

Nexus Between SMEs Growth and Economic Growth and Development

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ABSTRACT

Maintain the goals healthy and sustainable for critical macro-economic is the preoccupation of policy makers all over the world, hence all efforts and initiatives are made by governments and Non-Governmental Organizations (NGOs) to promote entrepreneurship and enhance their contribution to the economic growth and development. It was discovered by Scholars that private sector has dominated the entrepreneurial development policies globally which culminate in Small and Medium Enterprises. Thus support by government given to SMEs is based on potential in ensuring diversification and expansion of industrial production The main objective of this paper therefore is to determine the impact of entrepreneurship development as an enhancer of Small and Medium Scale Enterprises as toward economic growth and development in Nigeria. The population of study are the entrepreneurs in Nigeria and the sample was drawn from three senatorial districts of |Lagos State Nigeria. Five hundred (500) questionnaires were self administered in each of the three senatorial districts. Non parametric statistical tool of Chi Square were used to analysed the returned questionnaires. It was discovered that entrepreneur practices has a significant positive relationship effect on the product innovation and introduction of new product. It is therefore recommended that there should be reengineering on the part of government's response in addressing reported and observed obstacles facing indigenous entrepreneurs in Nigeria.

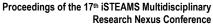
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1. INTRODUCTION

The aim of every policy makers all over the world is to attain healthy and sustainable position for critical macro-economic variables like Gross Domestic Product (GDP), Exchange rate Balance of Payment (BOP), Inflation and unemployment Rate. Maintain these goals have become the preoccupation of these policy makers in every Nations. Entrepreneurship is one of the economic variables that attract the attention of governments and researchers both in the developed and developing countries in the last two decades. Several efforts and initiatives are being made by governments and Non-Governmental Organizations (NGOs) to promote entrepreneurship and enhance their contribution to the economic growth and development of nations. Interests in the entrepreneurial development continue to be in the forefront of policy debates in the developing countries, especially Nigeria. Recently, it was observed by Scholars (Akanni, 2010; Byrd, 2007; Cunningham and Lischeron, 1991) that private sector has dominated the entrepreneurial development policies globally.





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Byrd (2007) opine that the Non-Governmental Organization (NGO) can contribute significantly to economic growth and development in form of job creation, production of varieties of goods and services thereby affecting national prosperity and well-being of the citizens. Major component of NGOs are made up of Small and Medium Enterprises (SMEs) which is considered as the cornerstones for creativity and innovation, and engines of economic growth (Byrd, 2007 and Harris, 2011).

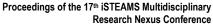
SMEs according to the World Bank and European Union,(EU)Commission refer to those businesses which employ fewer than 250 persons and which have an annual turn over not exceeding 50million Euro and an annual balance sheet total not exceeding 43million euro (EU)Commission,2012. Central Bank of Nigeria (CBN) sees SMEs as those businesses with less than 50 employees (medium scale businesses less than 100). Essentially, SMEs are business entities that are independently owned and operated, and meets employment or sales standard, whose investment in machinery and equipment does not exceed six hundred thousand naira. Whereas concerning world economy, researches on developmental economics have agreed that Small and Medium Scale Enterprises (SMEs) constitute the driving force of industrial growth and development and widely acknowledged as the springboard for sustainable economic development (Collins, Moore, & Unwalle; 2004).

According to UNDP (2010), developing countries including Nigeria, have since the 1970s shown increased interest in the promotion of small and medium scale enterprises for three main reasons: the failure of past industrial policies to generate efficient self-sustaining growth; increased emphasis on self-reliant approach to development and the recognition that dynamic and growing SMEs can contribute substantially to a wide range of developmental objectives. Hence development of SMEs via effective financing options have generate academic debate and growing interest among researchers, policy makers and entrepreneurs, recognizing the immense contribution of the sub-sector to economic growth and development. This is basically due to their great potential in ensuring diversification and expansion of industrial production as well as the attainment of the basic objectives of development. SMEs are expected to utilize local raw materials from agricultural sector and technology obtains from FDI thereby aiding the realization of the goal of self-reliance.

These objectives include efficient use of resources, employment creation, mobilization of domestic savings for investments, encouragement, expansion and development of indigenous entrepreneurship and technology as well as income distribution, among others. Consequently, programmes of assistance in the areas of finance, extension and advisory services, training and provision of infrastructure were designed by the government for the development of SMEs to enhance the attainment of these objectives. However, the full potential of the SMEs in the developmental process have not been realized, owing to various constraints.

Since the 1960s to date, small and medium sized enterprises (SMEs) have been given due recognition especially in the developed nations for playing very important roles towards fostering accelerated economic growth, development and stability within several economies. They make-up the largest proportion of businesses all over the world and play tremendous roles in employment generation, provision of goods and services, creating a better standard of living, as well as immensely contributing to the Gross Domestic Products (GDPs) of many countries.

Developing nations such as Nigeria characterized as low income earners by the World Bank, value SMEs for several reasons, it is expected that on average, decent levels of productivity especially of capital and factors taken together (that is, total productivity factor) while also generating relatively large amount of socio-economic development. This sector (SMEs) is populated by firms most of which have considerable growth potential. SMEs in developing countries achieve productivity increases to a great extent simply by borrowing from the shelf of technologies available in the world (Singh, 2016).





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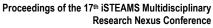
Governments at various levels (local, state and federal levels) have in one way or the other focused on the support development entrepreneur spirit among her citizen in other to grow Small 4 and Medium Scale Enterprises (SMEs) in the country for economic gains. While some governments had formulated policies aimed at facilitating and empowering the growth, development and performance of the SMEs, others had focused on assisting the SMEs to grow through soft loans and other fiscal incentives in order to enhance the socio-economic development of the economy like alleviating poverty, employment generation, enhance human development, and improve social welfare of the people.

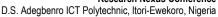
Most of the developed countries, entrepreneurship are seen as unquestionably and viable policy instrument for promoting economic growth, but in developing economy like Nigeria, entrepreneurship has been turned into a myth where realities do not support the image portrayed. The stories about successful entrepreneurs have contributed to the creation of ideas which have promoted the misconception that entrepreneurship actually creates economic growth where data in most developing countries just doesn't seem to support this. Entrepreneurship has been glorified by media stories, biographies of successful entrepreneurs, and events like 'entrepreneurship week', 'business plan competitions', and 'entrepreneurship awards'. Most business schools have developed inspiring spiels about becoming an entrepreneur and many governments have made entrepreneurship the centerpiece of regional development policy. A cursory look at entrepreneurship practices in Nigeria show very little innovation and majority of new Small and Medium Enterprises (SMEs) do not create any new innovation, no record of activities and consequence do not have significant contribute to economic growth.

However, it appears that considering the enormous potentials of the SMEs sector, and despite the acknowledgement of its immense contribution to sustainable economic development, its performance still falls below expectation in many developing countries. This is because the sector in these developing countries has been bedevilled by several factors such as management inability militating against its performance, and leading to an increase in the rate of SMEs failure. These factors include the unfavourable and very harsh economic conditions resulting from unstable government policies; gross under capitalisation, strained by the difficulty in accessing credits from banks and other financial institutions; inadequacies resulting from the highly dilapidated state of Infrastructural facilities; astronomically high operating costs; lack of transparency and corruption; and the lack of interest and lasting support for the SMEs sector by government authorities.

The main objective of this paper therefore is to determine the impact of entrepreneurship development as an enhancer of Small and Medium Scale Enterprises as toward economic growth and development in Nigeria. This paper is divided into four sections, first section is the introduction, second section is on the conceptual framework and the literature review while the next take care of methodology and summary of findings and the last chapter is about the conclusion and recommendations of the work.

The paper's contribution to knowledge is in area of entrepreneurship development as it affects SMEs as a panacea for economic growth and development. The argument is that every owner of business tends to create elitist attitudes and self-orientation which imposes a monocular vision which limits the company's capacity to respond positively and aggressively to business opportunities and changing business conditions. A person who stands head and shoulders over his colleagues in perceived authority can create benefits as well as disadvantages for the business. In cases where he is a poor manager even though a good entrepreneur, his domination might prevent the enterprise from obtaining the skills and methods which are needed for further growth. Tentatively statements to be put to test are; that SMEs does not significantly contribute to economic growth and development. This paper is organized in four (4) sections, section is the introduction, section two(2) is about review of relevant literature while section three (3) is methodology and section four (4) is the summary of findings, conclusion and recommendations.







2. LITERATURE REVIEW

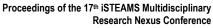
2.1 Conceptual Framework The term entrepreneur emerges from a French word "entreprendre" (Ogundele 2012) which mean to undertake, go between or projector. Ogundele (2012) opine that the term 'entrepreneur' evolved over time; Richard Cantillon in 1734, defines entrepreneur as a non-fixed income earners who pays known costs of production but earn uncertain income, then In 1803, Jean Baptise sees an entrepreneur as an economic agent who unites all means of production, land, labour and capital to manufacture a product or service, through this finished product sales he pays rent, wages, interest and what remains is profit. Then Joseph Schumpeter in 1934 defined entrepreneur as innovators who changes the status-Quo to set up new product or services but David McClelland in 1961 says entrepreneur is a person with a high need for achievement 6 who is energetic and a moderate risk taker. Then Peter Drucker 1964 identified an entrepreneur as one who searches for change, responds to it and exploits opportunities, to Albert Shapero in 1975, entrepreneurs are those who take initiative, accept risk or failure and have an internal Locus of control while Howard Stevenson same year states that entrepreneur is the individual or group who pursue opportunity without regard to resources currently controlled by them. But Ronald May in 2013 sees entrepreneur as someone who commercializes his or her innovations.

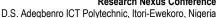
Aderoba and Babajide (2015) posit that entrepreneurship is a dynamic process of vision, change, and creation that requires an application of energy and passion toward the creation and implementation of new ideas and creative solutions. Entrepreneurs are characterized by the need to be independent, to create value, to contribute to family and society, to become rich or, quite often, not to be unemployed. Potential entrepreneurs display initiative and ambition, have business sense and foresight, and are decisive. They are agents of change who accelerate the generation, application and spread of innovative ideas (UNDP, 2010).

United Nations Industrial Development Organization (UNIDO; 2010) defined entrepreneurship as the process of using initiative to transform business concept to new venture, diversify existing venture or enterprise to high growing venture potentials. The entrepreneur acts in a different way. The entrepreneur brings to light a differentiator, something unique, which represents value in the eyes of the buyer or consumer. The idea is that the person at the helm should consider the organisation as operating under a process designed to provide "value" to the consumer. When all aspects of the business are geared towards achieving this goal – that is, value to the customer or a perception of it – then, such an organisation is entrepreneurial or represents entrepreneurship.

In conclusion therefore, entrepreneur is someone who perceives or senses opportunity where others fear rejection, who refused to see obstacles but challenges and his mindset is tuned to success, and not failure though he is aware of the possibility. They are optimists who see the cup as half full rather than half empty. They strive for integrity. They burn with the competitive desire to excel. They use failure as a tool for learning. They have enough confidence in themselves to believe that they personally can make a major difference in the final outcome of their ventures. The substantial failure rate of new ventures attests to the difficulty of entrepreneurship. Inexperience and incompetent management are the main reasons for failure. But what are the factors for success? Do they apply to all components of entrepreneurship? These are some of the issues we shall explore.

Yahaya and Durodola, (2018) in agreement with Cunningham and Lischeron, (1991) opine that Scholars have not agreed on common definition for the concept of Small Scale Enterprises (SMEs, he posit that classification of businesses into large, medium or small scale is a subjective and qualitative judgment and subjected to dynamism in their environment. Changes observed in the business environment influence these classifications, thus it aimed at setting limits (lower and upper limits) in other to achieve the purpose. Such classification may be in terms of level of capitalization, where National Economic Reconstruction Fund (NERFUND; 2000) put the limit on capital investments







for Small Scale Industries at ₹10 million and in Section 376(2) of the Companies and Allied matters Decree (CAMD) of 1990 a small company is defined as one with a turnover of not more than ₹2 million and net asset value of not more than ₹1 million. SMEs can also be classified according to sales volume, employment generation (i.e. number of paid employees) like definition given at the 13th meeting of National Council on Industries (NCI) where it was classified as: Micro-Enterprises, that enterprise with asset worth not more than ₹1.5 million (excluding land) and employing not more than 10 people, Small Enterprises as enterprise having asset worth not more than ₹50 million and employing not more than 100 people and Medium Enterprises as enterprise with assets worth not more than ₹200 million and employing not more than 300 people.

2.2 Entrepreneur Models

The term entrepreneur itself is used in reference to the individual or the function, the term is variously defined as a person who organizes, operates, and assumes the risk for a business venture (The American Heritage Dictionary of the English Language, 2010), while Webster's Revised Unabridged Dictionary (2009) see entrepreneur as the one who creates a product on his own account; whoever undertakes on his own account an industrial enterprise in which workmen are employed. Entrepreneur can be model in following ways;

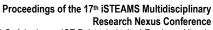
Economic Model: The economic perspective of the entrepreneur dates back to Cantillon (1755) who first recognized the crucial role entrepreneurs played on economic development. His early definition was founded on the importance of intellectual property rights and, by implication, the need to be creative. Say (1803) advanced the notion to one that is pivotal in the economy and one that acted as a catalyst for change. Kirzner (2003), through "one alert to profitable opportunities for exchange" added breadth to the definition by introducing a competitive environment 8 boundary scanning dimension, open to opportunities but also possessing the skills to identify suppliers and customers who whom they could act as intermediary. Modern management techniques, in particular just-in-time management has added the need to apply business rounded quality metrics to these relationships thereby elevating the competence set required to identify and establish effective customer/supplier relationship management.

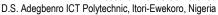
Sociological Model: The sociological perspective focuses on the role society plays in shaping entrepreneurs and on the impact entrepreneurs have on society. Sociologist Collins (1964) identified "Craftsman" entrepreneurs as an individuals who follow in the footsteps of family relations or role models who gave them early exposure to the craft they decide to follow as an entrepreneur. Also Collins (1964) identified a Like father like son entrepreneur: entrepreneur who is closely aligned to the craftsman entrepreneur; this type of entrepreneur enters a business with father/mother as role model. Others include:

Off the farm entrepreneurs; individuals who have a fundamental dislike for, or σ disagreement with their upbringing or some aspect of it. This engenders a strong desire to break away from the mould and be different.

Opportunistic entrepreneurs: The opportunistic entrepreneur is one who seizes ϖ opportunities as and when they arise. The opportunities need not necessarily fit any predetermined strategy and can be diverse and disconnected in nature.

Trained entrepreneurs: Individuals who have undergone training in the component ϖ skills of enterprise such as those offered in some MBA programmes. But Hornaday (1990) gives a simpler classification which he titled **Craftsman**, it includes individuals who provide a product or service directly to ϖ customers and who generally enjoy doing so.







The Promoter:

This type includes the 'go-between' or 'wheeler-dealer' whose primary objective is to increase their personal wealth.

Professional Manager: the owner/manager who, generally adopts a more professional or σ structured approach to building their business, often as a 'little big business'.

2.3 Constraints to Entrepreneurship practices in Nigeria Kawonise (2011) examined the origin and performance of indigenous entrepreneurs in the bakery industry in Lagos, Nigeria as part of his doctorate degree. He discovered that indigenous entrepreneurs were energetic and effective in their perception of opportunities and acquisition of resources in running their organization. He observed that the major problems were in the realm of management control and technology. He therefore highlighted factors that affected the practices of entrepreneurship in Nigeria as follows; 1. Perception of market opportunities 2. Gaining command over scarce resources 3. Purchasing inputs 4. Marketing of products and responding to competition 5. Dealing with public bureaucracy 6. Management of human relations with the firm 7. Financial management 8. Management of customers and supplier-relations 9. Production management 10. Acquisition and overseeing of assembly of factory 11. Industrial engineering 12. Upgrading processes and product quality 13. Introduction of new production techniques and products. Others were entrepreneurial motivation, the extended family system, the propensity to re-invest his/her profit and the ethnic distribution of entrepreneurial propensities.

3. METHODOLOGY

3.1. Population and Data Collection

The target population for this research are the entrepreneurs drawn from three senatorial districts of Lagos represented by Alimosho representing Lagos West Senatorial District, Yaba representing Lagos Central Senatorial District and Epe representing Lagos East Senatorial District. Questionnaires were self-administered to five hundred (500) entrepreneurs which comprise the research sample selected from each of the three senatorial districts in Lagos State through the purposive random sampling technique. The purpose of the study was explained and 10 the procedures for filling out the questionnaire and answer any question in regard to any of the questionnaire's statements.

Prior to finalizing the questionnaire, technocrat in field of entrepreneur thoroughly refined it, assuring content validity, relevance and, representativeness. Next, it was pre-tested through 50 pilot studies where the questionnaires were administered to business owners Lagos West Senatorial District. The respondents were informed of the confidentiality of their responses and purpose of the project which was for academic purpose. They were also promised to be given a summary of the research findings and this promise was fulfilled at the end of the study. Given the non-Yoruba research context, the questionnaire was translated and, back-translated to ensure that the underlying theoretical meaning of each of the questions was not lost during the translation process. 500 questionnaires were distributed and recovered over period of five days.

Five (5) of the respondents misplace their questionnaires and it was replaced immediately hence 500 filled questionnaires were recovered in time for the analyses. To ensure that there is no element of non-response bias, a comparison was made between early respondents (Pilot Study) and late respondents (during the second month) by using independent t-tests on the constructs of interest for this study. No significant difference was found and this suggested that the whole population is free from response bias.



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3.2 Analysis

Descriptive information of the sample revealed that 80% of respondents were male while 20% of the respondents were female. Additionally, 30% of the total respondents were above 51 years of age while those between 41 to 50 years are the majority with 43%. Those on age group 30 to 40 years are 22% and those below 30 years are 5%. Marital status of the respondents' show that 75% are married, 6% are single, 11% are divorced and 8% are widow. Analyses of the educational qualification of the respondents show that 57% have Secondary School Certificate or its equivalent, 20% have National Diploma or its equivalent, 20% are graduates of either university or Higher Diploma or its equivalent while 3% have higher qualification. The years of experience of respondents show that those who have below 5 years on the job are 22% those with 5 to 10 years are 34% and those with 11 years and above are 44%.

Distribution of respondents according to vocation show that majority of the respondents are into retail trading with 74% of the total respondents while 15% are into manufacturing, 7% are into 11 agriculture and 4% are into animal husbandry. On an average, majority of the respondents are aware of various policies by government on entrepreneurship practices in Nigeria with 65% while the 10% are not aware and the remaining disagreed that there is policy.

3.3 Hypotheses Testing

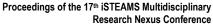
The measurement model test presented a good fit between the data and the proposed measurement model. For instance, the Chi Square/degrees of freedom (396/194) were used because of the inherent difficulty with the sample size. The X^2 /d.f value was 2.04 which falls in the recommended range of two and five as suggested by Joreskog and Sorbom (2003) and this shows that the model has a good fit to the data. The various goodness-of-fit statistics are shown in Table below.

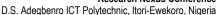
Hypothesis I: That SMEs does not significantly contribute to economic development Table 1: Chi Square (X ²): Analysis Respondents of Entrepreneur Practices (EP) and Product Innovation (PI)

Table 1: Contributions of SMEs to Economic Development

SN	Responses	Freq	%	X ² Cal	X ² Table	df	LS	Remarks
6	Yes	305	61					
	No	195	39					
	Total	500	100					Sig
7	Yes	400	80.0					
	DK	30	6.0					
	No	70	14.0					
	Total	500	100.0					Sig
8	Yes	345	69.0					
	DK	25	5.0					
	No	130	26.0					
	Total	500	100					
13	Yes	450	90.0					
	Dk	40	8.0					
	No	10	2.0					
	Total	500	100.0	62.72	7.82	3	0.05	Sig

Note: Chi Square Calculated=62.72, Degree of Freedom=3 at P>0.05







Decision: In Table 1 presents the significant structural relationship among the research variables and the standardized path coefficients. The Chi Square Calculated is 62.72 while Chi Square Table equal 12 7.82 with degree of Freedom (df) =3 at 0.05 Level of Significant level (LS) and P < 0.01). It is observed that Chi square (X2) Table is less than Chi square (X2) Calculated. The hypotheses were strongly supported. The result indicated that SMEs does not significantly contribute to economic development. **Section IV**: Summary of Findings, Conclusion and Recommendations

4. SUMMARY OF FINDINGS

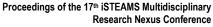
It was discovered that entrepreneurs that formed the respondents of the research has demographic features common to the other across the three senatorial districts of Lagos State especially the distribution of respondents according to age and gender. It is also noticed that entrepreneur practices is common among the retirees, reason why the age distribution is above national average of working population. Considering the demographic analysis according to National Population Census (2006) reveals that percentage of widow in the three senatorial districts is 5%. From the demographic analyses it was ascertained that average educational qualification of the respondents are Secondary School Certificate or its equivalent and those respondents have been on the enterprises for 11 years and above and most of these respondents are into retail trading with 74% of the total respondents. The analyses show that enterprises involve in manufacturing are few and most of the entrepreneurs are aware of government initiative aim at developing entrepreneurship practices in Nigeria.

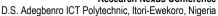
It was discovered that entrepreneur practices has a significant positive relationship effect on the product innovation and introduction of new product. These products were created in line with people in the community's demand. These products are are meant to add value to their life one way of the other. It is curtained that entrepreneur practices (EP) has a no significant positive relationship with Government Policies. That is government's intervention policy has not been able to influenced practices of entrepreneurial practices in the senatorial districts.

5. CONCLUSION AND RECOMMENDATIONS

This paper attempts to provide a linkage between entrepreneurial practices and development of business enterprises in Nigeria. It shows the relationships between practices of indigenous entrepreneurs in Nigeria and patterns of development of business enterprises in line with government aids and supports. Government has also put in place financial institutions to aid 13 those enterprises e.g. Peoples Bank, National Economic Reconstruction Fund (NERFUND) and Central Bank of Nigeria made deductions from gross profits of banks to be invested in SMEs as equity shares holdings. The National Directorate of Employment (NDE) and National Poverty Eradication Programme (NAPEP) are put in place to provide training and financial assistance to SMEs entrepreneurs. Each of the states of the Federation also has their own entrepreneurial development programmes that are complementary to the Federal Government efforts. There is also the Small and Medium Enterprises Development Agency (SMEDA),

The National Economy Empowerment and Development Strategy (NEEDS) with its state and local government system fashion (SEEDS and LEEDS) put in place by the federal government in their efforts in developing indigenous entrepreneurs. This paper shows clearly that the government and other bodies concerned with the development of indigenous entrepreneurs have concentrated their effort on providing financial support which did not get to the local entrepreneur and training in technical and managerial competences. These negative consequences should be tackled to enable the country produce entrepreneurs that will be committed to the development of the country. The emphasis in this paper on the dimension of entrepreneurship development is further informed by one of the major thrust policies of National Economic Empowerment and Development Strategy (NEEDS) which is values-reorientation of the populace for the successful implementation of this economic development programme.







Since growing the private sector in which the indigenous entrepreneurs are involved is another major policy thrust the emphasis on this major omission is not misplaced. Also Federal government established Industrial Development Centres (IDCs) one each in every state of the Federation. There are four zonal centres in Owerri, Oshogbo, Zaria and Bauchi. These four centres have workshops that provide services for would be and actual entrepreneurs in metal and wood works, leather, textile, automobile, ceramics and electrical/electronic areas. The IDCs system was introduced to provide grassroot support to the development of small and medium scale entrepreneurs. The government and its agencies, the educational institutions and the international organizations and agencies in their efforts assumed that entrepreneurs and people in charge of programmes relating to them would be ethical in their behavior, it is then assumed that government official would be ethical in the discharge of their duties and that entrepreneurs would also be ethical in their behaviour. This can be linked with discovery that non-utilization of 12 billion Naira 14 deducted from banks' profits for investment in equity shares in SMEs in Nigeria. Banks feeling that the SMEs are not properly place to put their money and SMEs feel that if banks come in they may take over their businesses; these mutual suspicions by the parties are based on ethical issues.

It is therefore recommended that there should be reengineering on the part of government's response in addressing reported and observed obstacles facing indigenous entrepreneurs in Nigeria. Though government is doing a lot in principle not much has been achieved in reality. There are several research institutions that have succeeded in developing myriads of simple technologies, technical tools and innovations, there is need to open more of these IDCs in rural area for maximum effect and on the spot effect. Tertiary educational institutions, especially the Polytechnics and Universities have fashioned out small business management and entrepreneurship development course to equip existing and would be entrepreneurs with necessary technical and managerial skills. Also, international organizations and associations had given support in forms of fund and training programmes for entrepreneurs e.g. The Commonwealth and Ford Foundation. Where then is the missing link.



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