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Economic Reforms and the Small and Medium Scale Industrialists in Nigeria

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ABSTRACT - This paper attempts to appraise economic reforms in Nigeria and their implication for small and medium scale industrialists in Nigeria. The major thrusts and objectives of the reforms, particularly the Structural Adjustment Programme adopted in 1986 and the current National Economic Empowerment and Development Strategy, are outlined. The study reveals that small and medium scale industrialists have not benefited from reform programmes in the past. The implication of the current development strategy is explored.

Keywords: Economic reforms, small and medium scale enterprises, costs, benefits, Nigeria.

INTRODUCTION

Nigeria attained independence in 1960 with high hopes for a society that would guarantee rapid economic, social and political progress and an economy that would usher in a high standard of living for her citizens. A lot of effort was put in designing and actualizing appropriate economic objectives through the various National Development Plans. For instance, four National development plans have been adopted (first plan: 1962 – 1968; (ii) Second plan: 1970 – 1974; (iii) Third Plan: 1975 – 1980; and (iv) Fourth plan: 1980 – 1985). Generally, while the National development plans provided the basic policy framework, planning as a tool of long-term development tended not to attach much importance to the role of the private sector in economic policy decision-making and implementation. Among the various features of planning up to 1980 were the dominant role assigned to government in bringing about growth and development of the economy, the reliance on commodity export surpluses for development capital, the relative neglect of the role of private savings in the financing of development, and the inadequate emphasis

given to the key role of economic infrastructure in the development process. An overview of the plans especially the fourth plan reveals that the private sector rather than the government was seen as the prime mover of the Nigerian economy. Despite the adoption of these plans, the Nigerian economy since 1980 has been persistently on a decline. The economy has been fraught with high inflation rates, high rates of unemployment, deteriorating social services, political decay, and others.

The Nigerian government on June 27th 1996 announced the Structural Adjustment Programme (SAP). The objective of SAP, which was for the period of July 1986 to June 1988, was to restore "in the medium term ... a healthier path of national economic development as a component of an integrated world economy" (Federal Republic of Nigeria, 1986, p4). The programme was designed to eliminate internal and external imbalances as well as the distortions which had hitherto constrained economic efficiency. A critical assessment of the economy since the programme was adopted would appear to suggest that, while improvements have been recorded in some areas, some traditional economic problems have persisted and new ones have emerged. The experiences with economic reforms so far have raised some pertinent questions. For instance, some observers have wondered whether Nigeria has been experiencing some special structural problems that have not been properly diagnosed and addressed. Others raise the issue as to whether the policy reform programme implemented so far has been adequate to cope with the complexity of the problems.

In an attempt to solve some of the issues raised concerning Nigeria's economic problems, the Federal Government, in March 2004 introduced an economic reform programme called National Economic Empowerment and Development Strategy (NEEDS). The NEEDS focuses on poverty reduction, wealth creation, and human development through initiatives in reforming government and its institutions, increasing the non-oil private sector, and implementing a social charter. The new plan aims to boost GDP's growth rate from around 3% to over 5%, to establish stable interest rates, reform the overmanned public sector among others.

Many developed economies today can trace their development efforts to small and medium scale enterprises. Japan, Thailand, Pakistan, Malaysia and the Philippines belong to this group. Small and medium scale enterprises have been widely used as engines of growth in developing countries of the world. Its accelerative effect in achieving macro objectives such as full employment, income distribution, development of local technology as well as diffusion of management skills and stimulation of indigenous entrepreneurship have been well documented in economic literature. It is estimated that SMEs employ 22.0 percent of the adult population in developing countries (Ukeje 2003).

Regarding the important role of small-scale enterprises in economic development, this work therefore examines how the Nigerian economy can achieve

her set objectives through appropriate economic policies and the small and medium scale enterprises. Specifically, it seeks to appraise economic reforms and its implication for small-scale industrialists in Nigeria. This is done with particular reference to the Structural Adjustment programme (SAP) and the National Economic Empowerment and Development Strategy (NEEDS), which are the major reform programmes adopted by the Nigerian government.

Brief Background

Over the past decades, the Nigerian economy has been characterized by growing dominance of the public sector, over reliance on a single commodity (oil) and the pursuit of a highly import-dependent industrial Strategy. The policy thrusts adopted so far were justified at their inception, however, experience shows that growth based on expansionary public expenditure, import substitution industrialization and reliance on the export of a few primary commodities is neither efficient nor sustainable. This is evident from several indices of suboptimal performance: low per capita GDP, low growth rate, weak industrial base with declining industrial output and capacity utilization; large budget deficits and deterioration in the state of social and infrastructural facilities; as well as low productivity in the real sector and an unacceptable level of unemployment.

Table 1 shows major economic indicators in Nigeria between 1970 and 2002. The data reveals that the growth rate of the GDP has not been impressive over the period of consideration. Unemployment has been on the increase while inflation rate has been persistently on the increase. This persistent poor performance of the Nigerian economy resulted in the formation of several policies geared towards revamping the economy and directing it on the path of sustained growth. We shall in the course of the work, examine key reforms and measures adopted by the Nigerian government and how these reforms have affected small-scale industrialists.

TABLE 1: Nigeria's Major Economic Indicators.

Year	Growth rate of GDP	Inflation Rate	Unemployment Rate	Discomfort Index
1970	0.21	13.8	-	
1980	-0.27	9.9	-	
1990	0.47	7.5	3.5	11.0
1991	0.03	13.0	3.1	16.1
1992	0.03	44.5	3.4	47.9
1993	0.01	57.2	2.7	59.9
1994	0.02	57.0	2.0	59.0
1995	0.03	72.8	1.8	74.6
1996	0.03	29.3	3.4	32.7
1997	0.02	8.5	3.2	11.7
1998	0.03	10.0	3.9	13.9
1999	0.04	6.6	3.0	9.0
2000	0.04	6.9	3.6	10.5
2001	0.03	18.9	3.5	22.4
2002	0.02	15.45	3.2	18.65

Source: CBN Statistical Bulletin and Annual Report, Various Issues.

Definitions and Concepts

There is no single, uniformly acceptable, definition of a small firm (Storey, 1994). Firms differ in their levels of capitalization, sales and employment. Hence, definitions which employ measures of size (number of employees, turnover, profitability, and net worth), when applied to one sector could lead to all firms being classified as small, while the same size definition when applied to a different sector could lead to a different result. The first attempt to overcome this definition problem was by the Bolton Committee (1971) when they formulated an 'economic' and a 'statistical' definition. Under the economic definition, a firm is regarded as small if it meets the following three criteria: (i) has a relatively small share of their market place; (ii) is managed by owners or part owners in a personalized way and not through the medium of a formalised management structure; (iii) is independent, in the sense of not forming part of a large enterprise. The Committee also devised a "statistical" definition to be used in three main areas: (a) quantifying the size of the small firm sector and its contribution to GDP, employment, exports, and others; (b) comparing the extent to which the small firm sector's economic contribution has changed over time; (c) applying the statistical definition in a cross country comparison of the small firms' economic contribution. Thus, the Bolton committee employed different definitions of the small firm to different sectors. Table 2 indicates the various sectoral definitions:

Table 2: The Bolton Committee Definitions of a Small Firm

Sector	Definition
Manufacturing	200 employees or less
Construction	25 employees or less
Mining & Quarrying	25 employees or less
Retailing	Turnover of 50, 000 pounds or less
Miscellaneous	Turnover of 50, 000 pounds or less
Services	Turnover of 50, 000 pounds or less
Motor Trades	Turnover of 100, 000 pounds or less
Wholesale Trades	Turnover of 200, 000 pounds or less
Road Transport	Five Vehicles or less
Catering	All excluding multiples and brewery – managed houses

Source: The Bolton Committee (1971)

The Bolton committee's "economic" and "statistical" definitions have been criticized by a number of authors and need not be elaborated here (see Wynerzkk et al, 1993; Storey, 1994). However, in 1992, Nigerian National council on Industry streamlined the various definitions in order to ensure uniformity and provide for its review every four years. The definition adopted used a combination of capital investment and employment for categorization of industry. The definitions were first revised in 1996 and then in 2001 as follows:

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1. Micro/cottage industry enterprise with a labour size of not more than 10 workers or total cost (including working capital but excluding cost of land) not more than ₦1.5million.
2. Small-scale Industry enterprise with a labour size of between 11-100 workers or a total cost (including working capital but excluding cost of land) not more than ₦50.0 million.
3. Medium-scale industry enterprise with a labour size of over 101–300 workers or a total cost (including working capital but excluding cost of land) of over ₦50.0 million but not more than ₦200.0 million.
4. Large-scale Industry enterprise with a labour size of over 300 workers or a total cost (including working capital but excluding cost of land) of over ₦200.0 million.

Potentials of SMEs:

The dynamic role of small and medium enterprises (SMEs) in developing countries as engines through which the growth objectives of developing countries can be achieved has long been recognized. It is estimated that SMEs employ 22% of the adult population in developing countries (Daniels, 1994; Daniels & Ngwira 1992; Daniels & Fisseha, 1992; Fisseha, 1992; Fisseha & McPherson, 1991; Gallagher & Robson, 1995). SMEs is believed to be the engine room for the development of any economy, because they form the bulk of business activities in a growing economy like that of Nigeria. This is manifested in the following ways:

1. Employment Generation
 - 30% contribution to global GDP
 - Employment generation capacity of about 58% of global working population.
 - SMEs also play the critical role of principal safety net for the bulk of the population in developing economies, and
 - Their labour intensity structure accounts for their recognition as a job creation avenue
2. Rural Development
 - SMEs constitute major avenues for income generation and participation in economic activities in the lower income and rural brackets of developing societies especially in agriculture, trading and services, and
 - The employment opportunities offered apparently reduces rural-urban migration and allows for even development.
3. Economic Growth and Industrialisation
 - National economic development prospects hinge, on entrepreneurial energy of vibrant SMEs as most big business concern grew from small scale to become big icons, and

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- As they grow, they protect nations from the geographical cost-benefit permutations of a few multinationals who are ever prepared to close up their businesses and relocate at the slightest provocation or appearance of economic downturn.
4. Better Utilisation of Indigenous Resources
- The considerable low capital outlay required for setting up SMEs enables them to convert minimal resources into productive ventures.
 - They also offer veritable outlets for technological advancement especially in businesses with rudimentary technology requirements.

Challenges/Constraints of Funding SME Operations in Nigeria

- Insufficient personal savings/funds resulting in low initial promoters' equity
- Uncoordinated business ideas and plans
- Non bankable projects by entrepreneurs
- Inability of the customers (SMEs) to satisfy high credit risk standards, including security/collateral
- Inability of banks to provide long-term funds due to mismatch between tenor of bank deposits and loans being sought
- Fluctuating and prohibitive interest rate regime, and
- Volatile exchange rate regime.

Small and medium enterprises (SMEs) play a major role in the Nigeria's economy but suffer from the above-noted constraints. Currently, about 95 per cent of the firms in the organized manufacturing sector are SMEs accounting for about 70 per cent of industrial employment but only about 10-15 percent of total manufacturing output.

BENEFITS OF SMES

Many economies, developed and developing have come to realize the value of small businesses. They are seen to be characterised by dynamism, witty innovations, efficiency, and their small size allows for faster decision-making process. Governments all over the world have realised the importance of this category of companies and have formulated comprehensive public policies to encourage, support and fund the establishment of SMEs. Developments in small and medium enterprise are a sine-qua-non for employment generation, solid entrepreneurial base and encouragement for the use of local raw materials and technology. The benefits of SMEs to any economy are easily noticeable, they include: contribution to the economy in terms of output of goods and services; creation of jobs at relatively low capital cost, especially in the fast growing service sector; provide a

vehicle for reducing income disparities; develop a pool of skilled and semi-skilled workers as a basis for the future industrial expansion; improve forward and backward linkages between economically, socially and geographically diverse sectors of the economy; provide opportunities for developing and adapting appropriate technological approaches; offer an excellent breeding ground for entrepreneurial and managerial talent, the critical shortage of which is often a great handicap to economic development, among others. Regarding this, we will in the next segment consider economic reforms and SMEs in Nigeria.

ECONOMIC REFORMS IN NIGERIA

Since independence, the Nigerian economy in an attempt to restructure the economy and move the economy towards development and self sufficiency has adopted several economic policies geared towards transforming the economy from a less developed economy to a more developed economy. Chief among these reforms are the Structural Adjustment Programme (SAP) introduced in 1986 and the National Economic Empowerment and Development Strategy (NEEDS) launched in March 2004. There is need to ascertain the content of the economic reform programmes in order to better understand its implication for the development of Small and medium scale enterprises in Nigeria.

The major thrust of the structural adjustment programme included among others, to

- (a) Restructure and diversify the productive base of the economy in order to reduce dependence on the oil sector and on imports.
- (b) Achieve fiscal and balance of payments viability over the period.
- (c) Lay the basis for sustainable non-inflationary or minimal inflationary growth;
- (d) Lessen the dominance of unproductive investment in the public sector, and improve public sector's efficiency and intensify the growth potential of the private sector. (FRN, 1986:8).

Fiscal viability was one of the measures applied to reduce government expenditure. The impact of this policy was the retrenchment of thousands of workers either directly or as a result of the restructuring of public sector enterprises. In an attempt to survive, the retrenched workers involved themselves in small-scale enterprises. Since the deregulation of interest rates, the liberalization of the foreign exchange market, etc encouraged speculation and trading more than production. As a result, genuine investors were unable to obtain loans for investments that could generate or create employment.

The National Economic Empowerment and Development Strategy (NEEDS) which is a reform policy, anchors on the private sector as the engine of growth for wealth creation, employment generation and poverty reduction. The government is "the enabler, the facilitator, and the regulator". The private sector is "the executor,

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the director, investor and manager of business". Under the rubric of "implementing a social charter", the document describes NEEDS as focusing on "people", it is about their welfare, their health, education. Since independence Nigerian governments-military and civilian –have crafted various plans. The difference between these past development plans and the NEEDS reforms program is that they were heavily focused on the role of government as the major impetus and manager of economic development. Now, NEEDS, playing to the dominant tune of global capitalism have changed the direction and content of economic reform by anchoring reform on the dominant role of private business. NEEDS is an attempt at a comprehensive reform strategy, addressing economic, social, political and institutional issues at the same time and in a multi-faceted way. The document has as its major policy direction and target;

- Sustenance of a high, but broad-based non-oil GDP growth rate; consistent with poverty reduction and employment generation.
- Diversification of the production structure away from oil/mineral resources
- Ensuring international competitiveness of the productive sector.
- Systematic reduction of the role of government in direct production of goods and strengthen its facilitating and regulatory functions.

The key instruments include;

- Privatization, de-regulation and liberalization
- Coordinated national sectoral development strategies for agriculture, industry (especially SMEs) and services (especially tourism)
- Infrastructural development especially electricity, transport and water
- Addressing problems of financing the real sector and mobilizing long-term savings and investment.
- Effective regulatory regimes
- Targeted programmes to promote the private sector growth and development.

In the current reform effort, a major target is the reduction of poverty. However, it is expected that there will be a lag in the effects of some structural changes expected to take place in the macro economy. A medium term growth performance projected based on the assumption that given the reform efforts, almost every sector will do better in the coming years than currently obtains. Specifically, a stronger growth performance led by the private sector is expected as the private sector takes advantage of the different strategies and policies contained in the reform. (NEEDS 2004).

Economic reforms and SMEs in Nigeria

- Review of policies and incentives for the development of SMEs in Nigeria: In order to promote small and medium scale enterprises and achieve the

objectives of employment creation wealth creation and even development through industrial dispersal, the Federal government adopted different strategies and policies. These could be broadly classified into three, namely: Incentives (fiscal and export) tariff regime; Financial support and Technical Assistance Programmes (Adebusuyi, 1997).

Incentives and Tariff Regimes

(a) Fiscal incentives

An array of fiscal incentives have been put in place for SME promotion, this include: Tax relief for small enterprises during the first six years of operation; granting of pioneer status for a period of five years with a possible extension of two years for enterprises located in economically disadvantaged areas; provision of relief for investment in infrastructure; capital allowances and minimal local raw material utilization income of 20.0 per cent. The government also in 1998 abolished excise duties in order to stimulate trade and reduce cost, all with the aim of boosting local production.

These incentives provided by the government did not work partly due to complexity of the tax system which increased compliance costs for the tax payer and the administrative cost for the revenue authorities and that SMEs are not provided tax incentives of a kind which would encourage the creation of new SMEs and the expansion of existing ones.

(b) Export Incentives

To encourage firms (including SMEs) to produce for export and diversify the country's export base, the government provided a package of incentives which include: the Introduction of the manufacture in-bond; import duty draw back and export credit and insurance schemes. Also, cash inducement was provided through the Export Development Fund and Export Adjustment Scheme Fund. The Export Processing Zone (EPZ) established in 1991 was small local industrialists. This scheme was set up principally with the objective of exporting the goods and service manufactured within the zones. Tax relief was granted on interest income arising from export activities and additional capital allowance was made for turn over by exporting.

To protect the industrial sector, (SMEs inclusive) from dumping, the government adopted the use of higher tariff rates to discourage the importation of some of the industrial goods that could be produced domestically. In some cases this has been complemented with complete import ban on a variety of industrial products. The measures were aimed at giving stimulus to industrial and agricultural production for domestic and international markets.

Financial Support Programmes

Over the years, the government has introduced numerous financial-assistance schemes for SMEs. The Nigerian government's efforts to assist SMEs began with the Industrial Development Bank Ltd (NIDB) in 1962 and have continued with the creation of several other institutions such as the Nigerian Bank for Commerce and Industry (NBCI). Moreover, until recently the government required commercial and merchant banks in the country to allocate a stipulated minimum of credit to preferred sectors including the SMEs. The Rural Banking Scheme, another major initiative started in 1977, focused more specifically on increasing credit to the agricultural sector and rural SMEs.

The National Economic Reconstruction Fund (NERFUND) was set up to assist SMEs in adjusting to the Structural Adjustment Programme (SAP). The NERFUND provided relatively long-term loans (5-10 years) to SMEs at concessional rates of interest. Between 1990 and 1998, NERFUND disbursed \$144.9 million (Foreign Exchange Component) and N681.5 million (Naira Component) to support 218 projects. Moreover, the government obtained a World Bank Assisted SMEII Loan Project to complement other source of funding for SMEs. This facility involved credit lines of \$270 million, to be made available to SMEs through eligible participating banks. In addition, the government established a community-banking scheme in 1991 with the objective of promoting rural development. These numerous measures yielded limited success for a variety of reasons. These include the failure to remedy other deficiencies in the business environment, most notably inadequate infrastructure and pervasive corruption. With the latter connected to abuse of the various programmes by both the beneficiaries and the agencies involved. Many of the schemes were inadequately equipped and funded. Also, many of the schemes were unsuccessful because of the dearth of executive capacity to appraise, supervise and monitor projects. As a result of all this, many unviable projects were funded, leading to massive loan defaults and termination of the projects. Recently, the government has developed new initiatives. In addition to the SMIEIS (see Box), the Nigerian Agricultural, Cooperative and Rural Development Bank (NACRDB) – an amalgam of the former People Bank of Nigeria, Nigerian Agricultural and Cooperative Bank and the Family Economic Advancement Programme (FEAP) – was set up in 2000, primarily to finance agriculture as well as small and medium enterprises.

The NACRDB offers a number of financial products and specialised loan facilities for start-ups and smallholders. Similarly, the Bank of Industry, which is an amalgam of the former Nigerian Industrial Development Bank, the Nigerian Bank for Commerce and Industry, and the National Economic Reconstruction Fund (NERFUND), was set up in 2000 with the principal objective of providing credit to the industrial sector, including the small and medium-scale enterprises.

Also, in 2002 the government introduced the Refinancing facility (RF) at concessional interest rates to support medium-to long-term bank lending. The RF is designed to provide temporary relief to banks which face liquidity problems as a result of having committed their resources to long-term financing to the specified productive sectors. The sectors include agricultural production, semi manufacturing and manufacturing, solid minerals and information technology. Under the facility, banks shall have access up to 60 percent of qualifying loans. Qualifying loans must have been held for not less than one year. Although these attempts at finding solutions to the problems of credit delivery to the SMEs have achieved some successes, there still exists a huge financing gap. The limited effectiveness of these promotion schemes shows that creating institutions and schemes to provide credit is insufficient when the overall business climate remains hostile. In the case of Nigeria, the main obstacles include insecurity, corruption, and inadequate infrastructure.

The government has pursued reform of the public sector, including privatization, albeit at a very slow pace. In 2004, the government streamlined several agencies, eliminating redundant functions. The government also initiated work to develop performance indicators in the key ministries to strengthen accountability and improve service delivery. A major reform measure introduced in 2004 was the introduction of a new contributory pension system. The privatisation process has been particularly slow, though some significant gains have been made recently, especially in the telecommunications sector. The government implemented the second and third phases of its privatisation programme between 2001 and 2004, with very slow progress. (NTISIKA Enterprise Promotion Agency 2005).

Technical Assistance Programme

To enhance entrepreneurial development in various aspects of Small and Medium Enterprises management, the government provided an array of technical assistance programmes. The programmes were aimed at providing the needed skills in the area of proper evaluation of viable opportunities, mobilization of necessary resources and project implementation. Some of the government agencies charged with the responsibility of implement these programmes include: the Industrial Development Centres (IDCs), Centre for Industrial Research and Development (CIRD), Centre for Management Development Agency (CMDA), Federal Institute for Industrial Research, Oshodi (FIRO), Raw Materials Research and Development Council. The IDCs are established to render free technical assistance to SMEs towards the establishment of new enterprises, development modernization, promotion and growth of existing SMEs. They are to provide technical services in selecting appropriate machinery, assist in equipment installation,

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undertake machine repairs and maintenance as well as provide on the job training facilities to SMEs in the handling of the machines.

In spite of these support programmes and policies, the potentials of small and medium enterprise sector have not been fully exploited as the SMEs, which contribute about 70.0 percent of industrial employment account for only 10 – 15 percent of manufacturing output. Also, the agricultural sector, which services engages about 65.0 percent of the labour force, contributes only about 40.0 percent to the gross domestic product (Ukeje 2003).

SAP and SMEs in Nigeria

Fiscal viability was one of the measures applied to reduce government expenditure. The impact of this policy was the retrenchment of thousands of workers either directly or as a result of the restructuring of public sector enterprises. These workers joined the reserve army of the unemployed. Some of these retrenched workers tried to set up some small-scale outfits to remain gainfully employed. This they did in the bid to generate income and alleviate poverty, which was imminent. Many of the small-scale enterprises set up then were services and public utilities sectors. The resultant deterioration in social services led to government's reduced ability to provide basic amenities. With this, the number of SMEs developed could not survive the rigours of this policy thrust. More so, the inadequate facilities inhibited their development. More so, deregulation of interest rates, the liberalization of the foreign exchange market, etc encouraged speculation and trading more than production. As a result, genuine investors were unable to obtain loanable funds for investments to generate or create employment. Regarding the fact that the economy still suffered reduced output and unemployment, the small and medium scale enterprises benefited only marginally.

The continued rationing of foreign exchange through the market forces squeezed out the SSIs. SSIs could not have enough naira equivalent to obtain foreign exchange through FEM. Consequently, most of the SSIs fell. This is dangerous for a country trying to recover from deteriorating economic conditions and wishing to be self-reliant. The allocation of foreign exchange under FEM for the period January-June 1989 reveals that 29.87 per cent was for raw materials while almost 27 per cent was for machinery, spare parts and CKD. This proves that many SSIs did benefit from such allocation. (see Table 3).

TABLE 3: Sectoral Allocation of Foreign Exchange under (S) FEM, January-June 1987.

Item	US\$ Million	% Over total
A. Imports	1003.13	87.63
1. Industrial Sector	648.97	56.69
(a) Raw Materials	341.93	29.87
(b) Machinery, Spare parts and CKD	307.04	26.82
2. Agricultural Sector	6.19	0.54
(a) Finished Goods	347.96	30.39
(b) General Merchandise	101.17	8.84
(Drugs and Pharm, Books and Educational materials	236.15	20.63
(c) Other general Merchandise	174.18	15.22
(d) Capital goods-aircraft, Shipping	10.64	0.92
B. Invisibles	141.51	12.87
	1144.64	100.00

Source: Central Bank of Nigeria's Half-Year Report, 1987.

NEEDS (National Economic Empowerment and Development Strategy) and SSIs

One of the key objectives of the NEEDS programme is developing a competitive private sector. Chapter seven of the NEEDS document provides some key issues with regard to policies geared toward enhancing the private sector. The government realizing that the private sector has been dogged by weakness inherent in its skewed structure, indicated by:

- A few huge multinationals that are heavily import-dependent and mostly operating as enclaves; and a large segment of essentially, informal sector SMEs with very little, if any linkage to the huge multinationals, and
- A rent seeking and unproductive cultural of over dependence on government patronage contracts with very little value-added;

NEEDS sees the rapid growth of a resilient and competitive private sector as a key component of a sustainable reform programme. Regarding this, every effort is being made as part of the transformation agenda, to: diversify the economic base and reduce the relative dominance of the oil sector; mainstream informal sector while their linkages to the rest of the real sector is strengthened; drive for increased local value addition and beneficiation, increase the share of manufactured goods in total exports and generally create a vibrant private sector that can respond to the rigors of market forces, as its engine of growth. Government has already taken a number of steps in this direction, including: Establishment of the Nigeria Investment Promotion Commission; Establishment of Technology Business Incubation Centres to provide conducive environment for nurturing the start-up of and growth of new SMEs that are engaged in value-added and technology related manufacturing, etc. NEEDS aims to alter the strategy, for industrial development, make it less import dependent, more local resource based and more related to local research and development strategy, particularly in the area of SMEs. This strategy will lead to the promotion and development of science and technology based SMEs, to

ensure that process technologies, design and manufacture of machinery and equipment for SMEs are developed through endogenous capacity building process. These science and technology-based SMEs shall be nurtured in science and technology parks (STPs) and Technology Incubation Centres (TICs), targeting the following priority areas; Food processing, industrial Chemicals, Information and Communication Technologies, Biotechnology, Electronics and space Technology, as well as Energy, Oil and Gas. (NEEDS document 2004).

NEEDS also seeks to further the growing partnership between the private and public sectors, while advancing the policy of private sector-led growth. Deregulation will be pursued vigorously, where it is the overriding public interest, with the government playing a supervisory/regulatory role. Growing the private sector is key to revitalizing the economy. We posit that insecurity is responsible for the seemingly uncontrollable emigration of Nigerians to other countries and urge the government to demonstrate its capacity to make investments safe in Nigeria to arrest the drift.

An appraisal of the NEEDS document reveals that government is serious about developing a virile private sector through the activities of Small Scale enterprises. This is revealed in the policy thrusts outlined in the NEEDS document. The NEEDS document however seems to be lacking in data, timelines, and implementation milestones. This notwithstanding, the issue raised in the next section should be given priority if the private sector is to contribute to economic development in Nigeria. These issues are with particular reference to the informal sector i.e. the Small and Medium scale enterprises.

THE WAY FORWARD

For small-scale industrialist to benefit from the reform programme, the following issues must be considered as urgent and crucial and pursued more vigorously.

- The issue of interest rate has to be revisited, as high interest rate will affect small-scale entrepreneurs. The size of the enterprises will affect its ability to secure investible funds at very high cost.
- The foreign exchange market should not rely solely on market forces. The central bank of Nigeria should be empowered to fix the value of the naira vis-à-vis other important foreign currencies like the British pound sterling and the US dollar.
- Companies should be mandated to contribute to a national science endowment fund. This fund will be used to assist SSIs in various scientific researches. A fraction of profit after tax could serve the purpose.
- There is need to continue the development of heavy industries like iron and steel and petrochemicals. These industries are essential for long-term

development. Moreover, heavy industries would attract the creation of small and medium scale industries as supplier of intermediate inputs.

- Local technological development must be encouraged and supported by government. Consequently, the inventions made by SSIs must be patented and made popular by government propaganda.
- The government should also pursue the issue of infrastructural development vigorously, as this will enhance the performance of the Small Scale industries. The case of power supply is very crucial as many industries depend on electricity to function.

SUMMARY AND CONCLUSION

In this work, we have attempted a review of major economic reforms in Nigeria. Chief among them are the structural Adjustment Programme (SAP) and the current National Economic Empowerment and Development Strategy (NEEDS) developed by the present administration. We observed that small-scale industries have played major roles in the development of some economies of the world and can also assist in the development of Nigerian economy. Regarding the fact that the federal government intends to down size the public sector, the mass of unemployed, in an attempt to alleviate the imminent poverty and alleviate suffering, will fall back on some small scale enterprises. There therefore needs to be some enabling environment for these enterprises to thrive. We observed also that Nigeria's past experiences with economic reforms have not been very impressive as revealed by persistent distortions in economic performance and adverse economic conditions. The NEEDS document appears a very rich document, focusing on improving the welfare of the citizenry. The effect can however not be properly appraised as the time frame is so short and data is lacking to support any analysis. However, going by the content of the document, we have proffered some recommendations which should improve and encourage the development of SSIs and enhance the welfare of the Nigerian Populace in the long run.

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