Constraints Facing Firms in Developing Countries: A Survey of Nigerian Small and Medium scale Enterprises

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Abstract
This study investigated the constraints facing Small and Medium-scale Enterprises (SMEs) in southwestern Nigeria. Both questionnaire and structured interview were used in obtaining data for the study. A total of 1,247 questionnaires were administered on four lines of business using stratified random sampling of which 996 representing 79.87% were returned and found suitable for analysis. This was supplemented with interviews of 38 SME Owners/Managers. Descriptive statistics such as mean, median, frequency tables and percentages were used to analyse the data obtained. The study identified major constraints confronting the selected SMEs in the study area as the inability of the SMEs to have access to finance/capital, high utility tariffs such as rent and electricity/power, marketing problems. Besides, lack/Inadequacy of basic infrastructural facilities such as electricity, environmental problems, inadequate support from government and financial institutions, multiple taxes and unauthorized levies, government policy inconsistencies, and unfair Competition were constraints affecting the operations and growing of selected SMEs in southwestern part of Nigeria. This current study therefore concludes that governments should give priority to issue of power generation and distribution in the country, lower their prime rates and review requirements for accessing bank loan, and introduced some form of tax incentives to banks involved in SME lending in order to encourage banks to take “reasonable risk” by lending to SMEs.

Keywords: Constraint, Small and Medium Scale Enterprises, Southwestern Nigeria.

1.1 Introduction
Small and Medium-sized Enterprises (SMEs) have grown in the developed economies and some developing countries, such as United States of America, United Kingdom, Japan, China, India, Singapore, e.t.c. However, rarely are domestic SMEs in most developing countries such as, Nigeria, adequately organised to perform such tasks as identifying technological needs, boosting export, and employment creation (Tambunan, 2011; Ugwushi, 2009; OECD, 2008).

A cursory examination of SMEs sector in Nigeria shows that its potentials at boosting the economy have not been fully explored. For instance, SMEs contribute about 10 percent of the country’s Gross Domestic Product (Johnson, 2011; Sanisi, 2011). These contrast sharply with the situation in developed countries such as United Kingdom, United States of America and some emerging economies such as Indonesia, India, Singapore e.t.c. where SMEs employs about 55 percent of the work force and contributes up to 50 percent of the Gross Domestic Product (Chibuzor, 2003).

The Nigerian government, over the years, has designed and implemented several policies and incentives, such as the Small-Scale Industrial Credit Scheme, Industrial Development Centres (IDC), Small and Medium Scale Enterprises Development Agency (SMEDA), Bank of Industry (BOI), National Economic Reconstruction Fund (NERFUND), Export Credit Guarantee Scheme, National Directorate of Employment (NDE), Micro Credit Scheme for SMEs, and Free Trade and Export Processing Zones, to give financial, technical and managerial assistance to small and medium scale enterprises all in a bid to encourage the growth of this sector, and make it a spring board of attaining the country’s vision 20:2020 (that is, be among the top 20 economies in the world in the year 2020).

However, despite all these laudable contributions to the sustainable growth of this sector by Nigerian government, SMEs are yet to assume the developmental roles assigned to it (Johnson, 2011; Oyelaran-Oyeyinka & Mc Cormick, 2007; Osamwonyi & Tafamel, 2010; Osotimehin, Jegede, & Akinlabi, 2012). The pertinent question that need to be asked is why had SMEs in most developing countries, particularly Nigeria, failed in this regard? Adequate information is needed on a number of
issues hindering the SMEs in playing their expected roles. Thus, an empirical investigation of the constraints facing the country’s SMEs in this era of trade openness and competition is considered necessary, if the country is to sustain its position in Africa continent as the biggest economy and attain its vision 20:2020.

1.2 Conceptual Definition and Literature Review

1.2.1 Small and Medium Scale Enterprises: the Nigerian Context

Numerous scholars have attempted to define the concept of SME in Nigeria. For instance, according to Omisakin (1999), the Central Bank of Nigeria states that in the area of commercial banks, small scale industries are those with annual turnover not exceeding N5 million ($30,303). The Nigerian Industrial Development Bank (NIDB) now Bank of Industry (BOI) defines as small scale, industries with project cost (investment and working capital) not exceeding N3 million ($18,182). Moreover, the National Economic Reconstruction Fund (NERFUND) defined small-scale industries as those with fixed assets other than land but inclusive of the cost of new investment as not exceeding N10 million ($60,606). In the Federal Ministry of Commerce and Industry’s guidelines to the Nigerian Bank for Commerce and Industries (NBCI) in 1981/82, small scale enterprises are those with total investment cost not more than N500,000 ($3,030) (excluding cost of land but including working capital). However, the NBCI, in its agreement with the World Bank, over the same period, defined small scale enterprises as one with project cost not exceeding N300,000 ($1,818) and with cost per job created not more than N7,500 ($45.5). Yet some states and institutions in Nigeria have reduced the capital base for the industry to as low as N150, 000 ($909.1) and N250, 000 ($1,515.2) respectively (Olayiwola & Adeleye, 2005). The Centre for Industrial Research and Development (CIRD) at the Obafemi Awolowo University, Ile-Ife (1979) had defined a small scale industry as an enterprise having a capital base excluding land of between 1 and 20 million ($6,060.6 and $121,212) and employing fewer than 50 full time workers (Johnson, 2006).

As in developed economies, Nigeria with the introduction of the National Policy on Micro, Small and Medium Scale Enterprises (MSMEs) has recently addressed the issue of definition as to what constitutes micro, small and medium enterprises. The definition adopts a classification based on dual criteria, employment and assets (excluding land and buildings) as shown below.

- Micro Scale Enterprises are those enterprises whose total assets (excluding land and buildings) are less than Five Million Naira ($30,303) with a workforce not exceeding ten employees.
- Small Scale Enterprises are those enterprises whose total assets (excluding land and building) are above Five Million Naira ($30,303) but not exceeding Fifty Million Naira ($303,030) with a total workforce of above ten, but not exceeding forty-nine employees.
- Medium Scale Enterprises are those enterprises with total assets (excluding land and building) above Fifty Million Naira ($303,030), but not exceeding Five Hundred Million Naira ($3,030,303) with a total workforce of between 50 and 199 employees.

This paper adopted the SME definition given by the National Policy on Micro, Small and Medium Scale Enterprises (MSMEs).

1.2.2 SMEs Constraints in Developing Countries

Despite the potential role of SMEs to accelerate growth and job creation in developing countries, a number of bottlenecks hamper their ability to realize their full potentials. SME development is hampered by a number of factors, including finance, lack of managerial skills, equipment and technology, regulatory issues, and access to international markets (Anheier & Seibel, 1987; Fatai, 2011; Gockel & Akoena, 2002; Steel & Webster, 1991). It is worrisome that despite the incentives, favourable policies and regulations, and preferential support by government aimed at improving small and medium scale enterprises, SMEs have performed below expectation in developing countries particularly Nigeria (Fatai, 2011), while the challenges associated to small and medium scale enterprises and their failure has been widely acclaimed. Some of these include lack of planning, inimical government regulations, poor marketing strategies, lack of technical know-how, and lack of capital (Aftab & Rahim, 1998; Ekpeyong & Nyang, 1992; Onugu, 2005; Ogechukwu, 2006).
Yet some of the challenges of the SMEs are induced by the operating environment (government policy, globalisation effects, financial institutions, etc). Others are functions of the nature and character of SMEs themselves (Onugu, 2005).

One important problem that SMEs often face is access to capital. This is reflected in perception questions answered by SME owners in many surveys (Abor & Biekpe 2006, 2007; Aryeetey, 1998; BEES, 1995; Graham & Quattara, 1996; Lader, 1996; Rwingema & Karungu, 1999; Sowa, Baah-Nuakoh & Osei, 1992; Bigsten, Gebreeyesus, & Soderborn, (2009).). Lack of adequate financial resources places significant constraints on SME development in mostly all the developing countries. Cook and Nixson (2000) observe that notwithstanding the recognition of the role of SMEs in the development process in many developing countries, SMEs development is always constrained by the limited availability of financial resources to meet a variety of operational and investment needs. A World Bank study found that about 90% of small enterprises surveyed stated that credit was a major constraint to new investment (Parker, Riopelle, & Steel, 1995). Levy (1993) also found that there is limited access to financial resources available to smaller enterprises compared to larger organisations and the consequences for their growth and development. The role of finance has been viewed as a critical element for the development of SMEs (Cook & Nixson, 2000).

The situation is the same in Nigeria, the association of Nigerian Development Finance Institutions in 2004 issued a statement in relation to why SMEs performed poorly in Nigeria. Truly, finance is usually a constraint to SMEs and while this may be true, empirical evidence shows that finance contributes to only about 25 per cent of the success of SMEs (Ogujuiba, Ohuche, & Adenuga, 2004). Thus the creation of other appropriate support system and enabling environment are indispensable for the success of SMEs in Nigeria. In Nigeria most SMEs are folding up or lack competitiveness because they lack the much required financial capacity to prosecute their manufacturing concern. Most of these enterprises cannot access loan on a long and short term basis. In a World Bank report in 2001, it was reported that almost 50 per cent of micro, 39 and 37 per cent of the small and medium scale firm are financially constrained in Nigeria as opposed to 25 per cent of the very large firm (World Bank, 2001). The implication of this shows that small and medium scale enterprises are either discriminated against or cannot access funds at the credit market. In addition to this, the financial stringent attached to loan and credit also discourage industries from accessing credit from the bank. This factor has largely undermined the capacity of small and medium scale enterprises in Nigeria. Even where SMEs can access the loan, it is usually a short term loan and what SMEs required in building capacity is a long term loan which can be rolled on investment overtime (Fatai, 2011).

In addition to the problems raised above, SMEs in Nigeria as reported in Fatai (2011) are battling with serious internal problems. These problems range from poor management practice, poor accounting standards, shortage of manpower, financial indiscipline, and corruption. The reasons why most SMEs have been unable to improve are due to poor management knowledge and practices, transparent organisation set up, succession plan, entrepreneurial skills, strategic business plan, etc. The dearth of such skills in most SMEs due to inadequate educational professional and technical background on the part of the owners and employees of SMEs has plunged SMEs into further crisis. He posited that SMEs ignore basic management procedure and thus run business as a family affair by undermining proper bookkeeping, accounting and managerial practices. Because of the way the business management and accountability measures are ignored, reckless financial administration, wrong investment decision, and corruption becomes the order of the day in most of the Nigerian SMEs (Omolola, 2008). These were established by the study conducted by Taiwo, Ayodeji, and Yusuf (2012), according to them the most common constraints hindering small and medium scale business growth in Nigeria are lack of financial support, poor management, corruption, lack of training and experience, poor infrastructure, insufficient profits, and low demand for product and services.

According to Kayanula and Quartey (2000) there is still a skills gap in the SME sector as a whole. This is because entrepreneurs cannot afford the high cost of training and services while others do not see the need to upgrade their skills due to complacency. In advisory terms of technology, SMEs often have difficulties in gaining access to appropriate technologies and information on available
techniques (Aryeetey et al., 1998). In most cases, SMEs utilise foreign technology with a scarce percentage of shared ownership or leasing. They usually acquire foreign licenses, because local patents are difficult to obtain. Regulatory constraints also pose serious challenges to SME development and although wide ranging structural reforms have led to some improvements, prospects for enterprise development remain to be addressed at the firm-level. The high start-up costs for firms, including licensing and registration requirements, can impose excessive and unnecessary burdens on SMEs. The high cost of settling legal claims, and excessive delays in court proceedings adversely affect SME operations.

Abor and Quartey (2010) stressed that the cumbersome procedure for registering and commencing SME businesses are key issues often cited in the case of Ghana. The World Bank Doing Business Report (2006) indicated that it takes 127 days to deal with licensing issues and there are 16 procedures involved in licensing a business in Ghana. It takes longer (176 days) in South Africa and there were 18 procedures involved in dealing with licensing issues. Meanwhile, the absence of antitrust legislation favours larger firms and the lack of protection for property rights limits SMEs’ access to foreign technologies (Kayanula & Quartey, 2000). Previously insulated from international competition, many SMEs are now faced with greater external competition and the need to expand market share. However, their limited international marketing experience, poor quality control and product standardisation, and little access to international partners, continue to impede SMEs’ expansion into international markets (Aryeetey et al., 1994). They also lack the necessary information about foreign markets.

It is worth noting that some studies have stressed non-financial factors that hinder the development of SMEs in developing economies. Green, Kimuyu, Manos, and Murinde (2002) listed non-financial requirements such as identifying a product and a market, acquiring any necessary property rights or licenses, and keeping proper records are all in some sense more fundamental to running a small enterprise than is finance. Some studies have consequently shown that a large number of small enterprises fail because of non-financial reasons. Other constraints SMEs face include: lack of access to appropriate technology; the existence of laws, regulations, and rules that impede the development of the sector; weak institutional capacity; and lack of management skills and training (Kayanula & Quartey, 2000; Parker et al., 1995; Sowa et al., 1992). However, potential providers of finance, whether formal or informal, are unlikely to commit funds to a business which they view as not being on a sound footing, irrespective of the exact nature of the unsoundness (Abor & Quartey, 2010). Lack of funds may be the immediate reason for a business failing to start or to progress, even when the more fundamental reason lies elsewhere. Finance is said to be the “glue” that holds together all the diverse aspects involved in small business start-up and development (Green et al., 2002).

1.3 Study Methodology
The current research study employed the survey research design. Six state capitals in the Southwestern Nigeria was purposively selected for the study because of a high concentration of SMEs in the area. Data for the study were obtained from a survey of SMEs that have employees of between 10 and 300, registered with Small and Medium Scale Enterprises Development Agency of Nigeria (SMEDAN), and engaged in manufacturing, trade and distribution, services, and agro-allied activities. A total population of 6,239 SMEs was identified for the study. Out of these 1,247 SMEs representing 20% were selected for survey in the study area using a stratified random sampling technique. Data for the study were collected using questionnaire and face-to-face interview with SME Owners/Managers. A total of 1,247 questionnaires were administered on four lines of business using stratified random sampling of which 996 representing 78.87% were returned and found suitable for analysis. This was supplemented with interviews of 38 SME Owners/Managers. The owners/managers of the sampled SMEs in southwestern Nigeria were asked to rate the twenty four items in the survey questionnaire given to them according to their perception. This study adopted descriptive statistics such as mean, median, frequency tables and percentages to identify the constraints facing SMEs in the study area. The internal consistency of the variables used was tested using Cronbach’s Alpha.
1.4 Discussion of Findings

The study shows that majority of the SMEs owners/managers have formal education. Besides, the level of literacy among the SMEs owners is very high. For instance, 99% and 74.8% of the business owners/managers attended a minimum of elementary education and had one tertiary education certificate or the other respectively. This is in support of the previous study of Bowale and Akinlo (2012) which noted that level of education and literacy among SMEs’ owners in Southwest Nigeria is high. Also the study shows that 80% of the sampled SMEs had been in operation within the last 15 years. Only 9% had been in operation for more than 25 years. The proportion of SMEs that were established within last 5 years (16.7%) was low when compared with the proportion of those that were established between 6 and 10 years (25.95%) and between 11 and 15 years ago (29.3%). This shows that the number of SMEs established or surviving in the region in the last 15 years is decreasing. But the fact that a sizeable number of the SMEs had been in operation for the past 15 years is a sign of improvement in the survival rate of the SMEs in South-West Nigeria. Besides, 92.4% of SMEs operating in the South-West Nigeria were small businesses with less than 50 workers. Moreover, trade & distribution was the most common form of business that the selected SMEs were engaged in. This is represented by 43.8%. This was followed by manufacturing (26.8%), service (25.4%), and agro-allied businesses (4.40%).

Note: This table provides descriptive statistics of characteristics of the sampled SMEs in southwest of Nigeria.

It is widely acknowledged all over the world that SMEs are faced with lots of challenges in their operations and this was not different from the responses received from our target respondents. SMEs operators who took part in the study were however asked to rank the major constraints they face in operating and growing their businesses. Twenty four (24) items were used in the survey to capture the problems facing the selected SMEs. Cronbach’s Alpha was computed inorder to ascertain the internal reliability of the items. The initial value of Cronbath’s Alpha was 0.801. All the 24 items had corrected item-total correlation that were greater than 0.10 except one item- incompetent employees that had 0.86. Thus, this item was dropped inorder to increase the value of Cronbath’s Alpha. The value of the recomputed Cronbach’s Alpha increased to 0.809, this was considered to be excellent. According to Hair, Black, Babin, and Anderson (2010), a measure is reliable if its alpha is 0.60 or
higher. The remaining twenty-three items were subjected to descriptive statistics. Table 2 revealed the prominent problems confronting SMEs in southwestern Nigeria.

Inability of the SMEs to have access to finance/capital as a result of high interest rate, lack of collateral security, and short time payback period was identified as major constraints of selected SMEs. This is shown by the Mean of 4.15, Median of 4.00, and Standard Deviation (SD) of 0.862 on a 5-point Likert scale. The next constrain with high Mean presented in Table 2 is the inadequacy of basic infrastructural facilities such as good road network, electricity etc. The Mean, Median, and Standard Deviation were 4.08, 4.00, and 0.917 respectively. High utility tariffs such electricity and rent/epileptic power supply was another major problem facing SMEs in southwestern Nigeria with Mean = 3.99, Median = 4.00, and SD = 1.005. Other significant internal constraints confronting SMEs were marketing related problems such as low patronage of locally produced goods by government and non-government agencies and departments (Mean = 3.98; Median = 4.00; SD = 0.947); inadequate information about business environment (Mean = 3.90; Median = 4.00; SD = 1.050); environmental problems such as harassment by tax authorities insecurity, bribery and corruption etc (Mean = 3.81; Median = 4.00; SD = 1.042), and inadequate support from government and financial institutions (Mean = 3.73; Median = 4.00; SD = 1.105).

Table 2 also revealed that lack of formal & adequate planning and record keeping processes (Mean = 3.40; Median = 4.00; SD = 1.179), multiple taxes and unauthorized levies- includes unauthorized levies and taxes, high taxes (Mean = 3.37; Median = 3.00; SD = 1.146), Unfair Competition – includes dumping of fake/cheap, sub-standard goods, unfavourable tariff structure for finished goods, smuggling etc. (Mean = 3.30; Median = 3.00; SD = 1.53), low business income (Mean = 3.19; Median = 3.00; SD = 1.188), government policy inconsistencies (Mean = 3.19; Median = 3.00; SD = 1.19), incompetent employees (Mean = 3.06; Median = 3.00; SD = 1.25), and poor management skills (Mean = 2.64; Median = 3.00; SD = 1.134), had mean and median that were above average and significant.

However, narrow product/service range, high cost and non-availability of raw materials locally, inappropriate policies and non-implementation of existing policies, lack of foreign investment/cooperation, high dependence on imported raw materials, high foreign exchange, and high wages had Mean 2.44, 2.39, 2.37, 2.36, 2.21, 2.03; median 2.00, and Standard Deviation 1.186, 1.175, 1.170, 1.163, 1.139, 0.978 respectively. These were not significant problems confronting the sampled SMEs in southwest Nigeria as their Means were far below average.

The problems highlighted above were in line with the responses of the interviewees for the study. All together, 38 interviewees were selected. The respondents comprises of the sampled SMEs’ owners or their representatives. Bulk of the interview was conducted in Lagos and Ibadan. All the 38 (100%) SMEs owners/representatives interviewed mentioned epileptic power supply/high cost of generating power as major challenges facing them. This was followed by inadequate fund mostly among the small businesses. Out of the 9 manufacturing SMEs interviewed, 6 (67%) agreed that high distribution cost was a problem facing them. Majority of the SMEs’ owners/representatives accepted that poor infrastructure, multiple taxations and low business income were challenges. High cost of renting premises was also mentioned mostly by SMEs operating in Lagos State and its environment.

In assessing the level of agreement among the respondents on the extent to which the various challenges affected their enterprises in this trade liberalisation period, the Kendall’s Coefficient of Concordance was conducted. The result is presented in Table 2. The result revealed that only 40.1% (0.401) of the SMEs selected in the Southwest Nigeria were unanimous in rating the extent of the challenges confronting them in the post-trade liberalisation era. This shows that the SMEs had varied opinions on the extent to which the identified constraints affect them. Thus, what is perceived by one SME to be its highest challenge might be seen by another SME as a less challenge. This might be due to the fact that, these SMEs had varied categories of enterprises they engaged in; ranging from Trade, Services, Manufacturing, and Agro-allied. In appreciation of their diverse businesses, it is not unexpected that some of them may have unique problems peculiar to their distinct business types. Since their economic backgrounds varied, this might influence the low Kendall’s W or their low agreement on the ranking of the constraints. They do not belong to the same business categories hence
the differences in opinions about the challenges they face. Even though, the Kendall’s W was not high ($KC = .401$), it was still significant ($p < .0001$). This means that some of them had common problems and this cannot be ignored.

Findings from the current study are consistent with other research on the problems of SMEs in the emerging and developing economies. For instance, Osotimehin, et al, (2012) discovered that the problems of small and medium ventures include the lack of capital, operating equipment, and poor business environment, lowered the sudden growth of the enterprises in Nigeria. Also, Agwu and Emeti (2014) find that poor financing, inadequate social infrastructures, lack of managerial skills and multiple taxation were major challenges confronting SMEs in Nigeria. Moreover, Osamwonyi and Tafamal, (2010) examine the challenging facing SMEs in Nigeria, their major findings include lack of management skill, poor record keeping, weak access to financing, multiple taxation, and inconsistent policies. Besides, Bakare and Babatunde, (2014) find that inadequate financing; multiple taxation; unfair competition; and unfavourable consumer behavior as major challenges inhibit the growth and development of SMEs in Nigeria. The findings also confirm some of the previous studies (Ayodeji & Balcioglu, 2010; Stefanovića, Miloševićb & Miletić, 2009). Besides, the findings are in line with some of the existing study (Ocloo, Akaba, & Worwui-Brown, 2014; Mabe, Mabe & Codjoe, 2013; ) that find high cost of renting premises, high wages, high interest rate, high income and property taxes, high inflation, low income, unfavourable government policies and regulations, and small market size as major constraints confronting SMEs in developing countries.

**Table 2**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>Median</th>
<th>SD</th>
<th>Min</th>
<th>Max</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inability to have access to finance/capital as a result of high interest rate, collateral security, short time payback etc</td>
<td>4.15</td>
<td>4.00</td>
<td>0.86</td>
<td>1</td>
<td>5</td>
<td>996</td>
</tr>
<tr>
<td>Inadequacy of basic infrastructural facilities</td>
<td>4.08</td>
<td>4.00</td>
<td>0.92</td>
<td>1</td>
<td>5</td>
<td>996</td>
</tr>
<tr>
<td>High utility tariff such electricity/power generation, rent</td>
<td>4.06</td>
<td>4.00</td>
<td>0.93</td>
<td>1</td>
<td>5</td>
<td>996</td>
</tr>
<tr>
<td>Marketing Problems that is low patronage of locally produced goods by government and non-government agencies and departments</td>
<td>3.98</td>
<td>4.00</td>
<td>0.95</td>
<td>1</td>
<td>5</td>
<td>996</td>
</tr>
<tr>
<td>Inadequate information about business environment</td>
<td>3.90</td>
<td>4.00</td>
<td>1.05</td>
<td>1</td>
<td>5</td>
<td>996</td>
</tr>
<tr>
<td>Environmental problems such as harassment by local government officials, insecurity, bribery &amp; corruption etc</td>
<td>3.81</td>
<td>4.00</td>
<td>1.04</td>
<td>1</td>
<td>5</td>
<td>996</td>
</tr>
<tr>
<td>Inadequate support from government and financial institutions</td>
<td>3.73</td>
<td>4.00</td>
<td>1.11</td>
<td>1</td>
<td>5</td>
<td>996</td>
</tr>
<tr>
<td>Lack of formal &amp; adequate planning and record keeping processes</td>
<td>3.40</td>
<td>4.00</td>
<td>1.18</td>
<td>1</td>
<td>5</td>
<td>996</td>
</tr>
<tr>
<td>Multiple taxes &amp; levies – includes unauthorized levies and taxes</td>
<td>3.37</td>
<td>4.00</td>
<td>1.15</td>
<td>1</td>
<td>5</td>
<td>996</td>
</tr>
<tr>
<td>Unfair Competition – dumping of fake/cheap, sub-standard goods, unfavourable tariff structure for finished goods, smuggling</td>
<td>3.30</td>
<td>3.00</td>
<td>1.15</td>
<td>1</td>
<td>5</td>
<td>996</td>
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<tr>
<td>Low business income</td>
<td>3.21</td>
<td>3.00</td>
<td>1.21</td>
<td>1</td>
<td>5</td>
<td>996</td>
</tr>
<tr>
<td>Government policy inconsistencies (both fiscal &amp; monetary)</td>
<td>3.19</td>
<td>3.00</td>
<td>1.19</td>
<td>1</td>
<td>5</td>
<td>996</td>
</tr>
<tr>
<td>Incompetent employees</td>
<td>3.06</td>
<td>3.00</td>
<td>1.25</td>
<td>1</td>
<td>5</td>
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<tr>
<td>Poor management skills</td>
<td>2.64</td>
<td>3.00</td>
<td>1.13</td>
<td>1</td>
<td>5</td>
<td>996</td>
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<tr>
<td>Narrow product service range</td>
<td>2.44</td>
<td>2.00</td>
<td>1.19</td>
<td>1</td>
<td>5</td>
<td>996</td>
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<tr>
<td>High cost and non-availability of raw materials locally</td>
<td>2.39</td>
<td>2.00</td>
<td>1.18</td>
<td>1</td>
<td>5</td>
<td>996</td>
</tr>
<tr>
<td>Inappropriate policies and non-implementation of existing policies</td>
<td>2.37</td>
<td>2.00</td>
<td>1.17</td>
<td>1</td>
<td>5</td>
<td>996</td>
</tr>
<tr>
<td>Lack of foreign investment/cooperation</td>
<td>2.36</td>
<td>2.00</td>
<td>1.16</td>
<td>1</td>
<td>5</td>
<td>996</td>
</tr>
<tr>
<td>High dependence on imported raw materials and high foreign exchange costs</td>
<td>2.21</td>
<td>2.00</td>
<td>1.14</td>
<td>1</td>
<td>5</td>
<td>996</td>
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<tr>
<td>High wages</td>
<td>2.03</td>
<td>2.00</td>
<td>0.99</td>
<td>1</td>
<td>5</td>
<td>996</td>
</tr>
<tr>
<td>Lack of access to modern technology</td>
<td>1.97</td>
<td>2.00</td>
<td>0.96</td>
<td>1</td>
<td>5</td>
<td>996</td>
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<tr>
<td>High inflation</td>
<td>1.93</td>
<td>2.00</td>
<td>0.97</td>
<td>1</td>
<td>5</td>
<td>996</td>
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<tr>
<td>Lack of access to export market and market information</td>
<td>1.92</td>
<td>2.00</td>
<td>0.92</td>
<td>1</td>
<td>5</td>
<td>996</td>
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<tr>
<td>Lack of effective regulatory agencies</td>
<td>1.87</td>
<td>2.00</td>
<td>0.89</td>
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Test

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<td>Cronbach’s Alpha</td>
<td>0.809</td>
</tr>
<tr>
<td>Kendall’s W</td>
<td>0.401</td>
</tr>
<tr>
<td>Chi-Square</td>
<td>91444949</td>
</tr>
<tr>
<td>Df</td>
<td>23</td>
</tr>
<tr>
<td>Asym. Sig.</td>
<td>0.000</td>
</tr>
<tr>
<td>N</td>
<td>991</td>
</tr>
</tbody>
</table>
Note: This table provides descriptive statistics of variables used to identify the constraints facing the selected SMEs in the study area. It also shows the extent of agreement among the respondents on the identified constraints.

1.6 Conclusion

The major constraints confronting the selected SMEs in the study area are the inability of the SMEs to have access to finance/capital, high utility tariffs such rent and electricity/power, marketing problems. Besides, lack/Inadequacy of basic infrastructural facilities such as institutions, multiple taxes and unauthorized levies, government policy inconsistencies, and unfair Competition affect the operations and growing of selected SMEs in southwest of Nigeria. In order to reduce the effects of these constraints on SMEs’ operations, government should intensify effort in ensuring that the intensives design mainly for SMEs are actually benefitted by SMEs operators. Besides, government and other non-governmental organization should regularly organize seminars for potential and actual small and medium enterprise operators where they will be exposed to modern management principles and practices. Also, Nigerian SMEs should embrace marketing activities such as e-commerce adoption, product design, distribution and packaging, that capable of boosting their sales volume. Moreso, governments should give priority to issue of power generation and distribution in the country, lower their prime rates and review requirements for accessing bank loan, and institute some form of tax incentives to banks involved in SME lending in order to encourage banks to take “reasonable risk” by lending to SMEs.

References


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