



DRIVING MICRO, SMALL AND MEDIUM ENTERPRISES (MSMEs) DEVELOPMENT IN NIGERIA: CONSTRAINTS & PROSPECTS

A Paper Delivered By

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AT THE
D8 SME GOVERNMENTAL BODIES MEETING

18TH NOVEMBER, 2014



MSMEs DEFINED

CATEGORY	EMPLOYEES	ASSETS (N'M) (excluding land and buildings)
MICRO	Less than 10	Less than 5
SMALL	10-49	5-less than 50
MEDIUM	50-199	50-less than 500

NB: Where there is an inconsistency between employment and asset base, employment criterion will prevail.

RELEVANCE OF MSMEs



Importance of developing the MSMEs sub-sector

Platform for
Industrialization and
rural development

Creation of potential
Entrepreneurs

Ensuring competition
and enhancing innovation

Employment generation

Utilization of local
resources

Mitigation of rural-urban
migration

Enhanced revenue
generation

Technology advancement
and skill acquisition

Wealth creation and
poverty alleviation

BREAKDOWN OF MSMEs HEADLINE FIGURES



- Total estimated to be **17,284,671** MSMEs in Nigeria.
- Of the total number micro enterprises account for the majority (99.87%) of the MSMEs in Nigeria with 17.26 million enterprises
- Lagos state has the highest number of small and medium enterprises (4,535) while Osun state has the least (100).
- Lagos state has the highest number of micro enterprises (880,805), followed by Kano state (872,552), while FCT recorded the least (272,579).
- The total number of persons employed by the MSME sector as at December, 2010 stood at **32,414,884**.
- The female entrepreneurs accounted for 42.1% in the ownership structure of microenterprises as against 13.57% in small and medium enterprises.



SOME GOVERNMENT PAST EFFORTS AT ADDRESSING THE CHALLENGES

Establishment of Industrial Development Centres (IDCs) in the 1960s

The Agricultural Credit Guarantee Scheme launched in 1977

Establishment of the NDE in 1989

Establishment of NERFUND in 1989.

Establishment of the Bank of Industry (BOI) in 2001

Establishment of SMEDAN in 2003

Launching of the microfinance policy in 2005

The N200 billion Small and Medium Credit Guarantee Scheme in 2010

Youth Enterprise With Innovation in Nigeria (YouWIN) in 2010

The N200 billion intervention Fund for the manufacturing Sector in 2010

The Nigerian Incentive Based Risk Sharing System (NIRSAL) in 2011

The N100 billion bond-funded Cotton, Textiles and Garment Revival Scheme in 2011



CONTEMPORARY DEVELOPMENT CHALLENGES OF THE MSMEs SUB-SECTOR





ACCESS TO FINANCE

- ✦ One of the major challenges confronting MSMEs in Nigeria is low access to affordable finance.
- ✦ For example, the 2010 SMEDAN/NBS survey of MSMEs reported that **73.24%** of the topmost priority of assistance needed by MSMEs' operators is finance.
- ✦ In addition, only **4.2%** of 17.3 million MSMEs have been able to access loans or overdrafts from financial institutions while new entrants or start-ups find it practically impossible to access funds from banks.

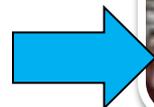
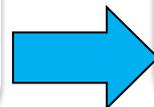


CURRENT INITIATIVE IN THE MSMEs SUB-SECTOR IN NIGERIA

THE NATIONAL ENTERPRISE DEVELOPMENT PROGRAMME (NEDEP)



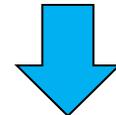
INSTITUTIONAL STRATEGY



Business Development Service/Entrepreneurial Training/Some Vocational Skills (23 IDCs)

Vocational Skills Acquisition

Access to Finance



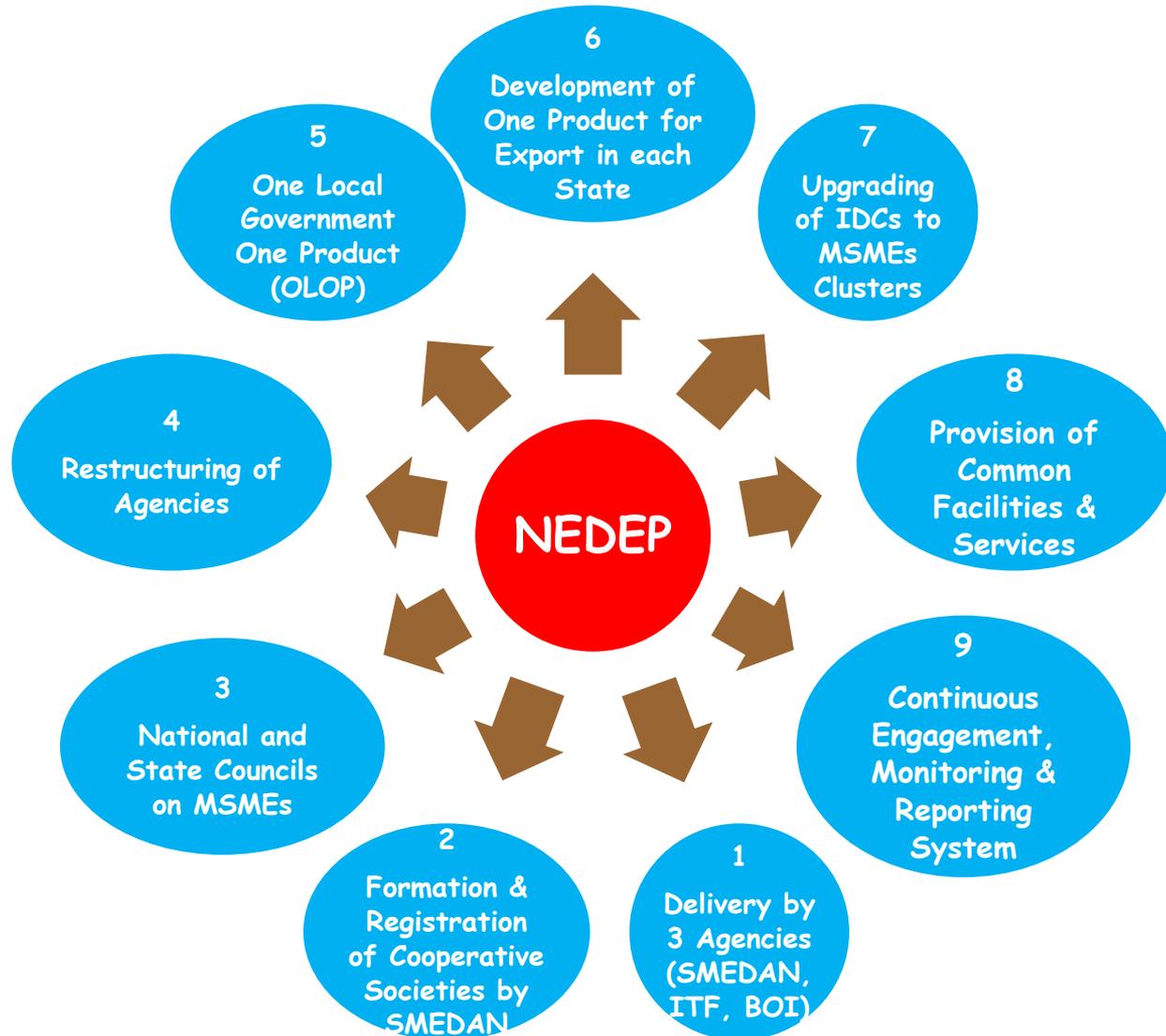
SMALL AND MEDIUM ENTERPRISES DEVELOPMENT AGENCY OF NIGERIA

INDUSTRIAL TRAINING FUND

BANK OF INDUSTRY/other sources of finance)



NEDEP ATTRIBUTES





BENEFITS/POTENTIALS OF NEDEP

- ✦ It is aimed at generating a minimum of **one million jobs** annually.
- ✦ It will revitalize the rural economy, improve employment opportunities, create wealth and alleviate poverty in rural areas in Nigeria. This will be done through the establishment of sustainable MSMEs in the 774 Local Government Areas (LGAs) based on comparative and competitive advantages.
- ✦ Entrenchment of entrepreneurial culture, industrialization of rural areas, enhanced industrial cluster development, increased MSMEs contribution to GDP, increased export potentials, etc.
- ✦ Elimination of youth restiveness, militancy and other social vices (e.g. kidnapping, extremists' insurgence like boko haram, prostitution, armed robbery, drug abuse, thuggery, etc).
- ✦ Entrenchment of social security system in Nigeria.



WHERE WE ARE

- ✦ Programme was launched by the President on 11th February, 2014.
- ✦ Sensitization/needs assessment, baseline survey and value-chain analysis have been conducted in all the 36 States and Federal Capital Territory (FCT).
- ✦ At this level of the programme, cooperative societies and trade associations are being formed & registered and assisted to develop bankable business plans as a prelude to access to finance, markets and machinery/equipment.
- ✦ State Councils on MSMEs in Kano, Edo, Ogun, Kogi, Kaduna, Ebonyi, Bayelsa, Enugu, Ekiti, Bauchi and Taraba States have been inaugurated. The inauguration of the State Councils on MSMEs in other States will be done subsequently.
- ✦ National Council on MSMEs, which is headed by the Vice President, was inaugurated by the President on Thursday, 4th September, 2014 to drive MSMEs development at the national level.



WHERE WE ARE CONTD...

- ✦ The National Technical Implementation Committee (NTIC) was established to serve the National Council on MSMEs.
- ✦ The NTIC has already started work through its six (6) sub-committees.
- ✦ The sub-committees include institutional & structural framework, access to finance, business development, business support & skills, access to markets, innovation & technology support and infrastructure & operational matters including reducing the cost of doing business.
- ✦ The inaugural meeting of the National Council on MSMEs was held on Thursday, 13th November, 2014 where several memoranda emanating from the sub-committees were considered and approved.



WHERE WE ARE CONTD...

Cooperative Societies

- 55,605 Cooperative societies formed and registered

Business Plans

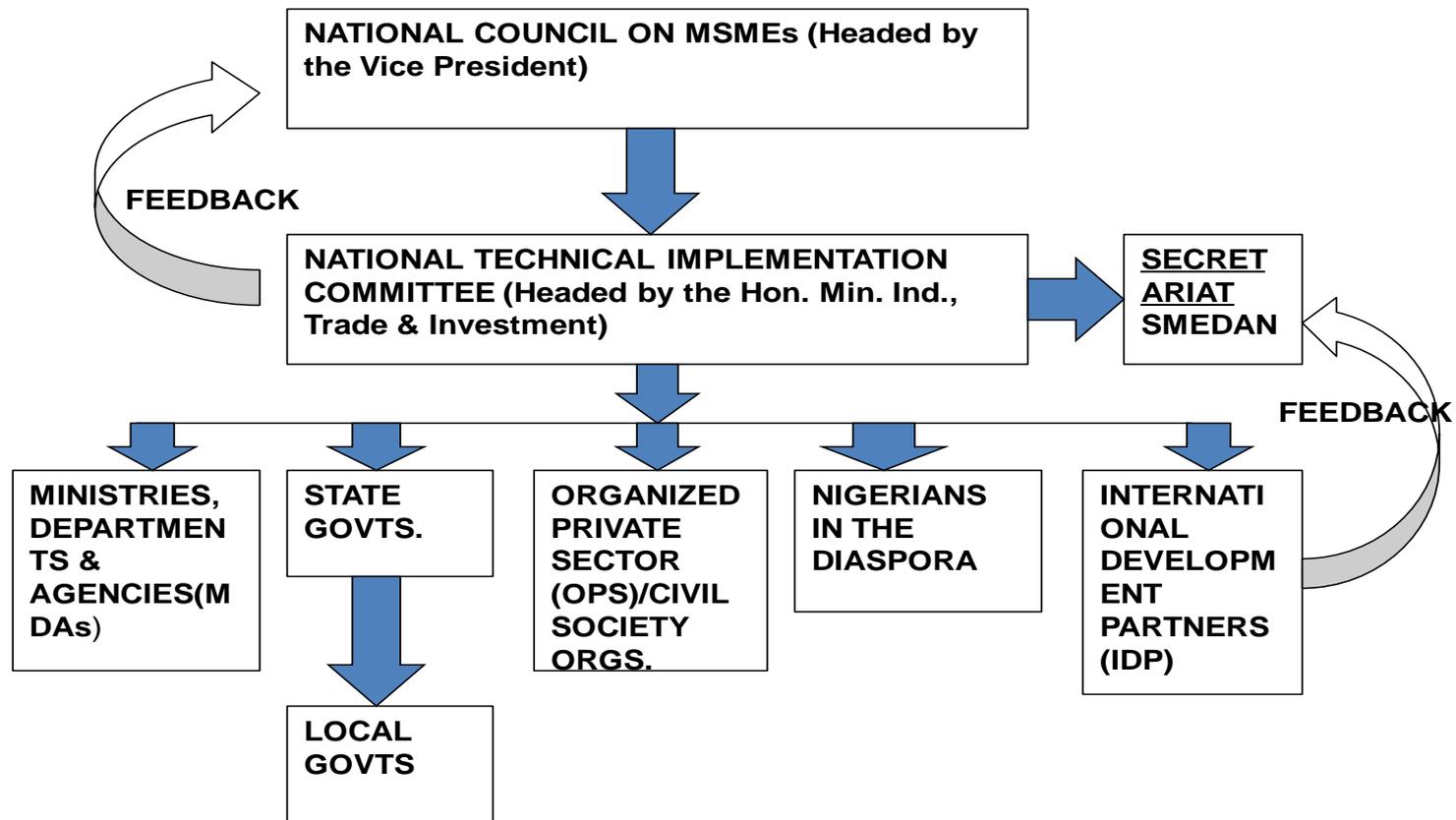
- 7,568 Business Plans from various cooperative societies forwarded to Bank of Industry (BOI), Bank of Agriculture (BOA) and Microfinance institutions for appraisal and access to finance

Jobs Created

- 340,560 new jobs created so far.



MSMEs CO-ORDINATING FRAMEWORK



OTHER FEATURES OF NEDEP



Renewed
Commitment by all
tiers of
Government

Improve
business
environment

Implementation of
the National Policy
on MSMEs

Revamping
Industrial
Development
Centers

Institute
Deliberate
Incentives for
MSMEs

Establishment of
National MSME
Rating Database
(in progress)

Development of
Credible MSME
Database in
progress)

Establishing MSME
Credit Guarantee
Scheme (in progress)

Development of
Venture Capital
Initiative (in
progress at
Ministerial level)



MSMEs' POTENTIALS/PROSPECTS

✦ Resource Endowments

✦ Population (vast internal market)

✦ Stable Democratic Environment

✦ Resilience



MSMEs' POTENTIALS/PROSPECTS CONTD...

- ✦ Deepening Supportive Economic Reforms
- ✦ Increased Awareness
- ✦ Improving Human Capital
- ✦ Improving Technology

SMEDAN: DRIVING MSME DEVELOPMENT



☀ The Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) - established by the Federal Government through SMEDAN Act 2003 (as amended) to coordinate and facilitate the development of the MSMEs sub-sector in Nigeria.

☀ Currently active in:

- a) Entrepreneurship sensitization, awareness creation and provision of information
- b) Business Development Service (BDS) provision.



SMEDAN CONTD...

c) Promotion of enterprise networking/Cluster formation.

d) Advocacy, policy development and improvement in MSMEs' operating environment.

e) Promotion of linkages and access of MSMEs to vital resources, especially finance and workspace.

✦ Embraces Public-Private Partnership (PPP) in discharging its mandate.



**THANK YOU FOR
LISTENING**