>65</td>
</tr>
<tr>
<td>Secondary Education</td>
<td>50</td>
</tr>
<tr>
<td>Tertiary Education and above</td>
<td>11</td>
</tr>
</tbody>
</table>

Source: Questionnaire administered Oct., 2008

The start-up capital is often the most difficult for would-be entrepreneurs, whether the entrepreneur is drawn from the pool of unemployed, the retrenched or the fresh graduate bubbling with ideas. The frequency analysis in Table 6 shows that 44.7 percent of the SMEs surveyed obtained their start-up capital from their own savings while 31.8 percent obtained theirs from the banks. This attests to the fact that the government has doubled its efforts at the provision of finance for the SME sub-sector. However, less than percent used the National Economic Reconstruction Fund (NERFUND) window for their start-up capital. It is pertinent to state that the NERFUND though a government scheme, has not been of particular interest to SMEs promoters due to the stringent eligibility criteria. Further, Table 7 shows that 7.1 percent obtained seed capital from the co-operative societies; approximately 8 percent used capital from family and 5.3 percent obtained seed capital from friends.

Table 6: Source of Start-up Capital

<table>
<thead>
<tr>
<th>Source</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Savings</td>
<td>76</td>
<td>44.7</td>
</tr>
<tr>
<td>Family</td>
<td>13</td>
<td>7.6</td>
</tr>
<tr>
<td>Friends</td>
<td>9</td>
<td>5.3</td>
</tr>
<tr>
<td>Co-operative Society</td>
<td>12</td>
<td>7.1</td>
</tr>
<tr>
<td>Bank</td>
<td>54</td>
<td>31.8</td>
</tr>
<tr>
<td>NERFUND</td>
<td>6</td>
<td>3.5</td>
</tr>
</tbody>
</table>

Source: Questionnaire administered Oct., 2008

The Small and Medium Enterprises surveyed explore multiple sources for the financing of their enterprises. The analysis of Table 7 indicates that 38.2 percent source capital currently from their own savings while the bank is responsible for the financing of 34 percent of the SMEs. Further, the co-operative societies handle the financing of 20.6 percent of the SMEs while 2.9 percent and 4 percent of the SMEs use family and friend’s resources respectively.

Table 7: Current Source of Finance

<table>
<thead>
<tr>
<th>Source</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Savings</td>
<td>65</td>
<td>38.2</td>
</tr>
<tr>
<td>Friends</td>
<td>7</td>
<td>4</td>
</tr>
<tr>
<td>Family</td>
<td>5</td>
<td>2.9</td>
</tr>
<tr>
<td>Co-operative Society</td>
<td>35</td>
<td>20.6</td>
</tr>
<tr>
<td>Bank</td>
<td>58</td>
<td>34</td>
</tr>
</tbody>
</table>

Source: Questionnaire administered Oct., 2008

The importance of different sources of funds.

Table 8: Number of Loans Received in the Last Two Years

<table>
<thead>
<tr>
<th>Number of Loans</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zero</td>
<td>119</td>
<td>70</td>
</tr>
<tr>
<td>One</td>
<td>17</td>
<td>10</td>
</tr>
<tr>
<td>Two</td>
<td>14</td>
<td>8.2</td>
</tr>
<tr>
<td>Three</td>
<td>12</td>
<td>7.1</td>
</tr>
<tr>
<td>Four or more</td>
<td>8</td>
<td>4.7</td>
</tr>
</tbody>
</table>

Source: Questionnaire administered Oct., 2008
The data in Table 8 shows that 70 percent of the SMEs surveyed did not obtain any loan in the last two years. A number of questions arise: Did these enterprises not have the need for loans during the period? Or that the loans were not available for them? Another angle to this is that of the position of the management to external financing and its ability/inability to meet the loans requirements. Further analysis in Table 9 shows that 10 percent of these SMEs received one loan, 8.2 percent received two and 11.8 percent had received more than two loans. The purposes of the loans obtained by the SMEs include the financing of inventory/working capital, starting of other businesses that relate to the present one and the purchase of buildings, working equipment/machinery.

Table 9: Constraints to Obtaining Loans

<table>
<thead>
<tr>
<th>Factor</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Collateral Security</td>
<td>24</td>
<td>14.1</td>
</tr>
<tr>
<td>Interest Rate</td>
<td>22</td>
<td>12.9</td>
</tr>
<tr>
<td>Bureaucracy</td>
<td>46</td>
<td>27.1</td>
</tr>
<tr>
<td>Economic Station</td>
<td>10</td>
<td>5.9</td>
</tr>
<tr>
<td>Inadequate Information</td>
<td>58</td>
<td>34.1</td>
</tr>
<tr>
<td>Absence of Government Support</td>
<td>10</td>
<td>5.9</td>
</tr>
</tbody>
</table>

Source: Questionnaire administered Oct., 2008

Table 9 presents the data on the constraints to obtaining loans/financing for the Small and Medium Enterprises in Kwara State. Inadequate information (with a frequency of 58 and 34.1 percent) is considered to be the most severe constraint to obtaining debt financing. This constraint has to do with the absence of information on the loan sources, types, eligibility, requirements, etc. Further analysis of Table 10 indicates that bureaucratic bottlenecks come next in importance. It has a frequency of 46 (27.1 percent). However, 24 SMEs (14.1 percent) believe collateral security is a constraint while 22 (12.9 percent) accept that interest rate is a constraint to obtaining loans/financing. The economic situation of the country and the absence of government support have the least values (10 each) i.e. they are considered to be the least of the constraints to obtaining loans/financing by the Small and Medium Enterprises in Kwara State.

Table 10: Sources of Information

<table>
<thead>
<tr>
<th>Source</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Friends/Neighbours</td>
<td>110</td>
<td>64.7</td>
</tr>
<tr>
<td>Mass Media</td>
<td>34</td>
<td>20</td>
</tr>
<tr>
<td>Government Agencies/Ministries</td>
<td>17</td>
<td>10</td>
</tr>
<tr>
<td>Trade Associations</td>
<td>9</td>
<td>5.3</td>
</tr>
</tbody>
</table>

Source: Questionnaire administered Oct., 2008

With respect to the source of information (financing information), the Small and Medium Enterprises surveyed (as shown in Table 10) shows that 64.7 percent obtain information from friends or what can be termed as “word of mouth” information. Thirty-four (20 percent) of the respondents make use of the mass media – the radio, television, newspapers and magazines. Ten percent of the respondents obtain information through the government agencies/ministries. The trade/business association is being utilized by 5.3 percent of the respondents to obtain information.

Table 11: Membership of Trade/Business Organization

<table>
<thead>
<tr>
<th>Membership/Non-Membership</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Membership of one or more organizations</td>
<td>74</td>
<td>43.5</td>
</tr>
<tr>
<td>Non-membership of any organization</td>
<td>96</td>
<td>56.5</td>
</tr>
</tbody>
</table>

Source: Questionnaire administered Oct., 2008

Among the Small and Medium Enterprises surveyed in Kwara State, 74 (43.5 percent) belong to one or more business/trade/industry associations and the remaining 56.5 percent do not belong to any organization. This is as shown in Table 11.

Furthermore, the answers to questions in relation to membership of trade/business organizations (Appendix III) indicates that 70% of the SMEs accept that the government is not efficient in the implementation of SME-financing programs, 73.5 percent agree that the major inputs into government financed – SME support schemes are not obtained from the SME promoters, 63.5 percent accept that the membership of trade/business associations guarantee adequate information and 65.9 percent accept that the trade/business associations are not well organized and efficient to handle the various SME financing schemes.

XV. TESTING OF HYPOTHESIS

The results of the data obtained and the data presented above were used to test the hypotheses formulated for the study as follows:

Hypothesis Ho.1

The ownership type of the SME does not significantly affect the financing of the Small and Medium Enterprises in Kwara State.

The result of the frequency analysis with respect to the ownership structure of the SMEs surveyed (Table 1) shows that 105 of the SMEs are of sole proprietorship, 45 are partnerships and 20 are limited liability companies.

Further investigation of the hypothesis using the above data shows that the calculated Chi-square value is 67.35 while the critical value of the Chi-square at 2 degrees of freedom and 0.05 level of significance is 5.99.

Since the calculated $X^2$ value is greater than the critical value of the Chi-square, the null hypothesis Ho1 is rejected. This implies that the type of ownership of the SMEs in Kwara State significantly affects its financing.

Null Hypothesis Ho. 2

The entrepreneur’s capacity (educational) development level does not significantly affect the financing of the SMEs in Kwara State.

The results of the data with respect to the educational qualifications of the owners of the SMEs surveyed in Kwara State.
State, as presented in Table 2, shows that 21 owners have no formal education. The Table also shows that 43 of the owners have primary education, 95 attained the secondary education level while 11 have tertiary education. Further investigation of the null hypothesis Ho.2 using the above data shows the calculated Chi-square value to be 99.09 while the critical value of the Chi-square at 3 degrees of freedom at the 0.05 level of significance is 7.82. Since the calculated Chi-square, the null hypothesis Ho.2 is rejected. This implies that the entrepreneur’s capacity (educational) development level significantly affects the financing of the SMEs in Kwara State.

Null Hypothesis Ho.3
This stipulates that the sub-sector type does not significantly affect the financing of the SMEs in Kwara State. The results of the data with respect to distribution of SMEs surveyed according to industry type (Table 3) indicate the distribution of the SMEs into ten sub-sectors. This distribution indicates 13 SMEs in the Agro-based/Food processing/Beverages, 8 in the pharmaceuticals, 22 in the Timber/Woodwork/Furniture, 15 in the Chemicals/Soap/Plastics/Paints, 12 in the Textiles, 8 in the Confectionery/Biscuits, 7 in the Footwear/Leather, 9 in the Glass/Clay Products, 28 in the Metal/Fabrication/Iron and Steel and 48 in the Repair Works/Services sub-sectors. Further analysis of the above data with respect to the null hypothesis Ho.3 shows the calculated Chi-square value is 86.93 while the critical value of the Chi-square at 9 degrees of freedom and at the 0.05 level of significance is 16.92. Since the calculated Chi-square is greater than the critical Chi-square, the null hypothesis Ho.3 is rejected. This implies that the sub-sector type significantly affects the financing of the SMEs in Kwara State.

Null Hypothesis Ho.4
There is no significant difference in the source of the start-up (seed) capital and the financing of the SMEs in Kwara State. The results of the data in Table 7 indicates that of the 170 SMEs surveyed in Kwara State, 76 of the promoters obtained seed capital from their own personal savings, 13 promoters obtained seed capital from friends, 9 promoters obtained seed capital from their own personal savings, 12 promoters obtained seed capital from co-operative societies, 54 obtained their seed capital from the banks and 6 promoters obtained seed capital from the NERFUND scheme. Further analysis of the above data indicates that the calculated Chi-square value is 151.97 and the critical value of the Chi-square at 5 degrees of freedom and at the 0.05 level of significance is 11.07. Since the calculated value of the Chi-square is greater than the critical value of the Chi-square, the null hypothesis Ho.5 is rejected. This implies that there is significant difference in the source of the start-up (seed) capital and the financing of the SMEs in Kwara State.

Null Hypothesis Ho.5
The source(s) of business/financial information does not significantly affect the financing of SMEs in Kwara State. The data in Table 11 clearly shows that of the 170 SMEs surveyed, 110 obtain trade/financial information through friends/neighbors i.e. word of mouth communication. Further, 34 of the SMEs utilize the mass media to obtain information, 17 SMEs obtain information from government agencies/ministries and 9 SMEs rely on their membership of trade associations to obtain information. It is important to state that information is very vital to the success of the SMEs not only in respect of their financial needs but also with respect to marketing needs.

Null Hypothesis Ho.6
The membership of business/trade organization does not significantly affect the financing of SMEs. The data in Appendix II clearly indicates that while 51 of the respondent SMEs owners consider the government as being efficient in the implementation of SMEs financing programs, 119 SMEs promoters think otherwise. Also, 125 SMEs accept that the major inputs into government financed SME support schemes are not obtained from the SMEs promoters while 45 SMEs accept that the inputs are obtained from the promoters. The data shows that 111 of the SMEs accept that membership of trade/business associations guarantee adequate information while 59 SMEs do not accept the proposition and 112 SMEs consider the associations as incapable of handling the various SME financing schemes while 58 SMEs believe the associations are highly organized and capable of handling the SME support scheme. Further analysis of the above data indicates the calculated Chi-square value is 68.14 whereas the critical value of the Chi-square at 3 degrees of freedom and at the 0.05 level of significance is 7.82. Since the calculated value of the Chi-square is greater than the critical value of the Chi-square, the null hypothesis Ho.7 is rejected. This implies that the membership of business/trade organizations significantly affects the financing of the SMEs in Kwara State.

XVI DISCUSSIONS AND FINDINGS
This research has concentrated on the financing of industrial development in Nigeria with particular emphasis on the Small and Medium Enterprises sub-sector in Kwara State. The details of the findings on each of the variables used in the study are given below. The findings, with respect to the analysis of the ownership structure, shows that the null hypothesis was rejected. This is because the type of ownership of the SME has significant effect on the financing of the Small and Medium Enterprises in Kwara State. This is clearly evident from the fact that the majority of the SMEs surveyed are of sole proprietorship (Adeyemi and Badmus, 2000; Ogun and Anyanwu, 1996). The findings also indicated that the entrepreneur’s capacity (educational) development level has significant effect on the financing of Small and Medium Enterprises in Kwara State. Also, the results showed that employees of these SMEs are of low educational qualifications. The findings of Akeredolu-Ale (1977) become important in respect of the above. He opines that education is a vital determinant of a projector’s feasibility. He goes further to conclude that most of the entrepreneurs who find it hard to obtain necessary credit facilities do so mainly because they could not convince the prospective lender of their own personal
feasibility as projectors and that this is a result of their low educational level and relevant technical-managerial qualifications.

The sub-sector type, as revealed by the findings, also significantly affects the financing of the SMEs in Kwara State. The SMEs surveyed are not evenly distributed in the sub-sectors. The implications of this are that some SMEs in some sub-sectors are able to generate more financing than others. This is largely due to some structural defects in the nation’s economic scene.

The source of the start-up (seed) capital also significantly affects the financing of the SMEs surveyed in Kwara State. The findings indicated that more than half of the SMEs surveyed obtained seed capital from personal sources. Such entrepreneurs are expected to be more prudent in handling their finances (i.e., being less extravagant, not taking money out of the enterprise, etc) and hence unable to get external financing. This relationship certainly deserves more detailed analysis than the present study has data to offer.

The source(s) of business/financial information as revealed by the study, also significantly affects the financing of SMEs in Kwara State. Information, no doubt, is a vital aspect of business. Information that will be utilized by the SME sub-sector must of necessity be appropriate, accurate, understandable, timely, and specific. The absence of such information is detrimental to the development of SMEs. Ekpenyong and Nyong (1992) also add credence to the above.

Finally, the results of the study also showed that the membership of business/trade organizations significantly affects the financing of the SMEs in Kwara State. Most of the SMEs in Kwara State do not belong to any organization and the SMEs that belong to one or more have not made tangible contributions in the organization. However, it is pertinent to state that the organizations are useful instruments for the training and growth of entrepreneurs and hence contribute positively towards development and growth of the Small and Medium Scale Enterprises sub-sector.

XVII. CONCLUSIONS AND RECOMMENDATIONS

The industrial landscape in Kwara State is highly saturated with the small and medium enterprises. This accounts for the increasing levels of attention being accorded the sub-sector by various governments.

The indices that affect the financing of the sub-sector formed the basis of this study. This chapter therefore presents the summary of the research findings, conclusions, recommendations and the contributions of the study to knowledge and practice.

XVIII. SUMMARY OF FINDINGS

This study, as stated earlier, concentrated its efforts on the financing of industrial development in Nigeria. Solid emphasis was placed on the small and medium enterprises sub-sector in Kwara State. This is in realization of the fact that the SMEs, as in many emerging economies, play a significant role in the industrialization process.

The specific objectives of this research include:

a. To find out if the type of ownership of the SME affects its financing and hence the success of the enterprises in Kwara State.

b. To ascertain the degree to which the entrepreneur’s capacity development level affects the financing of the SMEs in Kwara State.

c. To determine the relationship, if any, between the sub-sector type and the financing of SMEs in Kwara State.

d. To know if the source of the start-up (seed) capital has any significant effect on the financing of the SMEs in Kwara State.

e. To determine the effect of the source(s) of business financial information on the financing of SMEs in Kwara State.

f. To find out the extent to which the membership of business/trade organizations affects the financing of SMEs and hence their contributions to the industrialization process in Kwara State.

g. With these objectives in mind, a questionnaire (divided into three sections) was used to obtain primary data from 300 pre-selected SMEs in Kwara State. Out of this number, 170 questionnaires were found useful for analysis using simple statistical tools including the Chi-square analysis. A number of findings were arrived at after the analysis of the data and with respect to the seven hypotheses formulated for the study. A summary of these findings is presented below:

1. That the type of ownership of the Small and Medium Enterprises significantly affects the financing of the enterprises in Kwara State. The variations in ownership include sole proprietorships, partnership organizations and limited liabilities companies. It is pertinent to note that the ownership type/structure certainly affects the management of the organization.

2. The capacity (educational) development of the owners of the SMEs surveyed in Kwara State significantly affects the financing of the SMEs. In addition to the low level of education of the promoters, the study also showed the employees to be of low educational levels too. This implies that the “residual-staff” thesis applies to the SMEs in Kwara State. The thesis opines that what private indigenous Nigerian enterprises get both for labour and management staff is the left over of the government and expatriate firms.

3. The sub-sector to which the small and medium enterprise belongs has significant effect on the financing of the SMEs in Kwara State. A ten sub-sector re-grouping of the SMEs surveyed was used to arrive at this finding.

4. The source of the start-up (seed) capital significantly affects the financing of the SMEs and hence the industrialization process in Kwara State.

5. The source(s) of business/financial information significantly affects the financing of the SMEs in Kwara State. The study showed that the “...word of
The “mouth” communication method was largely used by the SMEs in the state.

6. In the financing of SMEs in Kwara State, the membership of business/trade organization was also found to be significant.

XIX. CONCLUSION

It is no exaggeration to say that despite the lofty objectives of the government in respect of the Small and Medium Enterprises sub-sector, the results are often disappointing and the potentials of small scale industries are not often realized in the industrialization process. The study highlighted the type of ownership of the SME, the entrepreneur’s educational development level; the sub-sector type and the size of the annual revenue of the SME are significant indices and thus affect the financing of the enterprises in Kwara State. Further, the entrepreneur’s source of seed capital, source(s) of business/financial information and the membership of trade/business organization also significantly affect the financing of SMEs, cum industrialization of Kwara State.

XX. RECOMMENDATIONS

There is no gain-saying that the Small and Medium Enterprises are a vital force in the industrialization process of developing and emerging economies. Certainly, governments all over the world will continue to accord the sector the high priority it deserves.

In order to bring about sustainable development in an environment that is characterized by stiff competition, especially against the backdrop of trade globalization, concerted, coordinated and sustained efforts are required from all operators in the economy, i.e. the government and its agencies/parastatals, Non-Governmental Organizations, relevant financial institutions and international bodies. Accordingly, and with regard to the findings of this study, the following recommendations ensued:

1. In order to focus the country in her economic emancipation and commitment to the building of a virile, competitive and resilient industrial sector, there is need for the government to be better coordinated in the financing of the SME sub-sector more importantly by way of equity. The creation of an SME window in the Nigerian Stock Exchange is very important. In this way, the orderly growth, development and continuity of the nation’s SMEs (particularly SMEs in Kwara State) can be put on a solid foundation. The commencement of the Small and Medium Industries Equity Investment Scheme (SMIEIS) by the federal government is highly commendable. However, the scheme needs to be well coordinated in order to address the under capitalization problems of SMEs in addition to the fact that the beneficiaries need to be clearly identified entrepreneurial training needs to be provided for the beneficiaries at little or no cost and financial advice to be given to beneficiaries at little or no cost.

It is pertinent to note however, that SMEs need equity but prefer to take loans and banks have equity funds to give but prefer loans. Thus there is the need to strike a balance.

1. There is the need for all relevant agencies (government, non-governmental, community based and international agencies) to co-ordinate and streamline their activities in the capacity building process of the nation. This is not only in terms of knowledge acquisition but also in terms of cultural reorientation in order to imbibe transparency, accountability and good governance, and to deter corruption, fraud and inefficient or wasteful practices.

2. There is the need for all relevant (government and non-governmental) to structure their assistance efforts in ways that build up indigenous systems and capacities that support entrepreneurs in sourcing for seed capital and hence facilitate resource flows throughout the economy.

3. The need arises for government to formulate and implement policies that will address the problem of low/dwindling revenues accruing to the small and medium scale enterprises. Such measures include the provision of infrastructural facilities, establishment of purchase/trade agreements by government agencies with the SMEs and the provision of training to address production needs production needs, marketing activities and technology acquisition/management issues.

4. In addition to the promotion of the use of modern communication facilities like the telephone, fax, internet, it is recommended that the government should provide and enabling environment for private participation with the collection and dissemination of information. There is also the need for the relevant agencies to work continually on areas where little or no information is available. This will enable the SMEs to be well positioned to participate in today’s global economy in which businesses are largely driven by information technology.

5. There is also the need for the government to take deliberate and positive steps to address all structural defects in the industrial sector by adopting industry concrete measures in the financing of the Small and Medium Enterprises. This ensures that the goals of industrialization are consistent with the motivations internal to each sub-sector.

6. There is the need for the government to promote and foster the formation of SME associations/organizations in addition to encouraging the active participation of the SMEs. The government/donor agencies should subsidize these associations and their programs (i.e. advisory services) so that they can charge lower fees on the SMEs.
7. Certainly, there is the need to investigate further and carry out detailed sub-sector analysis of the financing of the Small and Medium Enterprises with a view to finding out the problems/bottlenecks that do not enable these enterprises to contribute meaningfully towards the industrialization process.

XXI. CONTRIBUTIONS OF THE STUDY TO KNOWLEDGE

The Small and Medium Enterprises (SMEs) sub-sector play a significant role in the industrialization process of many countries. The small-scale enterprises have the capacity to provide employment to a large number of people (they are labour intensive) and form the nucleus for the generation of indigenous entrepreneurs. They aid the development and growth of local technology founded on local capabilities and comparative advantage. Also, in the transition from a resource-based economy, society and culture to the one that is knowledge-based, technology driven and responsive to the environment, the SMEs are highly important. This study critically analyzed the impact of certain variables on the SMEs in the industrialization process of Kwara State. Results emanating from the study showed that the form of ownership, low educational level of the owners, low annual income, the source of initial capital (owner’s savings), sub-sector type, source of information and the membership of associations militate against the meaningful contribution of the SMEs in the industrialization process of Kwara State. The study through these indices has made important contributions to knowledge and practice as follows:

The study remains an immense benefit to the industrial development policy makers whether government or private and the international agencies. It highlighted and made recommendations that will contribute to the success of these bodies and hence enable the SMEs contribute meaningfully in the transformation process of a primitive/resource-driven economy to an industrialized economy that is driven by technology and knowledge-based especially the skills and expertise of its people. The study shed more light on the importance of capacity (educational) level with respect to SME development and growth. In this regard, it recommended the streamlining of the activities of the relevant bodies in the capacity building process. In addition to this, the study showed the method of obtaining information with respect to policy formulation on the provision of funds for the SMEs should be “bottom-up” and not “up-bottom” as it is being practiced. This is in realization of the fact that institutional framework, policies, programs and the overall economic environment are important indices that determine the success of the industrialization process through the small and medium scale enterprises.

With respect to the owners of the enterprises, the studies have widened the entrepreneurs’ scope and thus enable them to be more successful. The inability of the owners to form or join trade associations was clearly shown to be a factor that militates against the adequate financing of the SMEs. The low capacity development of the owners was also stated among the causes that significantly affected the financing of the SMEs. The recommendations that ensued were such as to enable the SMEs contribute positively in the industrialization process of the nation. Thus, in the emerging new global world of trade, investment, competition and industrialization, the SMEs as the nation’s instruments for global engagement and the quality of its human capital (i.e. the skills and expertise of her citizens) will be a major resource to propel the country’s economic growth and be at par with the industrialized economies.

XXII. REFERENCES

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34) Prof. Chinbundu, (September 30, 2006). “Strategies for Nigeria SMEs to Grow Economy”  

APPENDIX III  
LIST OF FUNCTIONAL INDUSTRIES IN KWARA  
STATE AS AT OCTOBER, 2008  
NAME/ADDRESSES BUSINESS INTEREST/PRODUCTS  
1. 7UP Bottling Company, Plc Soft Drinks  
   Coca-Cola Road, Ilorin  
2. Nigerian Bottling Company, Plc Soft Drinks  
   Coca-Cola Road, Ilorin  
3. Irewolede Bakery, Gaa-Akanbi, Ilorin Bread  
4. Noble Breweries, Ajasse-Ipo Road, Larger Beer (Noble Beer) P.M.B. 437 Ijagbo-Offa  
5. Okin Biscuit Ltd, Ajasse-Ipo Road, Biscuits/Foam  
   P.O. Box 289, Ijagbo-Offa.  
6. Mos-Nak Industries, Muritala Muhammed Snacks and Juice  
   Road, Ilorin  
7. International Tobacco Company, Off Ajasse-Ipo Cigarettes  

STATE AS AT OCTOBER, 2008
8. AF Trac & Sons. Kuntu Road, Ilorin
9. City-Sun Pure Water, Offa
10. Limca (Sagaya Bottling Company) Asa Dam Road, Ilorin
11. Sam Pharmaceutical Coy. Ltd. Pharmaceutical products Adewole Road, Ilorin
12. Raj-Rab Pharmaceutical Coy. Ltd. Pharmaceutical products Coca-Cola Road, Ilorin
13. Tuyil Pharmaceutical, Asa-Dam Pharmaceutical products Road, Ilorin
14. Lubcon, Nig. Ltd. Trade Fair Road, Ilorin
15. Global Soap & Detergent Detergents & Scouring Powder Industries Ltd. Asa-Dam Road, Ilorin
16. Bio-Medical Services Ltd Intravenous infusion of all types Industrial Area, No. 1 Ohunege Road, Ilorin
17. Adisco Nig. Ltd. Ajasse-Ipo Road, Ilorin Generator Assembling
18. Abulenla Furniture, Tanke, Ilorin Furniture
19. Tundyon Investment (Nig.) Ltd. Electric Pole
20. Metal Specification 22/24 & Metal Construction Amilengbe Road, Ilorin
21. FAATECCO Nig. Ltd. Near CBN Qtrs., equipment Ilorin
22. Mesba Engineering Co. Ltd. No. 12 equipment Western Reservoir Road.
23. Moi Engineering Nig. Enterprises No. 7 Agric equipment
24. Segalum Nig. Enterprises. Opposite Olarewaju Aluminium Frames Estate Ajasse-Ipo Rd., P.O. Box 4227, Ilorin
26. Samad Paper Converter Paper products Behind Agip Station, Offa, Garage
31. Decency Printers & Stationery Ltd. Paper 7 Minijidadi Street, Ilorin
32. Unilorin Press, P.M.B 1515, Paper University of Ilorin
33. Nathadex Printers, Sabo-Line, Ilorin Printing
34. United Foam Products Ltd. Asa-Dam, Foam Products New Yidi Rd., Ilorin
35. Pacific Plastics Ltd., Odota, Ilorin Plastics
36. J-Imnis Investment. 183, Ibrahim Taiwo Rd, Ilorin Marble Mining
38. Earth Values & Ventures Nig. Ltd. Solid Minerals Jebba-Road, Ilorin
39. Omega Rocks Nig. Ltd., Ilorin Solid Minerals
40. Nals Dee Industry (Nig.) Ltd., Ilorin Juice, Yoghurt & Water (table)
41. Rabel (Nig.) Ltd. Table water
42. Replastico Nig. Ltd. Plastic Packaging Materials
43. Lub Box Limited Fabrication
44. Carrubox Nig. Ltd. Card Board Packaging materials
45. Kola & Sons Agro-chemicals Cattle salt lick blocks
46. Remto Industries Ltd Bottled/packaged water
47. Kwara Commercial Metal & Chemical Ind. Nig. Rod & slate bars Ltd. Ilorin
48. Kam Industries Nig. Ltd. Nails, binding wire & RBC
49. Padson Industry Ltd Poly ethane
50. BPA Services (Nig.) Ltd. Blast Freer
51. Mercy of God Business Venture
   Bakery
52. Rinde Multipurpose Venture
   Industrial Glue
53. Bakare Aladejama
   Leather Work Shoe & Bags
54. Adessham Poultry
   Equipment Cage, Feeders & Drinkers
55. MO Water
   Sachet Water
56. Efemab Blessing Nigeria Enterprises
   Pounded Yam
57. Fadamo Nigeria Ltd.
   Cassava
58. Ladley Nigeria Ltd.
   Yoghurt
59. J.K.B. Enterprises
   Cassava chips
60. Vedret Nigeria Enterprises
   Industrial Starch
61. Bilewumi Farms
   Eggs, poultry and meat

Ailing Industries In Kwara State
1. Nigerian Yeast & Alcohol Manufacturing
   Portable & Industrial
   Company Ltd. Jebba Road, Bacita, Kwara State
2. Nigerian Sugar Company Ltd, Bacita
   Granulated sugar & molasses
3. United Match Company (Nig.)
   Safety Matches
4. Demosco Ltd., Erinle, Kwara State
   Toilet paper
5. Prime Tissue, Off Trade fair Rd., Ilorin
   Toilet paper
6. Olalomi Industries, Osogbo Road, Ilorin
   Rug (carpet)
7. Onya Farms, Tanke, Ilorin
   Feed Mill
8. Samduke (Nig.) Ltd. No. 6 Ajasse-Ipo Rd.
   Candles & school chalk
   P.O. Box 398, Ilorin
   Steel doors & Windows
10. Kwara Furniture and Manufacturing
    Trunk & Louvres
    Company Rods, Abdulmalik Ind.
    Estate, P.O. Box 232, Ilorin
11. Union Steel Limited, Ajasse-Ipo,
    Iron rods, steel doors and Windows
    Kwara State
12. Prospect Textile Mills (Nig.) Ltd.,
    Industrial and handloom
    P.O. Box 193, Ilorin
13. Nomar-Teccu International Ltd.,
    Hospital equipment & Furniture
    Airport Road, Ilorin
14. Mawab Kaolin Mining & Processing
    Kaolin Processing
    Company, G.R.A., Ilorin
15. Omoniyi Industries
    Detergent
16. Ayo Ayodele Pharmaceutical
    Surgical cotton
    Chemists Nig. Ltd.
17. Singer manufacturing company,
    Sewing machine
    Asa-Dam, New Yidi Road, Ilorin
18. Adeyemi Furniture Work Ltd.,
    Furniture
    Ajasse-Ipo Road
19. Resino Plastics (Nig.) Ltd. Yidi Road,
    PVC Granules
    Asa dam
20. S.A.S. Ventures, Opp. S.S Deen
    Beverage
    Block Industry Adewole, Ilorin
    Paper
22. Kwara Paper Converters Ltd.,
    Paper
    Elerin Way, Erinle
23. Patigi Way, Erinle
24. Patigi Rice Mill
    Rice

APPENDIX III
QUESTIONS IN RELATION TO MEMBERSHIP OF TRADE/BUSINESS ORGANISATIONS

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Is the government efficient in the implementation of SME facilities program?</td>
<td>51</td>
</tr>
<tr>
<td>Are the major inputs into government financed SME support schemes obtained from the SME promoters through the associations?</td>
<td>45</td>
</tr>
<tr>
<td>Does the membership of trade/business association guarantee adequate information?</td>
<td>111</td>
</tr>
<tr>
<td>Are the trade/business associations highly organized and efficient to handle the various SME Financing scheme?</td>
<td>58</td>
</tr>
</tbody>
</table>