AN APPRAISAL OF THE SMALL AND MEDIUM SCALE ENTERPRISES ON POVERTY ALLEVIATION IN SOUTHWESTERN STATE OF OSUN IN NIGERIA

Fayomi Ikeoluwapo Omolara [a],

[a] Department of Public Administration, Faculty of Administration. Obafemi Awolowo University. Ile Ife, Nigeria.

[a] Corresponding author: Ikefayomi2002@yahoo.com

 ISSN: 1923-6654 (print)
ISSN 1923-6662 (online). Available at http://www.ssrn.com/link/OIDA-Intl-Journal-Sustainable-Dev.html

Abstract: This study is an appraisal of the performance of small and medium scale enterprises (SMEs) on poverty alleviation in Osun State of Nigeria. The broad aim of the study is to examine the impact of the small and medium scale enterprises on poverty alleviation. The other objectives of the study will also be to determine if there exists a relationship between poverty alleviation and SMEs and identify factors in hindering the performance and development of SMEs in Osun state in particular and Nigeria in general.

It is an empirical study which made use of both primary and secondary sources of data collection. Questionnaires were administered on 150 randomly selected SMEs through balloting in the 30 Local Government Areas (LGAs) and the area office of Osun state. The respondents include SMEs operators as small shop owners, pure and bottled water, bread making factories, hairdressing, fashion designing shops, business centre. Literatures on the subject area were copiously sourced from relevant books, journals and government publications.

The study found out that the SMEs were making impact on alleviating the level of poverty in the state in spite of the non-cooperative attitude and excessive paper works of formal banks. The various sources of funds by the SMEs operators were Microfinance banks, Loans from friends and family, personal loans and contributions. The respondents remarked that the agency created by government such as Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) has been unable to impact on SMEs development in Osun state due to the ineptitude in service delivery and corruption which has eaten deep into the fabric of Nigeria system.

The study suggested that if the SMEs sector is given all the necessary assistance such as seed money, loanable funds and training programmes, Poverty which is due to lack of access to income earning opportunities and lack of capacity to take advantage of the opportunities, that is threatening global prosperity in general and national economic growth and development in particular would be taken care off.

It concluded that SMEDAN was unable to achieve the vision for which it was established such as establishing a structured and efficient micro, small and medium enterprises sector that will enhance sustainable economic development of Nigeria in general. However inspite of the failure of this government agency the SMEs had been able to impact on the poverty level in the state.

Keywords: Appraisal, Economic Development, Impact, Poverty alleviation, Small and Medium scale Enterprises.

INTRODUCTION

In most third world countries where poverty is not only rampant but pervasive, microcredit makes greater sense than huge capital intensive investment which may not after all be feasible if the mass of the citizenry is to be the focus of policy for entrepreneurial development. The Nigerian experience replicates what obtains in other developing countries of the world. The data on poverty records rating across the nations show that about 1.1 billion people earn less than one dollar per day, and they face daily risks and hardships that determine their very survival and existence (www.usaid.gov/ourwork/agriculture/landmanagement/poverty/pubs/ povertynrm report.pdf). This is a fact, going by a huge quantum of evidence that surround us on the level of poverty that pervades the society (Olomola 1994; Fayomi, 2006; Imam 2002).

In order to enhance the flow of financial services to Nigeria's small and medium scale enterprises (SMEs), grassroots, rural and urban poors, government had in the past, initiated a series of publicly-financed micro/rural credit programmes and policies targeted at the grassroots. Notable among such programmes were the Rural Banking Programme, Sectoral Allocation of credits, Concessionary Interest Rate, and the Agricultural Credit Guarantee Scheme (ACGS). Other institutional arrangements were the establishment of the Nigerian Agricultural and Co-operative Bank Limited (NACB), the National Directorate of Employment (NDE), the Nigerian Agricultural Insurance Corporation (NAIC), other programmes and policies **we**re Small-Scale Industries Credit Scheme (SSICS) 1971, Rural Banking Programme (RBP) 1977, Agricultural Credit Guarantee Scheme (ACGS) 1977, Nigerian Bank for Commerce and Industry (NBCI) 1978, Directorate of Food, Roads and Rural Infrastructures (DFRRI) 1986, The National Economic Reconstruction Fund (NERFUND) 1986, the Peoples' Bank of Nigeria 1990 (PBN), Community Banking Scheme (CBS) 1991, The Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) 2003, and Microfinance 2005**).** In year 2000, Government merged the NACB with the PBN and Family Economic Advancement Programme (FEAP) to form the Nigerian Agricultural Co-operative and Rural Development Bank Limited (NACRDB) to enhance the provision of finance to the agricultural sector, SMEs and the grassroots. Successive governments in Nigeria have introduced all these programmes and policies in order to develop the SMEs and hence addressing the rate of poverty (Fayomi, 2006).

A number of urban poverty reduction measures have also been introduced and implemented by Non-Governmental Organisations (NGOs) and Civil Society Organisations (CSOs). These include pilot community development projects, Self-help Projects targeted at mobilizing people to help themselves. The World Bank Nigeria Poverty Assessment exercise (World Bank, 1996) which covered 37 urban and 58 rural communities in 45 Local Government Areas of 10 states of Nigeria confirmed the general situation of poverty in the country (www.cenbank.org/out/publications/efr/rd/2002/efr/vol39-44.pdf).

Over the years successive governments in Nigeria have recognized the importance and the vital role of the Small and Medium Scale Enterprises (SMEs) in ensuring meaningful and sustainable growth in a developing economy. Emphasis has shifted from large-scale capital intensive enterprises to small and medium scale ones because of their potentials for developing domestic linkages for rapid and sustainable industrial development. Apart from their potential for ensuring self-reliant industrialization, SMEs are also in a better position to boost employment. The provision of credit to the grassroots has been a leading component of many of the government programmes and policies because lack of access to productive capital is thought to be one of the main factors preventing the populace from breaking away from the "poverty trap". This trap, it is argued, makes it extremely difficult for the grassroots to overcome poverty without outside intervention. In its simplest form, this trap can be viewed in terms of the population's low capacity to generate income, savings, and investment in the economic environment that offers limited employment opportunities, which thus leave the grassroots in perpetual poverty and deprivation. According to Hulme and Mosley (1996) the idea of enabling the poor to have access to loans is based on the virtuous cycle principle: "low income, investment, more income, more credit, more investment, more income"

A look at economic history indicates that no nation has ever developed without an appreciable growth in the financial sector. Both the financial sector and the real sector of the economy are interwoven. Developments in the real sector influence the speed of growth of the financial sector directly; while the growth of finance, money and financial institutions influence the real economy. Saving is a major determinant of the rate at which productive capacity and income can grow. Availability of financial institutions make savings possible and these savings are in turn, through the process of financial institutions' intermediation role, directed at investments leading to the accumulation of capital stock (Fayomi, 2006).

In the economics literature, credit has been assigned a docile, passive role of being the lubricant or facilitator of trade, commerce and industry. Economists either failed to see the true character of credit or they thought it as one of those necessary evils which one should not talk much about in the 'greater interest' of growth and prosperity. However credit in reality, plays a more powerful economic, social and political role than the Economists have admitted. Credit is a powerful weapon. Anybody possessing this weapon is certainly better equipped to manoeuvre the forces around him to his advantage.

The role of the informal institutions in the process of economic development has been well recognized in the literature since the seminal works of Marx, Schumpeter and Kuznets (Bhatt: 1988). It was observed that the financial innovations of the informal institutions tend to reduce transaction costs and risk and as a result, bring about widening, deepening and integration of capital markets; such financial developments have been said to accelerate the pace of economic development through its favourable impact on savings, investment and output. There is a tendency for an increase in the size and extent of exchange relationships and thus promote division of labour, leading to increasing returns to scale.

The failure of the formal financial system to provide requisite services to the small and medium scale enterprises (SMEs), and the fact that the poor are mainly engaged in this informal sector-continues to provide a strong basis for micro finance and invariably micro credit as a viable strategy for income expansion and poverty reduction. Micro credit is recognised as strategy for resource transfer/ support to poor people to promote self-employment, income generation and poverty reduction. Availability of adequate credit is central to an improved economic well -being of the rural and urban poor. Recent research and survey have indicated the willingness and desire of the poor to eke out a living, with various coping strategies, through informal micro enterprises. Growth of such is however limited by the dearth of resources of the entrepreneurs or simply put, the state of poverty of the people (Okunmadewa; 2002). Providing affordable financial services to the poor with ease has therefore become an important component of development strategy for the last several decades.

Microfinance is thus widely perceived as a development approach with significant potential for poverty reduction and economic empowerment for small and medium scale entrepreneurs. Scholars have observed that Microfinance institutions enabled entrepreneurial development and enhance income earnings thus an improved living standard (Mosley, 2001). Microfinance institutions have succeeded in providing credit and savings services to poor entrepreneurial, through innovative strategies. These include the provision of small loans to poor people, especially in rural areas without collateral.

THE PROBLEMATIQUE

The statement of problem for this study is that the successive governments and development community, including government agencies, banks, and non-governmental organizations (NGOs) seek to improve the livelihood of impoverished citizens through poverty reduction strategies that address the root causes of poverty among the grassroots and its crippling effect on the people. After years of implementing programmes and policies in Nigeria, poverty has remained an inalienable feature of grassroots in the third world of which Nigeria is chief and entrepreneurial development is still at its low ebb. Small and Medium Enterprises (SMEs) in Nigeria have not performed creditably well and have not played the expected vital and vibrant role in the economic growth and development of Nigeria. This situation has been of great concern to the government, citizenry, operators, practitioners and the organised private sector groups.

If Nigeria were to achieve an appreciable success towards attaining the Millennium Development Goals for 2015, one of the sure ways would be to vigorously pursue the development of its SMEs. Some of the key Millennium Declaration Goals like halving the proportion of people living in extreme poverty, suffering from hunger, without access to safe water, reducing maternal and infant mortality by three-quarts and two thirds respectively and enrolment of all children in primary school by 2015 may indeed be a mirage unless there is a turnaround of SMEs' fortunes in Nigeria.

This study focused on one of such programmes – SMEs - as a means of reducing poverty using Osun State as a case study. An impact assessment study was conducted in Osun state between November 2008 and January 2009. It was to investigate the impact of the scheme partnered by Osun State Sustainable Human Development Fund and United Nations Development Programme (OSSHDF-UNDP). Microcredit were made available to the people either to start up or boost businesses in the state. It was a group lending anchored by three selected Microfinance Institutions (MFIs) in the state. The MFIs are Centre for Education and Rural Development (CEDRUD), OMACONSULT and FOSCOOP. The questions arising from the fore going therefore are: is there any relationship between SMEs and poverty; is there any relationship between SMEs and Microcredit? Has the government effectively played her roles in SMEs development? What strategies should be adopted to make SMEs veritable instrument of poverty reduction? How can SMEs be made to achieve poverty reduction?

The objectives of this study are to: (a) examine the relationship between poverty alleviation and SMEs and the relationship between Microcredit and SMEs (b) identify the various sources of fund for SMEs; (c) identify governmental roles in SMEs development (d) examine the effect of Microcredit and SMEs on poverty alleviation in the economy of Osun State, Nigeria. (e) identify problem militating SMEs in the achievement of their goals (f) identify factors that would assist SMEs to achieve poverty reduction.

This study is divided into 4 sections including the background to the study. The second part consists of the relevant literature on the topic. Third section of the paper presents the empirical data and analysis on the study and lastly the paper concludes.

RELEVANT LITERATURE REVIEW

Small and Medium Enterprises(SMEs) has been variously defined by scholars. So there are as many definitions as there are authors or scholars depending on the purpose, objective and use of definition. The Small and Medium Industries Equity Investment Scheme (SMIEIS) in Nigeria, defined SMEs as enterprises with a total capital employed not less than N1.5 million, but not exceeding N200 million, including working capital, but excluding cost of land and/or with a staff strength of not less than 10 and not more than 300. This paper will not adopt in a global context, a general definition of SMEs using size and scale of operation, but within the fixed co-ordinates of national boundaries, it might be relatively easier. At the 13th Council meeting of the National Council on Industry held in July, 2001 Micro, Small and Medium Enterprises (MSMEs) were defined by the Council as follows.

Micro/Cottage Industry

An industry with a labour size of not more than 10 workers, or total cost of not more than N1.50 million, including working capital but excluding cost of land.

Small-Scale Industry

An industry with a labour size of 11-100 workers or a total cost of not more thanN50 million, including working capital but excluding cost of land.

Medium Scale Industry

An industry with a labour size of between 101-300 workers or a total cost of over N50 million but not more than N200 million, including working capital but excluding cost of land.

According to Taiwo et al, the Nigeria Third National Development plan (1975-1980) defines small business as a manufacturing or service organization whose employee is not more than 10. The scholars also alluded to the individual research unit of Obafemi Awolowo University (Centre for Industrial Research Development) (1987) who defines SMEs as "one with total assets or capital which is less than N50, 000 and employees fewer than 50 full time workers".

It is has been mentioned that the SMEs consist mainly of those engaged in the distributive trade who constitute about 50% of the SMEs, 10% are in manufacturing, 30% in agriculture and 10% in services, which together account or well over 50% of Nigerian Gross Domestic Product (Odeyemi, 2003). Scholars have opined that there are indications that the SMEs account for about 70% of industrial employment in Nigeria (Adebusuyi, 1997). The multiplicative effects of such employment generation on other sectors of the economy will enhance growth. Small and medium scale enterprises (SMEs) are a term collectively used for small-scale enterprises and medium-scale enterprises respectively. They are important units of the industrial sector of the economy whose activities are pivotal to the development of the entire economy. Examples of some of these SMEs in Nigeria include but not restricted to; hairdressing salon, private maternities; slaughter slabs, boutiques; food store, supermarkets, Call centres, Pure and bottled water companies, hat, soap and cream making companies, car wash, mechanic, fashion designing, barbing salon, carpentry, bakeries, plank and sawmilling, block making industries, rental and catering services, shoe making industries, foam industries, poultry, maternity homes and clinics, nursery, primary and secondary institutions, cassava processing industries, palm oil processing etc. These small businesses are generally regarded as the driving force of economic growth, job creation, and poverty reduction in developing countries. They have been the means through which accelerated economic growth and rapid industrialization have been achieved.

The growing awareness of the potential of microfinance institutions in poverty reduction, economic growth and development among the grassroots people has effectively put the issue of microfinance on the political agenda of most developing nations and in particular Nigeria during Obasanjo regime (CBN, 2005). It was opined that robust economic growth cannot be achieved without putting in place well focused programmes to reduce poverty through empowering the people by increasing their access to factors of production especially credit. The economic power of the poor for entrepreneurship would be significantly enhanced through the provision of microcredit services to enable them engage in economic activities and be more self-reliant, increase employment generation, enhance household income and create wealth.

It had been observed that many International Development Agencies, organisations, and financiers have not only appreciated the great roles played by SMEs in poverty alleviation and overall economic development, but also invested a significant percentage of their resources in SMEs. A review of World Bank Operations revealed that it invested a whopping $1.597 billion in SMEs in 2004 fiscal year, with Africa getting a sizeable share of over $89 million. This sum was channelled through the four major development arms of the bank: the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA), the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA). (World Bank 2005).

Onugu (2005) mentioned that Nigeria, Kenya and Uganda benefited from part of the new joint pilot programme executed by IFC and IDA for SME development in 2004 to the tune of $70million. The 2004 annual review of the IFC's Small Business Activities also indicated that the IFC and IDA began SME project development in Nigeria to the tune of $32 million. In Kenya and Uganda, $22 million and $16 million were also respectively invested in similar projects. In recognition of the crucial role SMEs play in economic growth and development, the Bank of Industry generated over sixty percent (60%) of the entire loans it granted in 2004 to SMEs, the relatively high default rate notwithstanding. The scholar claimed that the Managing Director of the Bank of Industry, confirmed that twenty nine (29) of the 594 loan applications received by the bank since 2001 received approval adding that N20.8 million or 19.1 percent of the total approved loans went to the SME sub-sector. The Bank of Industry is also intensifying efforts to source cheaper funds from Development Financial Institutions (DFIs) such as the African Development Bank (ADB), African Export-Import Bank, European Development Bank, etc so as to on-lend to SMEs at concessionary rates and thus maximize their value addition. The efforts of the various agencies and organisations at making credit available to SMEs, is geared towards alleviation poverty among the mass of the people.

The Concept of Microfinance as defined by Dajani (2005) is a practical mechanism that solves the problem of poverty from its roots by dealing directly with individuals rather than governments as the World Bank and IMF do. Micro finance had been used in Bangladesh, Ireland, USA and some developing countries of the world as a strategy for alleviating poverty through SMEs.

In the *Microfinance Policy, Regulatory and Supervisory Framework for Nigeria* (2005), the Central Bank of Nigeria (CBN) showed that the formal financial system provides services to only about 35% of economically active population while the remaining 65% are excluded from access to financial services. It has been opined by Makinde and Fayomi(2008) that under such an economic situation, economic growth cannot be achieved since about 65% of those to make it grow have no access to funds. The resultant effect of this is lack of economic empowerment, as well as social empowerment and political empowerment. Thus the role of Microcredit cannot be overemphasised in the development of SMEs and poverty alleviation in Osun state and Nigeria in general.

It has been observed that poverty involves more than money and income. It includes unemployment, poor shelter, illiteracy, ill-health, oppression and marginalization. Access to land, education, health, justice, family and community support, credit, and other productive resources, and a voice in institutions, are all important in developing sustainable livelihoods.

Poverty has been described as the deprivation of different types of "freedoms"—economic, political, social, and choices that affect livelihoods. For example, political freedom can help secure better resource, rights, regimes, leading to greater wealth and equity. In this context, freedom is both the ends and means of development.

The above literature had been able to show a correlation between SMEs, Microcredit and Poverty. The empirical analysis below will further present the relationship between the above.

Two main sources of data collection were employed in this study. They are primary and secondary sources. The primary source of data collection was through reconnaissance survey, pilot study and well-structured questionnaire administered among the 150 SMEs owners in the three purposively selected communities in Osun state while secondary source of data collection was through literature review of different authors and researchers, textbooks, journals articles, conference publications, government gazettes, academic theses, and internet materials. Purposive sampling procedure was employed in the administration of questionnaires. Data collected were analyzed using Statistical Package for the Social Sciences version 16 both descriptive and inferential tools were used to analyze the data appropriately.

Table 1: Source(s) of fund for SMEs

Responses	Number %
Savings, Loans & Contributions	121 (80.6)
Formal Banks	03 (2)
Government Agencies such as SMIEIS, SMEDAN, NDE, NAPEP	0
Microfinance scheme	26 (17.3)
Total	150 (100)

Field survey Nov., 2008- Jan., 2009

Table 2: Impact of SMEs on Socio-economic development of Osun state

	No	%
Yes	78	52
No	44	29.3
Can’t say	28	18.6
Total	150	100

Field survey Nov., 2008- Jan., 2009

Table 3: Number of employment generated since SMEs started

Respondents	Range of employments generated
57	4001 - 5000
19	3001-4000
23	2001- 3000
30	1001-2000
21	1- 1000
150	3821 employments

Field survey Nov., 2008- Jan., 2009

Sample Area

In this study, the sample area which consists of 3 selected communities were randomly selected from each of the three senatorial districts of Osun State. It was divided into three constitutionally approved senatorial districts namely, Osun East, Osun West, and Osun Central. These are: Ilesa (Osun East), Iwo (Osun West), and Osogbo (Osun Central) Senatorial Districts of Osun State, Nigeria. This state was selected as a pilot study towards future study of other states of Southwestern Nigeria comprising Lagos, Ogun, Oyo, Ekiti, and Ondo. These states are all Yoruba speaking and share some cultural affinity. The sample size was made up of 50 SME owners who belong to different types of SMEs such as trading, production/manufacturing; services rendering and petty business from each of the three communities. These SMEs were randomly selected for the administration of questionnaires in order to elicit information that will guide the proposition of this study that there is a relationship between SMEs, microcredit and poverty alleviation.

PRESENTATION AND DISCUSSIONS ON FINDING

The stated objectives of this study were used to present the discussions on the finding: In examining the relationship between SMEs, poverty alleviation and microcredit, a total of 121 (80.6) respondents claimed that they started up their small and medium businesses from personal savings, family contributions, and loans from friends and cooperatives while 26 (17.3) started with loan from the microcredit scheme. While 3 (2) respondents got assistance from banks. None of the respondents claimed any benefit from SMIEIS, SMEDAN, NDE, NACRDB, BOI, NAPEP etc which are government initiatives to develop SMEs. The respondents who started up from personal savings revealed that they had big ideas/plans but had been limited due to lack of fund to execute their business plans. The other 26 were able to use microcredit/finance credit scheme because of their awareness of such programme. The study revealed that the size of the business is limited to the fund available to the SME owners. It also revealed that credit is an essential ingredient in the establishment of SMEs.

In order to establish the relationship between SMEs, poverty reduction and microcredit, all the respondents claimed that if they had access to credit to execute their business plans they would be able to employ more hands thus reducing unemployment and reducing poverty level. They would have access to good health care, good education for their children and earn more profit. The respondents however revealed that through the little fund with which they started, they have been able to break the poverty cycle. They were able to educate their children, provide good shelter, medi care and community support.

In addressing the second objective of this study, the respondents were made to respond to questions on the roles of government in making credit available to the SMEs through the various agencies established for such. A total of 76 respondents strongly disagreed with the fact that the government is effectively playing important roles at developing SMEs in the country and in Osun state. Another 62 disagreed and 12 cannot say whether the government is effectively playing important roles at developing SMEs. They claimed that the policies and programmes are only on paper. It could also be beneficial to those who are well connected and have political patronage in the state and in the country in general. Among the respondents 51% claimed they have no knowledge of any government policies and programmes aimed at developing the SMEs while 40% are aware but only 13% of them have benefited from the OSSHDF-UNDP. The remaining 9% is not interested in government intervention because of the stress and paper work that would be involved in such exercise. From the above analysis, the study revealed that the government has not effectively performed her role in developing the SMEs.

The third objective of this study is to examine the effect of Microcredit and SMEs on poverty alleviation in the economy of Osun State. It was revealed by this study that the importance of microcredit on SMEs establishment cannot be overemphasized and its multiplier effect is on poverty reduction.

Majority of the respondents 78 (52)agreed that SMEs have impacted on the socio economic development of Osun state and thus reduced the poverty level in the state. 44 (29.3) disagreed with the SMEs impact while 28 (18.6) cannot even say yes or no to the question. In furtherance of this question the researchers were informed by the respondents who answered yes, that since they started their SMEs their circumstances have improved. Some of them claimed they were able to complete their buildings, acquire private car and business vehicle, increased the size of their organisation because they were able to employ other hands in the running of the day to day activities. In their view through the establishment of the SMEs they have become employer of labour which had reduced the unemployment rate and thus poverty in the state. The respondents who answered no, claimed that they are still struggling to survive so they cannot confirm they have impact on poverty in the state. However, they claimed that with the SMEs they are operating they have been able to better their lot in the society, provide shelter for their family, educate their children, access to good medical and provide community support where necessary. The respondents who were unable to assess the impact claimed that they have not been able to produce at the rate or the capacity of their equipment since they started operation because of power failure so had to depend on generator to power the engines and insincerity of the employees thus they were yet to break even inspite of the fact that they are producing.

The above table revealed the total number of jobs these SMEs have been able to generate since they started operations which ranges from one to ten year of business operation. It showed that though they have contributed their quota to employment generation, these SMEs are still far from meeting the expectation and yearning for a reduction in poverty rate. This is not to mention the pastry sum being paid to the employees which is a far cry from alleviating their poverty.

The fourth objectives of this study deals with the problems hindering the growth and development of SMEs in Nigeria and in particular Osun state.

The study revealed that SMEs have not made the desired impact on the Nigerian economy generally and in particular Osun state inspite of all the efforts and support of succeeding administrations and governments. The respondents agreed that there exists fundamental problems, which confront SMEs development and growth but which hitherto have either not been wholeheartedly addressed or that lip service had been paid to tackling the problems. These are some of the problems as revealed by the respondents among others: (a) excessive paperwork; (b) corruption and harassment of SMEs by some agencies of government over unauthorised levies and charges in their LGA; (c) inadequate or absence of collateral for loans; (d) sole proprietorship and lack of knowledge; (e) environmental factor; (f) Lack of infrastructure and (g) Power problem

The last objective of the study is the strategies to employ in order to make SMEs function as agents of poverty reduction. It was revealed that factors that could help SMEs to achieve the goals for which they were initiated include: inclusion of entrepreneurial studies in the curriculum of the tertiary institutions in Nigeria. A practical radical approach to polices and programme implementation rather than lip service should be employed by government. The SMEs operators should have a knowledge of the business they were setting up otherwise they would become prey for unscrupulous people in the society. There should be improved power generation in the country and in Osun state in particular. More funds should be made available to the SME owners to be able to function to the capacity of their equipments to enhance economy of scale. There should be awareness to the SME owners through their various associations of any credit assistance from government.

Apart from the respondents to the study, the government on her part in recognition of the problems suggested solution to the problems besetting SMEs, it was mentioned that in furtherance of government efforts towards making the SME sub-sector more vibrant, the government through SMEDAN recently called on G8 to assist in providing an enabling environment for small businesses to thrive in Nigeria. “an improvement in power supply, for example, would have more impact than a concessionary interest rate practice” She also sought support from the G8 for current attempts by stakeholders to streamline and simplify procedures for business registration and taxation at the three tiers of government adding that these would encourage SMEs to move from informal to formal status.

CONCLUSION

The study appraised SMES as a strategy for poverty alleviation in a Southwestern state of Osun. It has been revealed from the study that poverty still permeates amongst the majority of the people in the state. The study was able to establish that there is a relationship between microcredit and SMEs as money answers all things. The SMEs were able to generate a sizeable number of employment in the state since the SMEs were only struggling to survive due to the mirage of problems they have to cope with thus the impact on poverty reduction is infinite decimal compared to the level of poverty in the state and in the country as a whole. The study found out that if loan or seed money were advanced to these existing SMEs and provide assistance to start up new ones, they would impact on the poverty level in the state and in the country as a whole. However, the study concluded that if necessary attention were paid to the SMEs sector through the various policies and programmes the sector is a veritable strategy for poverty reduction in the state and in the country.

REFERENCES

[1] American-African Universities Collaborative Policy Paper: Number 1-2005
[2] Bhatt, V.V. (1988) On Financial Innovations and Credit Market Evolution. World Development, vol.16, No.2, pp.281-292
[3] CBN. 2005. Microfinance Policy, Regulatory and Supervisory Framework for Nigeria
[4] Dajani, Amjad. 2005. Microfinance MATTERS: Voices of Microfinance. United Nations Capital Development Fund (UNCDF), Issue 16, September, 2005
[5] Fayomi, I.O., and Dionco-Adetayo, E.A.(2000) “The Role of Community Banks in Entrepreneurial Development”. Nigerian

Journal of Rural Sociological Association, Obafemi Awolowo University, Nigeria.

[6] Fayomi, I.O., (2000) "The Impact of Community Banks in Grassroots Development" Journal of Policy initiatives Vol. 3.(2).

[7] Fayomi, I.O 2006. "An Appraisal of Community Banking as a Strategy for Development in Selected States of Southwestern Nigeria". Unpublished Ph.D Thesis of Obafemi Awolowo University, Ile-Ife, Nigeria.

[8] Fayomi, I.O.& Oyerinde, A.A. (2009) ''Micro Credit Administration and Poverty Reduction in Nigeria'' African Journal of Institutions and Development (AJID). Vol. 4. Nos. 6 & Pp 34-46.

[9] Hulme, D and Mosley, P 1996 Finance Against Poverty, volume 1 and 2, London: Routledge

[10] Imam, Nasir. 2002. "Poverty Alleviation and Sustainable Development in Nigeria". In Daily Trust, August 14, 2002.

[11] Makinde, J.T. & Fayomi, I.O. (2008) ''Gender-based Poverty and Micro Financing in Parts of South-Western Nigeria'' African Journal of Public Administration and Management Vol. xix. No.2

[12] Meghana. A., Thorsten, B., & Asli, D., 2007 " Small and Medium EnterprisesAcross the Globe" Small Business Economics Vol. 29: 415-434.

[13] Odeyemi, J.A (2003). "An Overview of the Current State of SMEs in Nigeria and the Need for Intervention," A Paper Presented at the National Summit on SMIEIS Organised by the Bankers' Committee and Lagos Chambers of Commerce and Industry (BCLCCI), Lagos, 10th June, 2003.

[14] Okunmadewa, F. 2002'' Empowering the Poor through Micro-Finance: Lessons of Experience ''Paper presented at the 20th Bi-ennial Conference of the Development Finance Department of Central Bank of Nigeria, held in Calabar Nigeria 4th-5th Nov. 2002.

[15] Olomola, A.S. 1994. "Loan Administration and Utilization Under the Graduate Agricultural Loan Scheme in Nigeria". NISER, Individual Research Project Report. No. 2, Ibadan: Nigerian Institute of Social and Economic Research NISER.

[16] Onugu, B. A (2005) Small and Medium Enterprises (SMEs) In Nigeria: Problems and Prospects being dissertation submitted to the ST. Clements University in partial fulfilment of the requirements for the award of the degree of Doctor of Philosophy in Management.

[17] Taiwo, M. et. Al 2012 " Impact of Small and Medium Enterprises on Economic Growth and Development" American Journal of Business and Management Vol. 1, No. 1, 2012, pp. 18–22

[18] World Bank (1996) The World Bank Nigeria Poverty Assessment exercise

[19] World Bank (2005)

[20] (www.usaid.gov/ourwork/agriculture/landmanagement/poverty/pubs/ povertynrm report.pdf).

[21] (www.cenbank.org/out/publications/efr/rd/2002/efr/vol39-44.pdf).