



CRITICAL FACTORS RESPONSIBLE FOR LOW CORPORATE PERFORMANCE OF SMALL AND MEDIUM SCALE ENTERPRISES IN CROSS RIVER STATE, NIGERIA

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ABSTRACT: *With the rapid expansion of unemployment rates is alarming and devastating problem that merited an urgent and eminent attention in Cross River State. The small and medium scale enterprises can be employed as a mechanism or internal strategy to salvage the alarming growth rates of unemployment in our society. But it is impossible for the SMEs to do this more effectively and efficiently due to some critical factors affecting the corporate performance of the small and medium scale enterprises in the system. The low corporate performance of SMEs is attributed to some critical factors or bottlenecks such as difficulty in accessing micro-finances, inadequate management, and lack of experience, market competition, and many other problems. Therefore, this study examined critical factors responsible for low corporate performance of SMEs in Cross River State. Survey design was used in this study. The population of the study was six hundred and fifty-three (653) of small and medium scale enterprises in the area. The sample size was 248 using Taro Yamane formula. The hypotheses formulated were tested using Simple Linear Regression Analysis Model using Statistical Package for Social Sciences (SPSS Version 20). The study revealed that different obstacles such as inadequate funding and poor capital outlay; lack of easy access to funding/credit facilities; lack of infrastructural facilities; poor management expertise, etc. do significantly affect the corporate performance and growth as well as development of small and medium scale enterprises in Cross River State. It also revealed that the level of corporate performance (productivity) of small and medium scale enterprises significantly affect the growth and development of the area. It was recommended that the operators, owners and management should take a concerted effort in considering the various factors/problems associated and countered by small and medium scale enterprises and profound possible solutions to it, in order to enhance the growth and corporate performance of SMEs in Cross River State. The government should also establish a well-equipped entrepreneurial programmes and provide funds/grants for small and medium scale enterprises operators in order to boost the economic development of the state.*

KEYWORDS: SMEs, Corporate Performance, Growth and Development, Calabar South Local Government Area, Cross River State, Nigeria.



INTRODUCTION

Over the years, small and medium scale enterprises have been an avenue for job creation and empowerment of Nigeria's citizens providing about 60% of all jobs in Nigeria and also for local capital formation. In recent time, the world economy has developed tremendously and this has been linked with various activities of small and medium scale enterprises (SMEs), especially in developing countries like Nigeria (Adebisi & Gbegi, 2013). The social and economic advantages of small and medium scale enterprises cannot be over emphasized. Adebisi and Gbegi (2013) and Panitchpakdi (2006) see SMEs as sources of employment, competition, economic dynamism, and innovation which stimulate the entrepreneurial spirit and the diffusion of skills. They enjoy a wider geographical presence than big companies, SMEs also contribute to better income distribution. Being highly innovative, they lead to the utilization of our natural resources which in turn translates to increasing the country's wealth through higher productivity. Small and medium scale enterprises have undoubtedly improved the standard of living of so many people especially those in the rural areas (Ariyo, 2005).

Small and medium scale enterprises (SMEs) are generally regarded as the engine of economic growth and equitable development in developing economies. They are labour intensive, capital savings and capable of helping create most of the one billion new jobs the world will need by the end of the century. They are also perceived as the key to Nigeria's economic growth, poverty alleviation and employment (Agwu, 2014). The SMEs are recognized as an integral component of economic development and a crucial element in the effort to lift countries out of poverty. Small and medium scale enterprises are driving force for economic growth, job creation and poverty reduction in developing countries (Eze & Okpala, 2015). They have been the means through which accelerated economic growth and rapid industrialization have been achieved.

Furthermore, small and medium scale business has been recognized as a feeder services to large scale industries (Fabayo, 2009). While the contributions of SMEs to the economic development are generally acknowledged, entrepreneurs in this sector face many obstacles that limit their long term survival and development. Small and medium scale enterprises (SMEs) have been recognized as indispensable components of national development in both developed and developing economies (Lai & Arifin, 2011). Salar (2012) observed that this sub-sector of the economy is globally acknowledged to contribute substantially in enhancing employment creation or generation, poverty alleviation, equitable distribution of resources, income redistribution, technical and technological innovation, entrepreneurial skills development, more uniform industrial and economic dispersal and general improvement in the living standard of the populace within an economic region. Although SMEs are seen as veritable and viable engines of economics development, the growth and development of SMEs in Nigeria have been slow and in some cases even stunted, due to a number of problems and challenges confronting this all-important subsector of the economy.

The development of small and medium enterprises (SMEs) through effective financing options have stem debate and growing interest among researchers, policy makers and entrepreneurs, recognizing the immense contribution of the subsector to economic growth. Small and medium scale enterprises (SMEs) constitute the driving force of such industrial growth and development of any country. This is basically due to their great potential in ensuring diversification and expansion of industrial production as well as the attainment of the basic objectives of development.



The importance of SMEs as a mechanism of economic growth and development is often ignored. They are perceived as minor establishments that have minimal effect on the state of the economy (Eze & Okpala, 2015). However, if favorable environment is created for these SMEs to grow through proper regulation, the SMEs sector has the highest propensity to transform our economy. In the same light, taxes are important for the government as they are the major source of funds for government expenditure. Income obtained from taxation of individuals and businesses are used to run governments as well as provide infrastructure such as good roads, water supply, and electricity which are essential for the smooth running of these businesses that are mainly manufacturing companies and as such rely on these commodities to survive (Adebisi & Gbegi, 2013). Small and medium scale enterprises contribute immensely to the growth and development of the Nigerian economy. Notwithstanding this, small and medium scale enterprises in Nigeria have encountered problems which hinders or affects the smooth operations and performance. Therefore, this research examines critical factors responsible for the low performance of small and medium enterprises (SMEs) in Calabar South Local Government Area, Cross River state.

Statement of the problem

For socio-economic development of any country, a strong industrial base is desirable. The natural resources need to be developed and utilized both as input to industrial production and as direct products for the social well-being of the citizenry. However, many small and medium scale enterprises face many problems or challenges. The performance of economic development involves the cumulative effect of all economic policies and activities of small and medium scale enterprises in Calabar South Local Government Area, Cross River State. This is because, a healthy performance of the economy will promote business ideas, commerce, wealth, financial transactions, health of the people as well as reduce poverty, disease, hunger, crime and unemployment. For example, in Calabar South Local Government Area, Cross River State, the government is trying to evolved measures to alleviate poverty through various business projects (agricultural projects) upgrading the status of some markets, providing conducive an enabling environment for business to thrive, promoting and developing tourism capacity building skills acquisition and empowerment of the people.

Apparently, it has also been observed by the researcher, that small and medium scale enterprises in Calabar South Local Government Area, Cross River State, are increasing, ranging from global system for mobile communication (GSM) operators, transporters, computer operators, barbing and hairdressing salons, manufacturing industries, food processing industries such as Sambest Bakery, De Choice Eatery Food, Crunches, Agrochemical etc. to mention but a few. But it is surprising that their performances are still very low and are not easily recognized or felt in the socio-economic development of Calabar South Local Government Area, Cross River State. The low performance of SMEs may be attributed to some factors or bottlenecks such as difficulty in accessing micro-finances, inadequate management, and lack of experience and skill workers, especially in writing and compiling viable or feasible feasibility study and business/work plans, market competition, and many other problems. These factors of low performance of SMEs in Calabar South Local Government Area, Cross River State, merit an urgent attention. Therefore, it is based on this backdrop this study became imperative to examines critical factors responsible for the low performance of small and medium scale enterprises in Calabar South Local Government Area, Cross River State.



THEORETICAL FRAMEWORK

The theoretical framework of this research work was based on enterprise growth theory. The theory as formulated by Mao (2009) describes small and medium scale enterprises as businesses that play an important role in a country's economy. It provides the basis for industrial development and sustained economic growth of any society. It is the oldest and commonest type of business structure the world over. The evolution of small and medium scale enterprises in Nigeria and indeed Cross River State predates the advent of the Europeans and colonialism. During this period, small and medium scale enterprises were concentrated on a narrow range of activities such as weaving of textile materials, drying of clothes, blacksmithing, brick laying, pottery, carpentry and furniture and so on, located in different parts of the country and the state. But, the industrial revolution of the 19th century first threatened the predominance of the small and medium scale enterprises after centuries of being the basic economic unit (Kpelia, 2009). This was confirmed by the spate of mergers and takeover of the 1950's and 1960's independent movement in Nigeria.

However, the situation has changed the governments all over the country have realize the importance of this category of businesses or enterprises and have formulated comprehensive policies and strategies to encourage, support and fund/finance the establishment of small and medium scale enterprises. This new trend has been emulated or embraced by Nigeria through the efforts of the federal, state and local governments. Nevertheless, these has been instrumental in promoting and encouraging small and medium scale enterprises before independence, the federal government increased the cadence in the second national development plan and proliferation of small and medium scale enterprises as veritable engine or source for economic growth and development of the country (Kpelia, 2009). The 1977 Enterprise promotion Act also encourage and support small and medium scale ownership in Nigeria. Similarly, the fourth national development plan of 1981-1985 also emphasized the importance of small and medium scale enterprises for rapid economic growth, especially in the non-oil sector and the greater local participation and involvement in ownership and management of the productive enterprises. The value of enterprise growth theory is that it will allowed for continuous increased in the growth and development of small and medium scale enterprises corporate performance in Calabar South Local Government Area of Cross River state, through the expansion and diversification of business concept, scope and other production processes.

The concept of small and medium scale enterprises

In the Nigeria context, SMEs have been defined in terms of asset base, annual turnover and number of employee Chukwemeka (2006); CBN (2011); Niger Delta Development Commission (2004); Nigerian Economic Summit Group (2002); Niger Delta Development Commission (2004); Anigbogu and Onwuteaka (2014). But, there are variations in the definition of small and medium scale enterprises. The small and medium industries enterprises investment scheme (SMIEIS) defines SMEs as any enterprises with a maximum asset based of N200 million excluding land and working capital and with a number of staff employed not less than 10 or more than 300 (Aremu & Adeyemi, 2011). As noted by Nnanna (2001); Osalor (2012) and Chukwemeka (2006) defines small scale business as one whose total asset in capital, equipment, plant and working capital are less than N250,000 and employing fewer than 50 full time workers. Levitsky (2000) defines SMEs as one who has a minimum of 5 employees with minimum capital outlay of not less than N5, 000.00. However, for the purpose of this study,



we shall adopt the definition of small and medium industries enterprises investment scheme (SMIEIS).

However, development strategists have advocated the aggressive use of small and medium scale enterprises (SMEs) to accelerate economic growth, especially in developing countries of the world (Eze & Okpala, 2015). Most African countries are basically agricultural societies, and as observed by Ojo (2009) with little capital to invest, it seems obvious that the process of industrialization should be based on the development of the SMEs to link agricultural production with manufacturing activities. According to Aremu and Adeyemi (2011) Small and medium enterprises have been considered as the engine of economic growth, and that the major advantage of the SMEs is their employment potential at low capital cost. This is because the SMEs are relatively more labour-intensive than large scale enterprises. Furthermore, Aremu (2010) contends that the role SMEs play in any country is always in consonance with the country's level of development. Imoisi and Ephraim (2012) in agreement with Aremu and Adeyemi (2011) that there is high incidence of poverty in Nigeria, argued that only adequate financing of small and medium scale enterprises will reduce Nigeria's unemployment level. On the belief that jobs can be massively created through the development of SMEs in which Aremu (2010) posited that finance to small and medium scale enterprises can provide more income, savings and employment in the nation's economy.

The need to promote the industrial sector has continued to be a major concern of most governments worldwide, especially developing countries like Nigeria. With the growth of SMEs, Adebisi and Gbegi (2013) believed that the Nigerian economy will have the potential of being competitive in the global market. In recognition of these potential roles of SMEs, successive governments in Nigeria have continued to express policy measures and programme to achieve industrial growth and development (Eze & Okpala, 2015). In recognition of SMEs contribution to Nigerian economy, the strategies and initiatives to promote SME development featured prominently in most of the government's economic development plans with a view to nurturing further growth of the sector need to be addressed in Calabar South Local Government Area, Cross River State.

Small scale industry is an industry whose total cost, including working capital but excluding cost of land, is over N1 million but not more than N40 million and a labour size of between 11 and 35 workers. Medium scale industry is an industry whose total cost including working capital but excluding cost of land is above N40 million but not more than N150 million with a labour size of between 36 – 100 workers (Safiriyu & Njogo, 2012). Small- Scale businesses are driving force for 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. Furthermore, small and medium scale business has been recognized as a feeder service to large- scale enterprises (Fabayo, 2009). According to EC (2003) small and medium scale enterprises are businesses in which the human resources strength falls below certain level or limit. Small and medium scale enterprises outnumber large companies by a wide margin and also employ many more people. SMEs are also said to be responsible for driving innovation and competition in many economic sectors.

Petrakis and Kostis (2012) explore the role of interpersonal trust and knowledge in the number of small and medium scale enterprises. They conclude that knowledge positively affects the number of SMEs, which in turn, positively affect the interpersonal trust. The Central Bank of Nigeria (2011) defines small and medium enterprises in Nigeria according to asset base and



member of staff employed. The criteria are an asset base between N5million and N500million and staff strength between 20 and 300 employees. Businesses with more than 1,500 employees are usually categorized as medium scale or large-scale industries.

According to Dasanayaka (2008) small and medium scale enterprises is defined as any business activity engaged in industry, agri-business and/or service whether single proprietorship, partnership, or corporate ventures. Small and medium scale enterprise is usually based on the number of employees or the value of assets acquired by an organization. The lower limit is usually set at 5 to 10 workers while the upper limit is 50 to 100 workers. For medium scale enterprises the upper limit is usually set between 100 to 250 employees. Hallberg (2000) has cautioned that regard must always be made to the size of the national economy in which the companies are operating. For instance, Alaye-Ogan (2012) defines a small scale business as companies with capital base between twenty thousand Naira and thirty million naira (equivalent of \$125 to \$193,500). However, small scale industry is an industry whose total cost, including working capital but excluding cost of land, is over N1 million but not more than N40 million and a labour size of between 11 and 35 workers. While medium scale enterprise is an enterprise whose total cost including working capital but excluding cost of land is above N40 million but not more than N150 million with a labour size of between 36 – 100 workers. Therefore, small and medium enterprise can be defined as enterprises that have the capacity to employ at most five hundred (500) employees at a time and have the capital base of between twenty thousand (N20,000) naira and thirty million (N30,000,000) naira. Small scale enterprises can be described as enterprises employing between 1-35 employees. Small and medium scale enterprises are those enterprise employing less than 100 employees or workers in the business. This is because, they have the merit of closer touch with their customers, employees and suppliers; less complex organization to manage; low overhead and operating costs; more cordial relationship with customers and employees and more intimate knowledge of the host community and therefore easier environment in a beneficial way. They also shared the following demerits of limited market share; poor competitive position; limited growth potential, usually due to limited financial resources; they usually do not state the principal promoters and not usually the best candidates for bank financing.

The importance of small and medium scale enterprises

Small and medium enterprises have been discovered to be a key driver for a country's economic growth (Anigbogu & Onwuteaka, 2014). Hence, SMEs cannot be overlooked in the economic development of any country. They further stated that SMEs are recognized as the main source of economic growth and a major factor in promoting private sector development and partnership, in developed and developing countries. SMEs help to create employment and are often seen as very important for the growth and innovation of dynamic economies (Aremu & Adeyemi, 2011). Therefore, economic growth and development in Africa can be achieved through the emergence of strong SMEs, which will later grow to become major players in the developing economy. SMEs help to diversify economic activities that have significant contributions to imports and exports, they are flexible and can adapt quickly to changing market demands (Adebisi & Gbegi, 2013). Thus, SMEs contribute more and more to the national and international economies of the world.

Small and medium enterprises have been considered as the engine of economic growth and for promoting equitable development. The major advantage of the sector is its employment potential at low capital cost (Aremu & Adeyemi, 2011). The labour intensity of the SME sector



is much higher than that of the large enterprises. The role of small and medium enterprises in the economic and social development of the country is well established. The sector is a nursery of entrepreneurship, often driven by individual creativity and innovation. As earlier mentioned, small and medium scale industries play important and crucial roles in the industrial development of any economy. Ojo (2009) small and medium scale industries has a better prospect for developing domestic economy through the generation of goods and services that propels the economy of Calabar South Local Government Area, Cross River state. The need to focus on small scale industry became important in Nigeria because it was a means of ensuring self-independence, job creation and import substitution of goods and services over a given period of time, effective and efficient utilization of local raw materials (Ojo, 2009). Small businesses in Calabar South Local Government Area, Cross River state contribute to employment and a path to entrepreneurship. The focus of small businesses has shifted from providing only social goods but as a vehicle to entrepreneurship (Thurik & Wennekers, 2004). Therefore, it serves as a source of job creation and economic growth. This may well be the reason policy makers in Nigeria to pay attention to small and medium businesses. Small and medium scale enterprises have come to be accepted worldwide as a major player in the developmental effort of most nations.

Nnanna (2001) has listed key areas of their impact on national developments such as employment generation, utilization of local resources, output expansion, transformation of indigenous technology, production of intermediate goods, promotion of even development and reduction of income disparities, and increase in revenue based generation of government at regular interval.

Levistky (2000) has also listed the reasons why developing countries considered SMEs as very crucial for their development to include: to help generate employment by using more labour in relation to capital invested. This is especially important in developing countries where labour is abundant and capital are relatively scarce, to act as seed beds for entrepreneurial talent another element considered in short supply in the third world, to operate in less populated rural area with limited markets and poor infrastructure- a feature common in developing countries, to be able to start up with very limited resources ease of entry as this is called, is a significant feature of small businesses especially in the service industries, to provide hands on training facilities for people of varying levels of education in both management and technical skills, to supply both low cost items for the poor and in certain circumstances high cost quality products for the rich and for export, the flexibility of small enterprises that enables them better to weather recession, material shortages and market changes.

Small and medium scale enterprises play an important role in any society, when they first established, they represent ways that business owners test their business ideas in a market. Those companies that survive over time provide economic stability for owners and their families. Small businesses that create jobs for workers in addition to the owners offer even more economic stability. Providing a steady source of income to business owners and employees is just one reason they are important. Innovation is very possible in small and medium scale businesses. In these tiny enterprises, employees usually work in close proximity to consumers and learn firsthand about their needs. Also these small businesses typically have few ranks of managers separating line workers from the business owners. Employees can help their organizations grow by sharing ideas that will benefits consumers. In turn, business owners must go through less bureaucracy to put employees' new ideas that will benefit both the consumers and the organization into action.



However, Small and medium enterprises (SMEs) are also considered the backbone of economic growth in all countries (Anigbogu & Onwuteaka, 2014). They play an important role in Nigerian's economic growth, as they constitute 97.2% of the companies in Nigeria. They also contribute to national development by positively influencing the distribution of income in both functional and nominal terms (Rajesh, Suresh & Deshmukh, 2008; General Statistics Office, 2007; Uzor, 2004; Mba & Emeti, 2014). At the community or local government level and by extension the whole economy, the contribution of SMEs to gross economic productivity and employment and other economic development parameters in both developed and developing countries is succinctly summarized by Anigbogu and Onwuteaka(2014) and Akingunola (2011) as follows: greater utilization of raw materials, employment generation, encourage of rural development, development of entrepreneurship, mobilization 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. Thus, the role of SMEs in developing any nation's or state's economy cannot be over emphasized. This is because small and medium Scale enterprises (SMEs) has been recognized as the main sustenance of the economy due to their capacity in enhancing the economy output and enhance human welfare. SMEs will also play the following role in the community or local government development such as generation of employment; service provision; improve living standards and poverty alleviation in Calabar South Local Government Area, Cross River State.

Factors responsible for the low performance of SMEs

While the contributions of small and medium scale businesses to development are generally acknowledged, entrepreneurs in this sector face many obstacles that limit their longterm survival and development. Many scholars have indicated that starting a business is arisky venture and warn that the chances of small and medium scale businesses owners in the past the five years are very slim (Mahlbul, 2011). Imoisi and Emphraim (2015); Osotimehin, Jegede, Akinlabi, and Olajide, (2012); Safiriyu and Njogo (2012); Ihua (2009). Small and medium scale enterprises are known worldwide to encounter some structural difficulties, problems or limitations, which if confronted can drive them to promote economic growth and development. Some of the principal factors or problems responsible for the low performance of small and medium scale industries (SMEs) in Calabar South Local Government Area, Cross River State include the following:

1. Inadequate funding and poor capital outlay. Lack of short, medium and long term capital, inadequate access to financial resources and credit facilities affect the growth of small and scale enterprises (SMEs) (Safiriyu & Njogo, 2012; Imoisi & Emphraim, 2015). This is because poor capital outlay has negative effects on the growth of small and medium scale enterprises in any given society. Finance is seen by this study as the most hindering factor to the growth and development and sustenance of SMEs in Calabar South Local Government Area, Cross River State's economic growth in terms of output of goods and services.
2. Lack of easy access to funding/credit facilities which according to Oresofu (1995) can be traceable to the reluctance of banks to extend credit to them due to poor and inadequate documentation of business plans or proposals, lack of appropriate and adequate collateral, high cost of administration and management of small loans as well as interest rates.



3. **Inadequate or lack of infrastructural facilities:** The problem of unstable and unreliable supply of electricity, dilapidated roads, inadequate supply of water for both home and industrial use, inefficient and costly communication system, among others, have for long hindered the growth and development of SMEs in Nigeria. Donald (2001) noted that the problem of inadequate, inefficient and at times, non-functional facilities tend to escalate costs of operation as small and medium scale enterprises are forced to resort to private provision of utilities such as road, water, electricity, transportation, communication etc. This adversely affects the performance of SMEs in Nigeria.
4. **Poor Management Expertise:** Management has always been a problem in this sector as most small scale businesses do not have the required management expertise to carry them through once the business start growing. The situation gets compounded as training is not usually accorded priority in the SMEs. This is because of the lack of appropriate and adequate managerial and entrepreneurial skills with the attendant of lack of strategic plan, business plan succession plan, adequate organizational set-up, transparent operational system etc., on the part of many founders/owners and managers of small and medium scale enterprises in Nigeria. As a fall out of this, many of the small and medium scale enterprises promoters usually purchase obsolete and inefficient equipment thereby setting the stage abilities for lower level productivity as well as substandard product quality with dire repercussions on the product output and market penetration and acceptance in the area.
5. **Bureaucratic bottlenecks and inefficiency in the administration of incentives and support facilities provided by the government.** These, in the view of Nafukho (1998) discourage the prospective entrepreneurs of small and medium scale enterprises while stifling the existing ones.
6. **Poor implementation of policies:** there have been many good policies formulated in the past by the government to improve, but weak implementation has made it impossible to realize the goal of small and medium scale enterprises in Nigeria.
7. **Lack of Continuity:** most small scale establishments are sole proprietorship and such establishment often ceases to function as soon as the owner loses interest or dies (Adisa, Abdulraheem & Mordi, 2014). This raises the risk of financing such business.
8. **Inadequate information base:** Small scale business enterprises are usually characterized by poor record keeping and that usually starve of necessary information required for planning and management purposes. This will usually affect the realization of the small and medium scale enterprises in Calabar South Local Government Area, Cross River State.
9. **High cost of package business proposals/plans** also affects the growth and performance of SMEs (Imoisi & Emphraim, 2015). Since, many of the SMEs operators are not expert in business plan; the cost of hiring expert for a business proposal is always very high.
10. **Uneven competition arising from import tariffs** which at times favour imported finished products or goods (Donald, 2001). Here, tax paid on imported finished goods is highly competitive in nature.



11. Lack of access to appropriate technology as well as near absence of research and development (Adisa, Abdulraheem & Mordi, 2014). The required technology needed by small and medium scale enterprises cannot be easily seen in the country.
12. High dependence on imported raw materials with the attendant high foreign exchange cost and scarcity at times (Imoisi & Emphraim, 2015). This is because small and medium scale enterprises in Nigeria, place high value on imported materials for the production of goods/products.
13. Weak demand for products, arising from low and dwindling consumer purchasing power aggravated by lack of patronage of locally produced goods by the general public as well as those in authority. This is common among Nigerians; goods produce locally are not prefer as compared to goods produced in other countries.
14. High incidence of multiplicity of regulatory agencies, taxes and levies that result in high cost of doing business and discourage entrepreneurs. Alawe (2004) noted that this is due to the absence of harmonized and gazette tax regime, that would enable manufacturers to build in recognized and approved levies and taxes payable.
15. Absence of long term finance to fund capital assets and equipment under project finance for small and medium scale enterprises (Alawe, 2004). This affects the expansion and production capacity of the small and medium scale enterprises in Calabar South Local Government Area, Cross River State.
16. Widespread of corruption and harassment of small and medium scale enterprises by agencies of government over unauthorized levies and charges at regular interval (Safiriyu & Njogo, 2012). Many people working in the government's agencies are corrupt in their practices towards illegal charges on SMEs operators in the society.
17. Lack of initiative and administrative framework or linkage to support and sustain small and medium scale enterprises growth and development, which to a large extent, is also a reflection of poor technology capability or intellectual resources (Imoisi & Emphraim, 2015). The SMEs operators have little or no innovative initiative and administrative guidelines to foster the effective and efficient performance of the business organizations in Calabar South Local Government Area of Cross River State.

Performance of small and medium scale enterprises in Nigeria

The performance and effectiveness of small and medium scale enterprises as an instrument of economic growth and development in Nigeria has long been under scrutiny. This intense scrutiny has been against the backdrop of the low performance and inefficiency that characterized have small and medium scale enterprises particularly in assessing its role on economic growth and development. Despite government institutional and policies support to enhancing the capacity of small and medium scale enterprises, small and medium scale enterprises have fallen short of expectations. This has generated serious concern and sceptics on whether SMEs can bring about economic growth and national developments in Nigeria. The concern is even more disturbing when comparing SMEs in Nigeria with other countries particularly where SMEs has become harbinger of economic reconstruction and transformation (Ojo, 2009). In the case of Calabar South Local Government Area of Cross River State, small and medium scale enterprises have performed at very bad due seasonal nature of market in the area. This low



performance has further exacerbated poverty, hunger, unemployment and low standard of living of people in a country whose economics is ailing. The current problems of hunger poverty and unemployment have undermined the capacity of the economy and small and medium scale enterprises are seen as mechanism for intervention to addressing these long term problem of the economy. Unfortunately, SME have not been able to address the problem of unemployment and propel more economic growth and development which are quintessence of mitigating the effect of poverty, hunger, unemployment, and low standard of living on the economy.

The challenge of addressing the problem of hunger, poverty and unemployment is even more worrisome when considering the actualization of the millennium development goals by the country 2015. If Calabar South Local Government Area of Cross River State is to achieve the millennium development goals by 2025, one of the sure ways is to enhance the capacity of its SMEs. The core issues identified by the millennium development goal such as hunger, poverty, literacy, maternal and mortality rate would not be achieved unless the problems of SMEs are clearly tackled. The challenges and the problem of small and medium scale enterprises are tied to some economic variables and the challenges that generally characterized the nation's economy. Nevertheless, the internal characteristics of small and medium scale enterprises too have also interacted with some economic variables to undermine the capacity of the economy. Issues of low level of entrepreneurial skills, poor management practice, inadequate equity capital and lack of information among other problems. In spite of these problems and challenges, the current economic reform process ongoing in Nigeria aimed at reducing poverty, unemployment and strengthening of basic institutions and sub sector of the economy target at improving and enhancing the capacity of small and medium scale enterprises is beginning to show a renew optimism on small and medium scale enterprises as instrument of economic growth and development.

METHODOLOGY

The survey method was widely used in this study. The population of the study was six hundred and fifty-three (653) small and medium scale enterprises in Calabar South Local Government, registered with the Cross River State Ministry of Trade and investment. The study adopted simple random sampling technique. The sample size for this study was two hundred and forty-eight (248) draw from the total population of six hundred and fifty-three (653) small and medium scale enterprises in Calabar South Local Government Area, Cross River State, which has be proved using Taro Yamane sample size determination technique. Anyanwu (1994) Taro Yamane formula is useful for a correct sample size determination. The Taro Yamane technique formula is given below:

$$n = \frac{N}{1 + (N \cdot e^2)}$$

Where n = Sample size

N = Actual population

e = Limited tolerable error

$$N = 653$$



$e = 5\%$ (degree of freedom)

$$n = 653 / 1 + (653 * 0.05^2)$$

$$= 653 / 1 + (653 * 0.0025)$$

$$= 653 / 2.6325 = 248$$

n= 248.

Test of hypotheses

The Simple Linear Regression Model was used to test the hypotheses through the use of Statistical Package for Social Sciences (SPSS) version 20.

Hypothesis One

H_{01} : The obstacles do not significantly affect the growth and development of small and medium scale enterprises in Calabar South Local Government Area, Cross River State.

H_{a1} : The obstacles significantly affect the growth and development of small and medium scale enterprises in Calabar South Local Government Area, Cross River State.

The regression results indicated the following estimates: $R = 0.786$; $R\text{-square} = 0.617$; Adjusted $R\text{-square} = 0.616$; intercept = - 0.693; slope (β) = 0.786, t-ratio = 19.387; Durbin Watson = 0.096; f-ratio = 375.85; sum of squares = 53.387; standard error of the estimates = 0.296. Significant, $P < 0.01$; $df_1 = 1$ and $df_2 = 235$; critical value of 6.63. Since the calculated value of f-ratio of 375.85 is greater than the table or critical value of 6.63, i.e. $375.85 > 6.63$, the null hypothesis is rejected, while the alternative hypothesis which stated that the obstacles (inadequate funding and poor capital outlay; lack of easy access to funding/credit facilities; lack of infrastructural facilities; poor management expertise etc. do significantly affect the growth and development of small and medium scale enterprises in Calabar South Local Government Area, Cross River State was accepted.

Hypothesis Two

H_{02} : The level of performance (productivity) of small and medium scale enterprises does not significantly affect the growth and development of Calabar South Local Government Area, Cross River State.

H_{a2} : The level of performance (productivity) of small and medium scale enterprises significantly affect the growth and development of Calabar South Local Government Area, Cross River State.

The regression results indicated the following estimates: $R = 0.811$; $R\text{-square} = 0.658$; Adjusted $R\text{-square} = 0.655$; intercept = - 0.162; slope (β) = 0.306, t-ratio = 5.247; Durbin Watson = 0.251; f-ratio = 223.094; sum of squares = 53.387; standard error of the estimates = 0.281. Significant, $P < 0.01$; $df_1 = 1$ and $df_2 = 235$; critical value is 6.63. Since the calculated value of f-ratio of 223.094 is greater than the table or critical value of 6.63, i.e. $223 > 6.63$, the null hypothesis is rejected, while the alternative hypothesis which stated that the level of performance (productivity) of small and medium scale enterprises significantly affect the



growth and development of Calabar South Local Government Area, Cross River State was accepted.

Hypothesis Three

H₀₃: There is no significant relationship between government supports and the growth of small and medium scale enterprises to improve their performance and growth in Calabar South Local Government Area, Cross River State.

H_{a3}: There is a significant relationship between government supports and the growth of small and medium scale enterprises to improve their performance and growth in Calabar South Local Government Area, Cross River State.

The regression results indicated the following estimates: R = 0.847; R-square = 0.718; Adjusted R-square = 0.368; intercept = - 0.619; slope (β) = 0.597, t-ratio = 9.100; Durbin Watson = 0.128; f-ratio = 295; sum of squares = 53.387; standard error of the estimates = 0.255. Significant, P < 0.01; df1 = 1 and df2 = 235; critical value is 6.63. Since the calculated value of f-ratio of 295.313 is greater than the table or critical value of 6.63, i.e 295.313 > 6.63, the null hypothesis is rejected, while the alternative hypothesis which stated that there is a significant relationship between government support and the growth of small and medium scale enterprises to improve their performance and growth in Calabar South Local Government Area, Cross River State is accepted.

Hypothesis Four

H₀₄: There is no significant relationship between successful factors (availability of finance and raw materials) and the growth and development of small and medium scale enterprises in Calabar South Local Government Area, Cross River State.

H_{a4}: There is a significant relationship between successful factors (availability of finance and raw materials) and the growth and development of small and medium scale enterprises in Calabar South Local Government Area, Cross River State.

The regression results indicated the following estimates: R = 0.803; R-square = 0.646; Adjusted R-square = 0.643; intercept = - 0.556; slope (β) = 0.580, t-ratio = 4.301; Durbin Watson = 0.074; f-ratio = 211.289; sum of squares = 53.387; standard error of the estimates = 0.286. Significant, P < 0.01; df1 = 1 and df2 = 235; critical value is 6.63. Since the calculated value of f-ratio of 5.64 is greater than the table or critical value of 6.63, i.e 211.289 > 6.63, the null hypothesis is rejected, while the alternative hypothesis which stated that there is no significant relationship between successful factors (availability of finance and raw materials) and the growth and development of small and medium scale enterprises in Calabar South Local Government Area, Cross River State was accepted.



DISCUSSION OF FINDINGS

Based on the hypotheses tested, the study revealed that the different obstacles such as inadequate funding and poor capital outlay; lack of easy access to funding/credit facilities; lack of infrastructural facilities; poor management expertise, etc do significantly affect the performance and growth and development of small and medium scale enterprises in Calabar South Local Government Area, Cross River State. This is supported with the assertions of Adisa, Abdulraheem and Mordi, (2014) which stated that lack of access to appropriate technology as well as absence of research and development affects the performance of small and medium scale enterprises of any given society. This is because the required technology needed by small and medium scale enterprises cannot be easily seen in Calabar South Local Government Area, Cross River State. Adeyemi (2014) the difficulty SMEs experienced is in raising adequate capital for their businesses. External sources of funds are difficult to be assessed from finance houses and banks. Even where the banks agreed to provide fund for these businesses, the conditions or collateral for these loans are always difficult to be met by the small and medium scale enterprises owners. Small and medium scale enterprises with a small capital base tend to use the informal financial institutions.

Chukwuemeka (2006) also pointed out that about 80% of small enterprises are not thriving as a result of poor financing and other problems associated with it. With this, small and medium scale enterprises are often found in certain areas of the sector particularly due to their financial ability and human resources capabilities and opportunities presented by the economy and not necessarily because of their passion or expertise (Adeyemi, 2006). Many small and medium scale businesses in Nigeria find it difficult to survive because the death of the owner might lead to the death of the business. According to Scholes, Westhead and Burrows (2008) transfer of ownership is very important to the continuity and success of small business. The inability of small business owners to transfer the business successfully to another person may lead to the closure of the business. Similarly, small businesses are affected by limited financing, poor management skills, poor infrastructure and regulatory issues. These factors affecting small business owners have negative impact on the small and medium scale enterprises performance and growth.

The study also revealed that the level of performance (productivity) of small and medium scale enterprises significantly affect the growth and development of Calabar South Local Government Area, Cross River State. However, development strategists have advocated the aggressive use of small and medium scale enterprises (SMEs) to accelerate economic growth, especially in developing countries of the world (Eze & Okpala, 2015). Small and medium enterprises are the key driver for a country's economic growth (Anigbogu & Onwuteaka, 2014). Hence, SMEs cannot be overlooked in the economic development of any country. They further stated that SMEs are recognized as the main source of economic growth and a major factor in promoting private sector development and partnership, in developed and developing countries. This is because SMEs help to create employment and are often seen as very important for the growth and innovation of dynamic economies (Aremu & Adeyemi, 2011).

The study also found that there is a significant relationship between government support and the growth of small and medium scale enterprises to improve performance and growth in Calabar South Local Government Area, Cross River State. The need to promote the industrial sector has continued to be a major concern of most governments worldwide, especially developing countries like Nigeria. With the growth of SMEs, Adebisi and Gbegi (2013)



believed that the Nigerian economy will have the potential of being competitive in the global market. In recognition of these potential roles of SMEs, successive governments in Nigeria if they continued to express policy measures and programme to achieve industrial growth and development (Eze & Okpala, 2015). In recognition of SMEs contribution to Nigerian economy, the strategies and initiatives to promote SME development featured prominently in most of the government's economic development plans with a view to nurturing further growth of the sector need to be addressed in Calabar South Local Government Area, Cross River State.

The study also revealed that there is a significant relationship between successful factors (availability of finance and raw materials) and the growth and development of small and medium scale enterprises in Calabar South Local Government Area, Cross River State. Small and medium enterprises (SMEs) are also considered as the backbone of economic growth in all countries (Anigbogu & Onwuteaka, 2014). They further asserted that play an important role in Nigerian's economic growth, as they constitute 97.2% of the companies in Nigeria. They also contribute to national development by positively influencing the distribution of income in both functional and nominal terms (Rajesh, Suresh & Deshmukh, 2008; General Statistics Office, 2007; Uzor, 2004; Mba & Emeti, 2014). At the community or local government level and by extension the whole economy, the contribution of SMEs to gross economic productivity and employment and other economic development parameters in both developed and developing countries is succinctly summarized by Anigbogu and Onwuteaka (2014) and Akingunola (2011) as follows: greater utilization of raw materials, employment generation, encourage of rural development, development of entrepreneurship, mobilization 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. Thus, the role of SMEs in developing any nation's or state's economy cannot be over emphasized. This is because small and medium Scale enterprises (SMEs) has been recognized as the main sustenance of the economy due to their capacity in enhancing the economy output and enhance human welfare. SMEs will also play the following role in the community or local government development such as generation of employment; service provision; improve living standards and poverty alleviation in Calabar South Local Government Area, Cross River State.

CONCLUSION

The importance of small and medium scale enterprises (SMEs) in offering employment to the pool of unemployed youths and adults in Calabar South Local Government Area and Cross River State in general cannot be over emphasized. The state unemployment rates continue to rise with the numerous graduates storming the hopeless labour market on a yearly basis. The state government is not creating jobs to cater for its ever increasing population, making small and medium scale enterprises the last resort of securing employment for millions of Cross Riverians. This study, however, provided insights into our understanding of the factors and challenges confronting small and medium scale enterprises in Calabar South Local Government Area, Cross River State. The study, thus, enjoins the local and state governments to look seriously into the problems of small and medium scale enterprises in Calabar South Local Government Area, Cross River State with a view of providing succor to them. This study supports the establishment of community banks where small and medium scale enterprises owners can borrow money without hurdles and very stringent requirements of the high street



banks. The small and medium scale enterprises in Calabar South Local Government Area, Cross River State, are being affected with factors such as inadequate funding and poor capital outlay; lack of easy access to funding/credit facilities; lack of infrastructural facilities; poor management expertise; bureaucratic bottlenecks and inefficiency in the administration of incentives and support facilities provided by the government; poor implementation of policies; lack of continuity; inadequate information base; lack of access to appropriate technology; absence of long term finance to fund capital assets and equipment under project finance for SMEs; weak demand for products; high dependence on imported raw materials with the attendant of high foreign exchange cost and scarcity at times also reduce the performance of small and medium scale enterprises, etc.

RECOMMENDATIONS

Based on the findings of the study, the following recommendations were made:

1. The Government should make concerted efforts to upgrade the infrastructural facilities to meet up with the international standard. This will not only help businesses to grow and flourish, but will also make Calabar South Local Government Area, a destination for the international investors, because this will go a long way in finding solutions to small and medium scale enterprises problems in Cross River State.
2. Government at all levels in Cross River State should be encouraged to create and promote microfinance institutions in order to enable SMEs access enough funds for their businesses. This will enable the poor in their areas to have access to credit without which our strived for financial inclusion and poverty eradication will not be realized.
3. The government at all level should step up their assistance to small and medium scale enterprises in terms of providing seminar, workshop and training for small and medium scale enterprises owners on how to run successful small and medium businesses in the society.
4. The government at all level should also provide appropriate raw materials and technology or equipment in the area. Because this will help small and medium scale operators to boost and increase its production capacity at regular.
5. Government should increase its efforts towards the provision of infrastructure such as electricity, roads, pipe borne water, efficient communication system and transport without which small and medium scale enterprises cannot thrive efficiently in the area.



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