

INTRODUCTION

1.1 Background to the Study

The growth of Foreign Direct Investment (FDI) in the Least Developed Countries including African countries has been extremely rapid in recent decades, mostly in countries which have a bigger market size and natural resources. Lagos is undoubtedly the commercial centre of Nigeria with many companies now moving their bases to Lagos particularly to Eti Osa Local Government Area because of the availability of Land and a very conducive environment. However, Micro, Small and Medium Enterprises have a central place in the economic development of any nation. Micro, Small and Medium Enterprises perform an important function in the development of an economy and this cannot be over emphasized. Micro, Small and Medium Enterprises serve as training arena for local skills and entrepreneurs, and could become channels for mobilizing local savings, ensuring a more equitable distribution of income and reducing the migration of manpower from the rural to urban areas. The reduction of rural-urban migration is desirable and where the MSMEs are given the required support, this will lead to development of the rural areas in the long-run.

According to (Cook & Nixson 2000), interest in the role of small and medium-scale enterprises (SMEs) in the development process continues to be in the forefront of policy debates in developing countries. In view of the relevance of SME's, in 2006 the government of Taiwan launched a \$61 million branding initiative, which aimed to propel the economy from being production-based to knowledge-based (Lin 1998; Onuorah 2009; SAN 2006). According to the report in English language version of the online edition of Electronic Engineering Times-Asia print magazine, formerly *Asian Sources Electronics Engineer* (EE Times Asia) in August 2006, the so-called "Branding Taiwan Plan" is a seven-year program designed to help promising small-to-medium enterprises (SMEs) in developing their own brand, according to the Taiwanese government. This was started with the view of SMEs capacity to advance the economy most importantly in the medium term. Small businesses employ 72,000,000 people (Schaper 2002). More than 90 per cent of the industries in Indonesia, Philippines, Thailand, Hong Kong, Japan, Korea, India and Sri Lanka are small enterprises (Cook & Nixson 2000).

Small and Medium Enterprises plays a vital role in shaping economic and social performance and prospects of countries around the world, especially those of developing countries. No country has grown without trade. However, the contribution of trade to development depends a great deal on the context in which it works and the objectives it serves. Also, many other developing countries, particularly the less developed countries, have embarked on unilateral trade liberalization in recent years, with very limited results at best in terms of increased growth and development.

The World Bank of recent have been emphasizing on the importance of SME participation in International trade. SME's needs to be engaged actively as direct recipients of international trade projects. Therefore, UK businesses remain well placed to succeed in Nigeria because of its familiar legal system, strong ties through the diaspora community, and the perception that UK brands offer high quality. This study aimed to examine the role of Small and Medium Enterprises in boosting foreign investment in Eti Osa Local Government Area of Lagos state, Nigeria.

1.2 Statement of the Problem

Small and Medium Scale Enterprises (SMEs) have play important roles in the development process in most

of the developed economies, and prove to be one of the most viable sectors with economic growth potentials. The successes recorded by countries generally in this sector arise as a result of the high priority considerations and future rewards from sustained investment in this sector. The extent to which the opportunities offered by SMEs are exploited and their contributions maximized in any economy depend on the enabling environment created through the provision of requisite infrastructural facilities. These include roads, telecommunications, Power, Ports, etc and the introduction and pursuit of policies such as concessionary financing that encourage and strengthen the growth of SMEs.

However, In Nigeria, the SMEs sector has not been able to perform the expected vital and vibrant role in attracting foreign investors to the country. This is because the SMEs are confronted with several drawbacks and challenges they have to overcome in order to operate successfully. These obstacles include for example access to finance, competition, access to market, appropriate technology and lack of adequate infrastructural facility. These challenges have hindered SMEs from employing as much as they should, the SMEs are unable to generate wealth as they should and their contribution to poverty reduction is also hindered.

1.3 Research Questions

The following are some of the questions which this study intends to answer:

- i) what are the contributions of SMEs to foreign investment in foreign investment in Eti Osa Local Government Area of Lagos state?
- ii) what are the things that attract foreign investors to have their base at foreign investment in Eti Osa Local Government Area of Lagos state?
- iii) what are the problems facing SMEs in attracting foreign investors to Nigeria?

1.4 Objectives of the Study

The broad objective of this study was to examine examine the role of Small and Medium Enterprises in boosting foreign investment in Eti Osa Local Government Area of Lagos state, Nigeria. The specific objective included:

- i) to inquire the contributions of SMEs to foreign investment in foreign investment in Eti Osa Local Government Area of Lagos state
- ii) to identify the things that attract foreign investors to have their base at foreign investment in Eti Osa Local Government Area of Lagos state
- iv) to understand the problems facing SMEs in attracting foreign investors to Nigeria?

1.5 Research Hypothesis

The research hypotheses to be tested include:

- i) there is no significant relationship between SMEs and foreign investment
- ii) there is no significant correlation between foreign investment and development of Eti Osa Local Government Area of Lagos state
- iii) there is no significant relationship between SMEs and foreign investment boosting in Eti Osa Local Government Area of Lagos state

1.6 Significance of the Study

This Study is significant because the SMEs sector occupies a vital place in the economic development of the country. If the SMEs sector is well developed, and is effective and efficient, it creates employment opportunities, decreases the level of poverty and reduces inequality among the citizens of the society and

also attracts foreign investors and thereby brings about quick and rapid development of our economy. Also, This study will benefit the government as it will help to bring out whether or not SMEs has been able to effectively carry out its functions or not, and if not the reason (s) will be brought to light and this will help the policy makers to see how to address the problems identified.

1.7 Scope of the Study

The study examined the role of Small and Medium Enterprises in boosting foreign investment in Eti Osa Local Government Area of Lagos state, Nigeria and it therefore, covered SMEs in Eti Osa Local Government Area of Lagos.

1.8 Limitation of the study

Time constraint was the major challenge of this study. The researcher was simultaneously engaged in this study with other academic work. This consequently cut down on the time devoted for the research work.

1.9 Definitions of Terms

The following terms were used in the course of this study:

Foreign investment: involves capital flows from one country to another, granting extensive ownership stakes in domestic companies and assets.

Foreign investors: Persons that own business in another country other than their country

SMEs: Small and Medium Scale Enterprises

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