

JOB CREATION IN NIGERIA: CHALLENGES, OPPORTUNITIES AND THE ROLE OF MICRO, SMALL AND MEDIUM ENTERPRISES (MSMEs)

A Paper Delivered By

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OUTLINE OF PRESENTATION

- ✦ Introduction
- ✦ What is Job Creation?
- ✦ Job Creation: International Experience
- ✦ Approaches and Challenges to Job Creation
- ✦ MSMEs Defined
- ✦ MSMEs Development Cycle
- ✦ MSMEs: Their Relevance
- ✦ Challenges Facing MSMEs
- ✦ Overcoming the Challenges
- ✦ Government Efforts At Confronting these Challenges
- ✦ MSMEs Potentials
- ✦ SMEDAN's Role
- ✦ Way Forward
- ✦ Conclusion

INTRODUCTION

- ✦ The issues of MSME development and job creation are key in the present administration's economic development efforts.
- ✦ This is one way of delivering the dividends of democracy and thereby stemming the tide of restiveness and insecurity in the nation.
- ✦ In realizing this, the Government has been trying to establish structures to ensure that the business environment is conducive for the private sector to thrive and create jobs.
- ✦ Entrepreneurs/MSMEs must be encouraged to drive the process of job creation as they are known, all over the world, as aggregate generators of employment.

WHAT IS JOB CREATION?

- ✦ The process of providing new jobs especially for people who are unemployed.
- ✦ The process of providing own jobs.
- ✦ The process of making more paid jobs available
- ✦ Job creation programmes are programmes or projects undertaken by a government in order to assist the citizens in seeking employment.
- ✦ The American Job Creation Act of 2004 is designed to benefit domestic manufacturers, multinational corporations as well as agriculture and energy sectors to enable them provide employment.

JOB CREATION: INTERNATIONAL EXPERIENCE

COUNTRY	ACTIVITIES
United Kingdom (UK)	Small firms account for almost two thirds of the new jobs created in the United Kingdom. The Government, therefore, has several schemes for the development of small businesses.
United States of America (USA)	To create more jobs, the United States is implementing the American Job Act which includes reduced payroll taxes for workers, more targeted payroll tax cuts for employers who are expanding payrolls, additional spending on infrastructure, schools construction and lay-off prevention of State and LG employees.
South Africa	The South African Government is implementing the "12-point implementation plan" which includes harnessing short-term employment schemes, enterprise development and a series of public investment schemes.
Germany	Job Creation schemes are a major element of active labour market policy in Germany and are targeted at long-term unemployed and other hard-to-place individuals.
Canada	Canada has many job creation programmes at both Federal and Provincial levels. At the Federal level, they are part of Human Resources Development Canada (HRDC). There are job creation programmes for many groups such as students, fishers and visible minorities.

APPROACHES TO JOB CREATION

- ✦ **Government Spending/Stimulus:** The Government can stimulate job creation when it invests in projects that improve or create new services.
- ✦ **Government Legislation and Monetary/Fiscal Policies:** A change to monetary policy, tax incentives and changes in regulation do affect employment.
- ✦ **The Market Share Approach:** Job creation can occur when the unemployed become ambitious and start their own businesses in easy entry industries and markets.
- ✦ **New Ideas Approach:** Innovate, create, invent and invest. The most difficult but the most effective way to create long-term jobs is to create new enterprises. This is where the entrepreneurs and MSMEs come in.

CHALLENGES TO JOB CREATION

The challenges include among others:

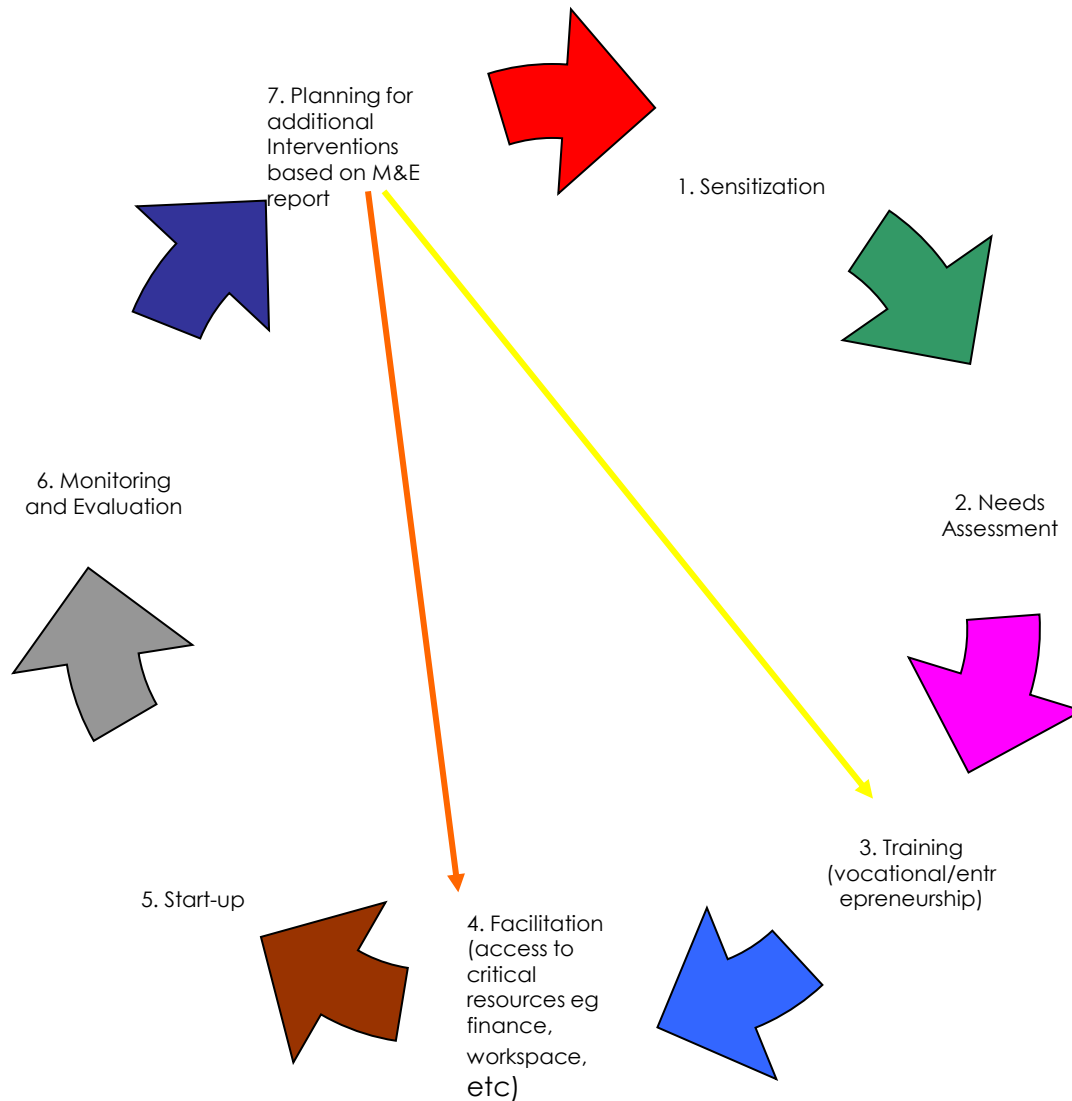
- ✦ Poor state of infrastructure.
- ✦ Lack of access to productive inputs such as finance and workspace.
- ✦ Lack of access to Business Development service (BDS)
- ✦ Lack of sufficient government stimulus.
- ✦ Changes in government policies.
- ✦ Lack of the right attitude by Nigerians.

MSMEs DEFINED

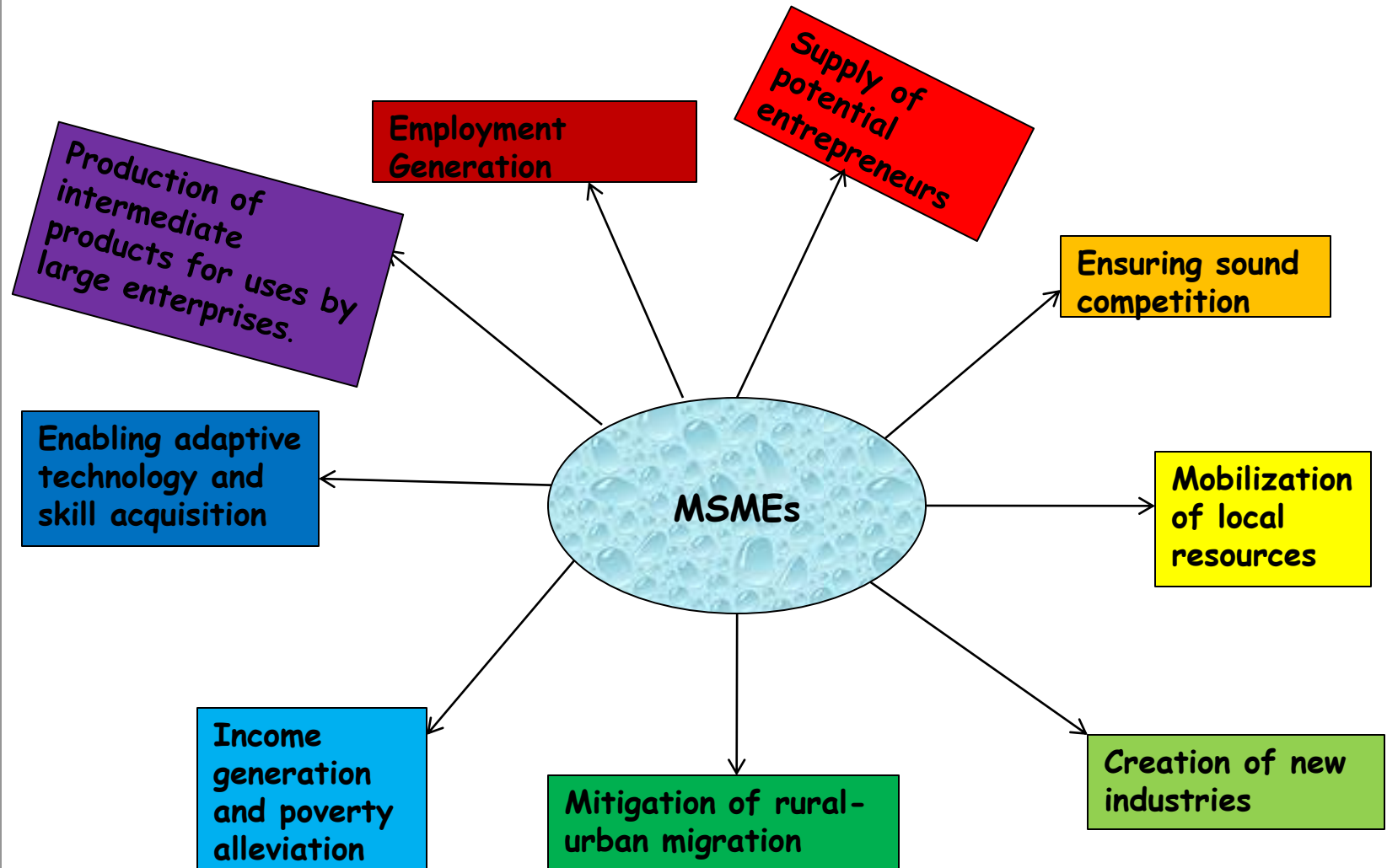
CATEGORY	EMPLOYEES	ASSETS (N'M) (excluding land and buildings)
MICRO	Less than 10	Less than 5
SMALL	10-49	5-less than 50
MEDIUM	50-199	50-less than 500

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

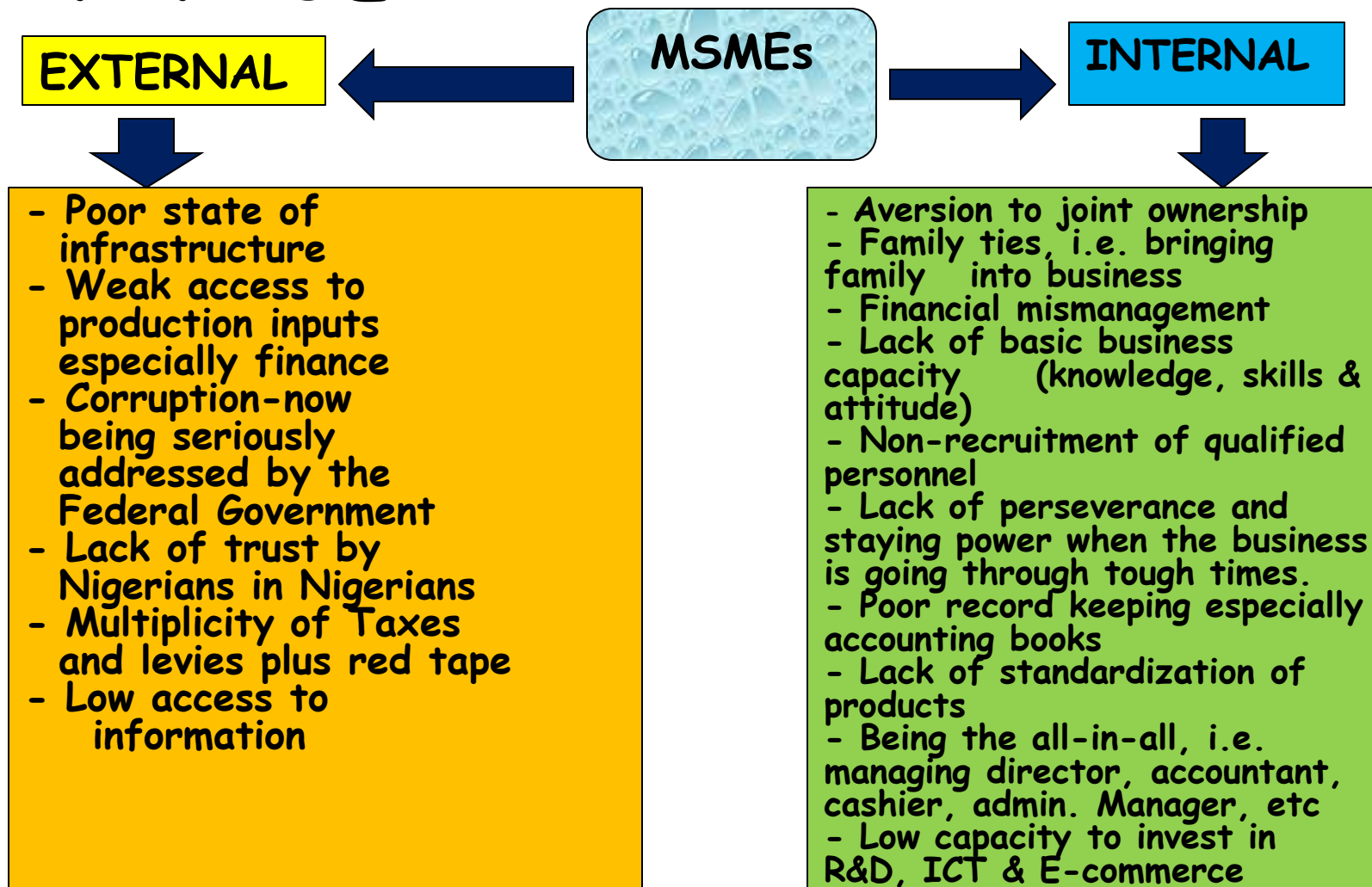
MSME DEVELOPMENT CYCLE



RELEVANCE OF MSMEs



CHALLENGES FACING MSMEs IN NIGERIA



OVERCOMING THESE CHALLENGES

- ✦ Value re-orientation - instilling the right attitude
- ✦ Promotion of entrepreneurship education
- ✦ Promotion of well being (confidence & enthusiasm for work and learning)
- ✦ Improved social-economic infrastructure
- ✦ Improved access to productive resources such as information, workspace, finance etc.
- ✦ Economic reforms with emphasis on job creation, enhanced economic opportunities and access to them.

GOVERNMENT EFFORTS AT CONFRONTING THESE CHALLENGES

- ✦ In the early 1960s, the regional governments established the Small Scale Industries Credit (SSIC) scheme to provide 'no collateral' credit to SMEs.
- ✦ The various Development Finance Institutions (DFIs) such as NIDB, NBCI and NACRDB have had their own intervention programmes to facilitate credit to the SMEs.
- ✦ The National Economic Reconstruction Fund (NERFUND) was set up by Decree no.2 of 1989 to provide medium and long-term financing to eligible SMEs.
- ✦ In 1992, the Federal Government negotiated the World Bank-assisted SME 11 loan project to further expand credit delivery to SMEs.

GOVERNMENT EFFORTS CONTD...

- ✦ The World Bank also established, in partnership with the Federal Government, the MSME project to offer business development services (bds), access to finance, etc to SMEs.
- ✦ In 1997, the Government established the Family Economic Advancement Programme (FEAP) as a poverty alleviation and sustainable livelihood programme for the purpose of setting up viable resource-based enterprises in the rural areas.
- ✦ To supplement the various efforts of Government at providing direct credit for SMEs, the UNDP, under the fourth Country Programme in Nigeria, established a micro credit scheme.
- ✦ The launching of the Micro Finance Policy, Regulatory and Supervisory Framework for Nigeria in 2005 which resulted in the establishment of new Microfinance Banks and the conversion of existing Community Banks to Microfinance Banks.

GOVERNMENT EFFORTS CONTD...

- ✦ The Central Bank of Nigeria (CBN) established the Small and Medium Enterprises Equity Investment Scheme (SMEEIS) Fund-the Bankers Committee initiative now made optional.
- ✦ The establishment of the N200 billion Small and Medium Enterprises Credit Guarantee Scheme in 2010 by the Central Bank of Nigeria (CBN).
- ✦ The establishment of the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) via SMEDAN ACT 2003 (as amended).
- ✦ The N200 billion SME Restructuring/Refinancing Fund.
- ✦ The Nigeria Incentive-Based Risk Sharing System for Agricultural Lending (NIRSAL).
- ✦ Establishment of the National Committee on Job Creation.

MSMEs POTENTIALS

✦ Resource Endowments

✦ Population (vast internal market)

✦ Stable Democratic Environment

✦ Resilience

MSMEs POTENTIALS CONTD...

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

SMEDAN's ROLE

- ✦ Established in 2003, not to provide direct finance to MSMEs, but to facilitate their access to finance and other resources that will ensure that they contribute significantly to the economic development of Nigeria.

- ✦ Five of the Agency's major activity areas are:
 1. Information provision and awareness creation/business sensitization-providing basis for attitudinal changes and effective business decisions.

 2. Business Development Service (BDS), embracing training, counseling and mentoring-providing the platform for MSMEs to see themselves as players in a globalised environment.

SMEDAN's ROLE CONTD...

- ☀ **Training-** SMEDAN has embarked on a number of business education and training sessions in entrepreneurship and different vocations. These trainings take place at the head office and in our BSCs. From time to time, the Agency identifies knowledge gaps in certain areas and brings in facilitators to teach SMEs in these fields.
- ☀ **Counseling-** To enhance the MSMEs development, counseling sessions are offered in order to develop an empathic relationship with them on a one-on-one basis. Targets include existing entrepreneurs and fresh/start-ups.
- ☀ **Mentoring-** Opportunities are afforded both start-ups and existing entrepreneurs to interface with and/or learn from the experience of successful entrepreneurs.

SMEDAN's ROLE CONTD...

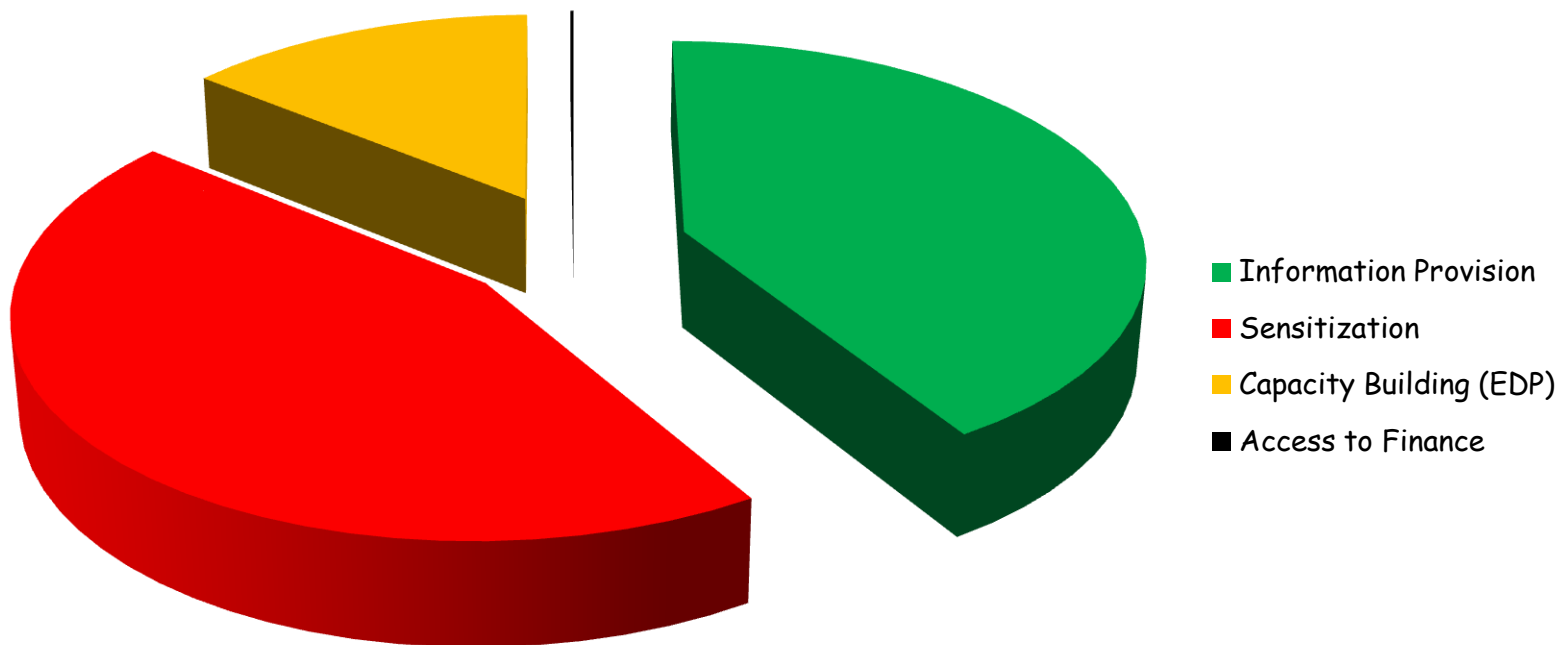
3. Promotion of enterprise networking/cluster formation-to stimulate international competitiveness (working with existing and prospective). In this regard, the Agency is promoting various agro-clusters in cassava, rice, fishery and tropic fruits across the country.
4. Advocacy and improvement in operating environment, usually in partnership with others (private-public, public-public).
5. Promotion of linkages and access of MSMEs to vital resources, especially finance and workspace.

SMEDAN: JOB CREATION TO DATE

ACTIVITY	2006	2007	2008	2009	2010	Total
Information Provision	5,115	85,848	18,224	1,704	6,501	117,392
Sensitization	30,826	22,263	40,680	9,887	23,492	127,148
Capacity building	5,312	5,458	5,054	5,192	19,009	40,025
Access to finance	-	30	134	50	150	364

SMEDAN:JOB CREATION ACTIVITIES

SMEDAN JOB CREATION ACTIVITIES



WAY FORWARD

- ✦ Provision of incentives for MSMEs
- ✦ Establishment of the National SMEs Development Council (NASDEC)
- ✦ Establishment of the National Credit Guarantee Scheme for MSMEs to create an effective access to finance for MSMEs.
- ✦ Facilitate effective access of MSMEs to the Stock Market.
- ✦ Develop the Venture Capital Initiative.
- ✦ Establish the National MSMEs Rating Database.
- ✦ Continuous funding of Business Development Services (BDS).
- ✦ Provision of workspaces and common facility centres.

CONCLUSION

- ✦ For the Nation to be among the 20 most economically advanced nations in the world by the year 2020, serious attention must be paid to the development of MSMEs.
- ✦ MSMEs and Entrepreneurs need all the support they can muster from all stakeholders in order to create the opportunities for jobs for our teeming jobless population.
- ✦ SMEDAN will continue to support the development of Entrepreneurship and MSMEs for sustainable economic growth and development in Nigeria especially in the area of job creation.

**THANK YOU FOR
LISTENING**