

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

It is a matter of fact that there are a lot of things in which large companies are experts while the small firms can better do some things also. If both, small and large firms do their business in which they get advantage, the welfare of the economy can be maximized and the state of specialization can be attained. When we focus on the effect of small as well as medium firms on the whole economy, it is difficult rather impossible for us to segregate their effects from the effect of large corporations.

This issue remained a hot topic for centuries. Economists were of the view that it is a large firm, which participates actively in the economy and also shares a large amount of foreign exchange earnings. But their point of view changes when the countries like Taiwan, Japan and Korea developed on their small and medium based business. It is crystal clear that these economies developed through the grass root level as small and medium enterprises belong to grass root. Those who believe that the large firms are only responsible for economic growth should keep in mind that the small vendors and small suppliers contribute heavily in the production of large firms. The reality on ground is that small firms are held responsible for making large firms to attain their targets.

The progress and prosperity, which take place from the lower level, benefit all the classes of the society. The spill over effects of SMEs prove to be everlasting on the world's economy.

This situation differs in Pakistan. It is not more than 10 years that Govt. of Pakistan has established an institution named small and Medium Enterprise Authority (SMEDA) which is considered responsible to promote small and medium enterprises. SME sector is being neglected in Pakistan and so as the effects of small and medium firms of Pakistan's economy. Pakistan is a very potential market for SMEs and if undertaken in systematic way can prosper economy within no time. Pakistan has a considerable advantage in some areas which needs to be explained quickly to reap the benefits of exports. Such benefits can increase foreign exchange rates very positively to develop a favorable framework in all areas of progress.

The awareness like fishing, education, fruit, crops, garments, cotton, sugar cane, dates ginning, wood, auto and many other areas are the basic startups for many people. This research explains the potentialities of some areas and knowledge of how these areas can contribute towards Pakistan's economy by increasing the foreign exchange rates with reference to Sindh province. The high authorities and ministry of

development and product should formulate some strategies to design practical policies with the cooperation of stakeholders, such policies will be flexible in enhancing the SMEDA plans and flourish SMEs activities at the larger scale. This will give a big boost to startup ideas and create a cordial atmosphere of businesses. This will aid a lot more in understanding the export of Pakistan specially Sindh sector and improve our foreign exchange earnings.

The role of Small and Medium-Scale Enterprise (SMEs) in the national economy cannot be underestimated. These enterprises are being given increasing policy attention in recent years, particularly in third world countries partly because of growing disappointment with results of development strategies focusing on large scale capital intensive and high import dependent industrial plants. The effect of SMEs is felt in the following ways: Greater utilization of local raw materials, employment generation, encouragement of rural development, development of entrepreneurship, mobilisation of local savings, linkages with bigger industries, provision of regional balance by spreading investments more evenly, provision of avenue for self-employment and provision of opportunity for training managers and semi-skilled workers. The vast majority of developed and developing countries rely on dynamism, resourcefulness and risk taking of small and medium enterprises to trigger and sustain process of economic growth. In overall economic development, a critically important role is played by the small and medium enterprises. Small and medium enterprises advocates, firstly, its endurance competition and entrepreneurship and hence have external benefits on economy wide efficient, and productivity growth. At this level, perspectives are directed towards government support and involvement in exploiting countries social benefits from greater completion and entrepreneurship.

Secondly, proponents of SME support frequent claim that SMEs are generally more productive than large firms but financial market and other institutional improvements, direct government financial support to SMEs can boost economic growth and development.

Some argued that SMEs expansion boosts employment more than large firm growth because SMEs are more labour intensive thereby subsidizing SMEs may represent a poverty alleviation tools, by promoting SMEs and individual countries and the international community at large can make progress towards the main goal of halving poverty level by year 2020 i.e to reduce poverty by half and becoming among 20 largest World Economies (Nigeria Vision 20:2020). Entrepreneurial development is therefore important in the Nigeria economy which is characterized by the following heavy dependence on oil, low agricultural production, high unemployment, low utilization of industrial capacity, high inflation rate, and lack of industrial infrastructural

base. These constraints limit the rate of growth of entrepreneurial activities in Nigeria. Hence, this paper seeks to investigate Small and Medium Enterprises as a veritable tool in Economic Growth and Development. This paper seeks to investigate Small and Medium Enterprises as a veritable tool in Economic Growth and Development in Nigeria.

1.2 Statement of Problem

Many scholars have written widely on entrepreneurship and its potency to generate employment, thus, underscoring the quintessence, significance and relevance of this sub-sector in the development of any given economy. The experiences of developed economies in relation to the roles played by entrepreneurship buttress the fact that the importance of entrepreneurship cannot be overemphasized especially among the Developing Countries. In order to highlight its significance in relation to the growth and development of a given economy, entrepreneurship has been variously referred to as a “source of employment generation”. This is because Entrepreneurial activities have been found to be capable of making positive effects on the economy of a nation and the quality of life of the people (Adejumo, 2000). Studies have established its positive relationship with stimulation of economic growth; employment generation; and empowerment of the disadvantaged segment of the population, which include women and the poor (Oluremi and Gbenga, 2011; Thomas and Mueller, 2000; Reynolds, 1987).

Given the importance of entrepreneurship in this regard, it is somewhat surprising that in recent times few researches are carried out about practical approaches in developing entrepreneurship in Nigeria in spite of the fact that entrepreneurship is the engine that entrepreneurship remains the main engine that will push Nigeria economy to its destination.

However, the challenge confronting entrepreneurship in the field of entrepreneurship is that of finding an appropriate and effective entrepreneurial approach that could produce and assist in the nurturing and achieving a called for change in the current approach in addressing the problems of entrepreneurial development in Kaduna State, Nigeria.

In addition to the comparative lack of attention given to entrepreneurship in emerging economies, particularly those in Sub-Saharan Africa, there is also a relative lack of diversity. In theoretical and practical approach to African entrepreneurship previous research that has explored the variation in entrepreneurial activities in Nigeria has focus on the standard economic and infrastructural factor as Gross Domestic Product and Direct Fund Investment and education. These are meaningful variables and provide scholars with a baseline knowledge about entrepreneurship. However, these factors fail to adequately take non-economic factors into consideration. Hence, the need to study practical approaches that would help in addressing challenges of

unemployment and economic development.

1.3 Objectives of the Study

The central objective of the study is to examine the effect of small and medium scale enterprises on economic development of Nigeria.. The specific objectives are to:

- i) Assess how enterprise development affects employment generation in Katsina?
- ii) Investigate the forms of targeted government support rendered to entrepreneurial ventures in Katsina?
- iii) Analyze the efficacy of government capacity building programmes and support to promote the development of entrepreneurship in Katsina?
- iv) Evaluate the sufficiency of empowerment through entrepreneurial development initiatives in Katsina and recommend possible policy adjustments.

1.4 Research Questions

In order to affectively investigate the problem of this research, the researcher formulated the following research questions:

- i. What are the effects of enterprises development on employment generation in Katsina?
- ii. What kind of support does the government render to entrepreneurial ventures in Katsina?
- iii. How effective is government capacity building programmes and support in promoting the development of entrepreneurship among youths in Katsina Metropolis?
- iv. How sufficient is empowerment through SMEs development initiative in Katsina?

1.5 Statement of Hypothesis

In order to confirm the greatest drawback for Entrepreneurship in Nigeria and fully appreciate their respective relevant significance, we had postulated the following hypotheses:

H_0 : There is no significance relationship between SMEs and Economic Growth and Development.

H_1 : There is significant relationship between SMEs and economic growth and development.

1.6 Significance of the Study

The study will be beneficial to entrepreneurship development; as such Katsina state government can utilize the findings of the research as a basis for policy formulation as regard entrepreneurship development. The study will also contribute to the existing knowledge on entrepreneurship development.

It is also worthy to note that the study can be use as a basis for further research, as the research can be use as a spring board for further research as well as a good reference material to students undertaking similar research.

1.7 Scope of the Study

The study covers an empirical examination of the effect of entrepreneurship on the economic growth of

Nigeria using respondents in Kastina state as case study. The study also identifies the practical approaches use in developing entrepreneurship as well as the problems militating against entrepreneurship development.

The study is limited to Kaduna metropolis.

The study covers a time from 2006 – 2011.

1.8 Definition of Terms

- **Entrepreneurship**: is an innovative act, which includes endowing existing resources for new wealth-producing capacity (Afonja, B. 1999).
- **Entrepreneur**: An individual that identifies develops and brings vision to life under –condition of risk and a considerable uncertainty (Bashar, O. 2005)
- **Entrepreneurial Characteristic**: These are traits that make an individual an entrepreneur (Tonga, R. 2009).
- **Business Performance**: The success or failure of an enterprise (Tonga, R. 2009).
 - SME; Acronym for Small Scale Enterprise
- **Communication**: Medium use to inform employees about organizational change.
- **Change Management**: These are strategies formulated minimize change resistance and foster effective reengineering of workflow.
- **Organizational Change**: These are adjustment made in work process or reengineering of an organizational change.
- **Customer Satisfaction**: These are effort put in place through efficient serving delivery that would delight such customer.
- **Customer Retention**: These are strategy put in place to retain existing customers.
- **Marketing Strategy**: These are policy design to attract customer's patronage.
- **Customer Value**: Giving priority to customers in terms of service delivery "treating customer like Kings".
- **Customer Loyalty**: Customers who stay with an organization for a long time

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