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Financing and Successful Micro, Small and Medium Scale Enterprise Development in Nigeria

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Abstract:

This study explored entrepreneurial development as it relates to micro, small, and medium-sized enterprises (MSMEs) development in Nigeria. The evolution of entrepreneurship, which is regarded as "an engine for growth," is being viewed from the perspective of economic, sociological, political, psychological, and composite perspectives. Entrepreneurial development in Nigeria is observed to be hampered by some factors, including financing, management, infrastructure inadequacy, socio-cultural problems, strategic planning problems, multiple taxes, and an unstable policy environment. In order to avert these problems and stir entrepreneurial spirit, this study suggested that Nigeria needs to resort to the 1999 United Nations work plan on the National Enterprise Promotion Agency, plus the establishment of an anchor scheme to bring together MSMEs, provide capacity-building and training programs on subjects such as corporate governance, and have the correct documentation in place to obtain credit.

Keywords: Entrepreneurship, MSMEs, Economic Growth, Innovation, Creativity

1. Introduction

Entrepreneurship is a global engine of economic, social, and cultural progress (Okpara, 2019). Micro, small, and medium firms fuel more than half of the Nigerian economy, and entrepreneurs produce 80% of all new employment (PwC Survey, 2020). Entrepreneurship is the way to financial independence and poverty eradication. It is about pursuing opportunities to produce wealth through creative approaches that address the requirements of customers while utilizing finite resources in a way that results in business development. Entrepreneurship is a way of life, a job, and a discipline, not a one-time occurrence. It has a procedure, just like any other job. To create people entrepreneurs, this process must be ingrained in them through entrepreneurship promotion, growth, and youth and women empowerment (Okpara, 2019).

Entrepreneurship, according to Benjamin Higgins, is "the function of seeing investment and production opportunities, organizing an enterprise to undertake a new production process, raising capital, hiring labor, arranging for a supply of raw materials and finding a site, and combining these factors of production into a going concern; introducing new techniques and commodities; discovering new sources of natural resources; and selecting top managers for day-to-day operations." Entrepreneurship is defined by Gartner (1989) as "the establishment of a new business." Stevenson & Gumpert (1985) in Oshinowo et al. (2017) describe entrepreneurship as "the process of producing value by assembling a unique set of resources to capitalize on an opportunity.".

Entrepreneurship is the dynamic process of producing incremental wealth. Individuals that take substantial risks in terms of equity, time, and/or professional commitment or give value for some product or service build wealth (Ronstadt, 1984; Oshinowo et al., 2017). The product or service may or may not be innovative or distinctive, but the entrepreneur must instill value by acquiring and deploying the required skills and resources. Entrepreneurship requires the capacity to recognize resources, to evaluate their economic potential, to use these resources, and to invest in their growth, postponing current benefits in favor of future investment. Needless to mention, all of these entrepreneurship-related activities contribute to economic and social growth (Oshinowo et al., 2017).

It is the process of producing something new with value by dedicating the necessary time and effort, incurring the associated financial, emotional, and social risks, and reaping the benefits of monetary and personal fulfillment and independence (Hisrich, 2002, in Oshinowo et al., 2017). Shaw (2004) and Chaten (2000), cited in Oshinowo et al. (2017), characterized entrepreneurship as a mindset as well as a manner of thinking and learning. Rather than business administration, it is a state of mind, an artifact, and an intelligent

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and inventive attitude. It is a means of seeing and investigating opportunities wherever they may be found (Oshinowo et al., 2017).

The government, entrepreneurs, and financial institutions should all be involved in the promotion and growth of micro, small, and medium firms. Growth cannot occur without the connectivity, active participation, and collaboration of these "three wise men" in the development of entrepreneurship (Okpara, 2019). Very frequently, the government stops at the policy formulation and execution stages, and financial institutions assume the tasks of mobilizing and channeling financial help and support, leaving the entrepreneur—the “change agent"—to fend for himself or herself after the project is completed. Recent evidence from developing nations, on the other hand, supports the concept that entrepreneurship cannot be promoted without a purposeful and well-articulated plan of action (Okpara, 2019).

There is widespread recognition that entrepreneurial development is critical not only to solving the problem of economic development but also to solving the problems of unemployment, unbalanced development, economic power concentration, and profit diversion from traditional avenues of investment (Okpara, 2019). There have been several initiatives by government development agencies and other organizations to promote entrepreneurship. The majority of promotional operations revolve around financial and physical amenities, with the strong idea that if such facilities are developed in such locations, there will be an automatic influx of businesses. Nonetheless, reality does not support this. Such observations reinforce the notion that financial and physical resources are not the only important factors in the growth of entrepreneurship (Okpara, 2019).

Policymakers and experts in micro and small business enterprises commonly consider that home-based businesses and small business entrepreneurs are distinct categories that require different forms of intervention (Dagg, 1995; Allal & Chuta, 1982). Small business owners continue to make their items using indigenous Nigerian expertise and practices. As micro, small, and medium-sized company owners, they are continually adapting their goods to meet the needs of their neighbors, visitors, and marketing organizations. SMEs are a genuine tool for economic growth and development (Adeosun & Shittu, 2021), and they play a key role in stimulating prosperity by creating new jobs and snowballing a region’s economic prosperity (Maksimov et al., 2017). This paper is therefore geared towards accessing the diverse challenges that impede MSMEs development in Nigeria and suggesting steps forward.

2. The SMEs and MSMEs

2.1 Defining SMEs and MSMEs

SMEs are critical economic growth and development tools. They are critical for revenue generation, wealth building, and poverty reduction, among other things. Despite the fact that the idea is comparable and related, there is no widely accepted definition of SMEs. The idea of SMEs is relative and changes from nation to nation, based on the extent and range of activities performed by them, the quantity of capital necessary to fund their operations in a given market economy, and the structure of the economy in which they are established. This restricts the generalization of the concept of SMEs beyond national borders.

Various institutions in Nigeria have defined SMEs in their own way, based on the policy aims or goals of the entities. Many organizations, including the CBN, NERFUND, and SMEDAN, and sectors of the economy, for example, have different definitions of SMEs. This apparent lack of consistency has caused huge obstacles to policymaking and academic study in this area. For the purposes of this study, SMEs are defined as firms functioning in any sector of the economy with total assets above five million naira but not exceeding five hundred million naira, with a minimum workforce of ten and a maximum workforce of ninety-nine individuals. This definition was adopted from Nigeria's National Policy on Micro, Small, and Medium Enterprises (MSMEs) (SMEDAN, 2006; SMEDAN & NBS, 2013) due to its inclusion and pervasiveness in terms of broader coverage that does not confine it to a certain industry. The definition is also seen to be more relevant since the categorization requirements are recognizable, quantifiable, and practical, and they can readily be utilized to identify the category of enterprises under focus.

MSMEs are defined differently in different countries and organizations in terms of the number of workers, total assets, and yearly revenue. Here are a few definitions from Nigeria's leading SME-facing organizations. The Bank of Industry (BOI) definition and categorization of MSMEs is given in Table 1.

Table 1: Bank of Industry's Definition of Micro, Small, and Medium-size Enterprises

Enterprise Category/Indicator	Micro Enterprise	Small Enterprise	Medium-size Enterprise
Number of Employees	≤ 10	$> 11 \leq 50$	$> 51 \leq 200$
Total Assets (₦' million)	≤ 5	$> 5 \leq 100$	$> 100 \leq 500$
Annual Turnover (₦' million)	≤ 20	≤ 100	≤ 500

Source: BOI in PwC Survey, 2020

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In Table 1, microenterprises have been defined as any business where its number of employees is less than or equal to ten (10), the total assets of the business are less than or equal to five (5) million naira, and the annual turnover is less than or equal to twenty (20) million naira. For small enterprises, the number of employees ranges between eleven (11) and fifty (50), with a total asset between 5 million naira and 100 million naira, and the annual turnover is less than or equal to 100 million naira. For medium-sized enterprises, the number of employees ranges between 51 and 200, with total assets ranging from 100 million naira to 500 million naira and an annual turnover greater than 500 million naira.

The definition given by SMEDAN on the categorization of MSMEs is presented in Table 2.

Table 2: SMEDAN National Policy of MSMEs Definitions

Enterprise Category/Indicator	Micro Enterprise	Small Enterprise	Medium-size Enterprise
Number of Employees	< 10	10 to 49	50 to 199
Total Assets (₦' million)	< 5	≥ 5 < 50	≥ 50 < 500

Source: PwC MSME Survey, 2020

The definition given by SMEDAN centers on the number of employees and the total assets. For microenterprises, the number of employees is less than 10, with total assets of less than 5 million naira. Meanwhile, small enterprises have employees in the range of 10 to 49 and total assets in the range of 5 million naira to 50 million naira. Lastly, medium-sized enterprises have employees in the range of 50 to 199, and their total assets are in the range of 50 million naira to 500 million naira.

The implementation of the National Policy on MSMEs addressed the problem of the definition of micro, small, and medium firms. As indicated in Table 3, the definition employs a categorization based on dual criteria: employment and assets (excluding land and buildings).

Table 3: Classification of MSMEs under National Policy on MSMEs

Size Category	Employment	Assets (₦ Million) (excluding land and buildings)
Micro Enterprises	Less than 10	Less than 10
Small Enterprises	10 to 49	10 to less than 100
Medium Enterprises	50 to 199	100 to less than 1 Billion

Source: National Policy on MSMEs

If there is a classification dispute between the employment and assets criterion (for example, if a business has assets of 300 million naira but employs only eight people), the employment-based classification will take precedence, and the enterprise will be classified as micro (Okpara, 2019).

Compared to other countries in the world, MSMEs in Nigeria constitute 99.8% of the total business in the country, contributing about 49% to the gross domestic product and 84% to total employment (Pwc Survey, 2020). Table 4 captures this scenario.

Table 4: Global MSMEs Performance

Country	% of Business	GDP	Employment
South Africa	99%	52%	29%
United States of America	> 99%	44%	48%
United Kingdom	99.70%	51%	54%
Germany	99.50%	54%	63%
Nigeria	96.80%	49%	84%

Source: PwC Survey, 2020

Compared to the rest of the countries, it can be concluded that MSMEs contribute to total employment in Nigeria far more than any other country so specified. For instance, South Africa only benefits from 29% of total employment, while Germany gains 63%. But in terms of contribution to GDP, Germany and South Africa reap 54% and 52%, respectively, as against Nigeria and the USA, with 49% and 44%, respectively.

2.2 Ownership Structure of MSMEs

Micro, small, and medium-sized enterprises (MSMEs) in Nigeria account for 96% of all firms in the country and provide around 50% of the overall GDP. In terms of ownership, 73% of MSMEs are sole proprietorships, with 14% being private limited liability corporations. Partnerships (6%), faith-based organizations (5%), cooperatives (1%), and others (1%) make up the remaining 13%. As a result, it is apparent that the bulk of MSMEs in Nigeria are sole proprietorships (see Figure 1). In terms of gender, just 23% of females in Nigeria own official SME firms. MSMEs owners in Nigeria often range in age from 20 to 60 years. The ownership of SMEs varies. Ownership concentration and ownership mix influence ownership structure. Ownership concentration indicates that the owner assumes a significant risk, managing the input and outflow of funds to the firm. In contrast, the ownership mix allows for a more flexible management approach, with important tasks delegated to others (Obasan et al., 2016). While some are single

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proprietorships, others are family-based (couples), and still others are partnerships comprised of friends or business companions (Peruzzi, 2017).

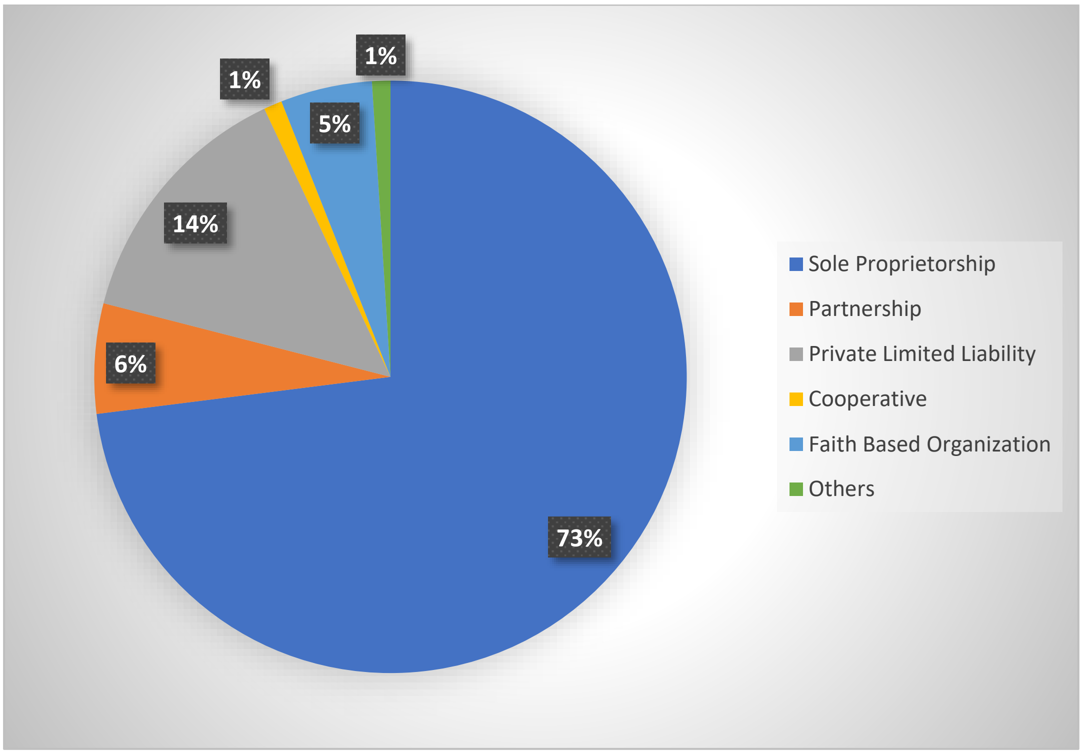

Figure 1: Ownership Structure of MSMEs in Nigeria

Source: Constructed using data from PwC Survey, 2020

MSMEs in Nigeria constitute 55% of wholesale and retail businesses, and the sector has comprised 49% of GDP in the last five years, with 10 to 15% of manufacturing output, 50% of industrial jobs, and 99% of businesses (PwC Survey, 2020). In Nigeria, over 41.5 million MSME businesses operate in the country (NBS, 2018; SMEDAN, 2018). Out of 41,543,028 MSMEs in Nigeria as of 2020, 41,469,947 (99.82%) are microbusinesses, while 73,081 (0.18%) are small and medium-scale enterprises (SMEs), and the sector experiences a 32.1% financing gap. The sector employs 59,647,954 individuals, which is equivalent to about 76.5% of the work force and constitutes 7.64% of exports with a 49.78% GDP contribution (SMEDAN/NBS, 2013; PwC Survey, 2020).

2.3 Importance of MSMEs Development in the Nigerian Economy

Employment Generation

Micro, Small and Medium-Size enterprises have been producing jobs for many individuals in an economy for decades (Burns, 2016; Porter & Kramer, 2019). Lingering unemployment scenarios, which have become a global occurrence, are a major motivator for the creation of small firms worldwide (Adeosun & Shittu, 2021). As a result, a number of small firms are founded, either by choice or necessity (Bushe, 2019). In any case, the existence of small enterprises creates employment options for the jobless who want to earn a living legally. Small enterprises also provide alternate sources of income for the employed, which eventually leads to greater job options. The new route of employment creation is in service outsourcing, which is likewise dominated by small enterprises founded to address existing companies' unmet requirements (Adeosun & Shittu, 2021).

According to global statistics, small enterprises are important job creators. Small firms, for example, accounted for 64% of new employment produced in the United States of America (USA) between 1993 and 2011 (Aribaba et al., 2019). Small enterprises account for 60–70 percent of employment creation in the Organization for Economic Cooperation and Development (OECD) countries (OECD, 2015). Small firms produce 7 out of 10 new jobs in emerging nations (World Bank, 2015; Page & Soderbom, 2015). Small enterprises' ability to create jobs in Sub-Saharan Africa has also been recognized. They contribute to 38%, 37%, 33%, 21%, and 19% of new employment produced in Kenya, Zambia, Ivory Coast, South Africa, and Cameroon, respectively (World Bank, 2018). According to published figures in Nigeria, small enterprises employed around 3 million people as of December 2017 (National Bureau of Statistics, 2019).

Engine of Innovation

Small enterprises are quickly becoming innovation engines (De Massis et al., 2018). They, unlike major corporations that have the organizational resources to pursue R&D and patentable discoveries, have distinct means of engaging in innovation activities. Given the changing technology environment, these companies pioneer new techniques to driving efficient and successful manufacturing and selling of their goods and services (Porter & Kramer, 2019). Similarly, the uncertainties that pervade economic settings force small business owners to seek out new market possibilities, develop new goods, and seek out new market openings in order to survive and perform better (Dosi, 1988). Thus, size, age, and growth potential are crucial microeconomic characteristics that promote small enterprises' worldwide innovation potentials (Hunjra et al., 2014).

A Channel for Knowledge Transfer

Micro, small, and medium-sized firms have become more crucial information transfer routes in recent years (Omotayo, 2015). Their capacity to handle the information transfer process is critical to their existence (Durst & Wilhelm, 2012). In small organizations, knowledge sharing facilitates the smooth onboarding and succession of new personnel. Knowledge transfer also enhances the degree of competency of employees, particularly those with a higher level of knowledge owing to schooling, job experience, and so on (Oluyomibo, 2016). They are especially important in a small organization because they help other employees improve by adding to their depth of information, boosting capacity, and enhancing overall performance (Massaro et al., 2016). It has been discovered that knowledge transfer improves innovation, decision-making, product understanding, and customer response (Aldrich & Yang, 2014).

2.4 Creating an Enabling Environment for MSME Development

The creation of an enabling governmental, legal, and regulatory framework is critical to the growth of MSMEs. There are several legislative and legal limits and prejudices that might undermine MSMEs' ability to create new job opportunities, stimulate technical innovation, and generate wealth. Even when policy and legal tools are supportive of MSMEs, their enforcement and implementation may be insufficient and ineffective.

Respect for the rule of law, including the provision of justice, law and order, and domestic security, is required for the realization of individual goals such as the pursuit of freedom and happiness, as well as the creation of an atmosphere conducive to economic activity. The strengthening and independence of legislative and judicial institutions is a vital aspect of boosting economic activity and promoting and developing MSMEs. The development and execution of broad macroeconomic policies to influence the economy's direction and correct transitory distortions. The regulatory framework was developed with flexibility in mind to promote an enabling environment for sustainable growth and a healthy entrepreneurial culture. The supply of public goods and services (health care, basic education, energy, and basic infrastructure) as well as the creation of public value should be the new focus of the public sector in order to provide the enabling environment necessary for the paradigm shift.

One of the core policy interventions in boosting MSMEs growth in Nigeria was the establishment of the Small and Medium Size Agency of Nigeria (SMEDAN). The SMEDAN exists to train and equip Nigerian entrepreneurs of today and tomorrow to handle the difficulties and complicated demands of the global business environment. The promotion and facilitation of the growth of entrepreneurship and enterprises in Nigeria is a crucial means of doing this. As a result, the government formed the SMEDAN in 2003 in its ongoing quest for a solution to a lively and virile micro, small, and medium business sub-sector, as well as to integrate the sub-sector into the main stream of the Nigerian economy. The agency serves as a "one-stop shop" for micro, small, and medium-sized businesses in Nigeria. As a result, SMEDAN has been at the vanguard of supporting and growing micro, small, and medium firms and entrepreneurs since its foundation.

The agency has been involved in diverse intervention strategies for the growth of MSMEs in Nigeria. The following areas are key to the intervention strategy:

- *Business Information Sourcing, Processing, and Dissemination*
- *Policy Development*
- *Creating Business Support Centers and Information Services (BSCs and BISs)*
- *Capacity Development and Promotional Services*
- *Development of Industrial Parks*
- *Improve Access to Finance for MSMEs*
- *Networking*
- *The National Micro, Small, and Medium Enterprise Policy aimed at the systematic and efficient growth of MSMEs in Nigeria.*
- *Programmes for the Development of Entrepreneurship*
- *Seminars, Conferences, and Workshops*
- *Trade Shows and Exhibitions*

3. MSMEs Growth

3.1 Theories of Sustainable Growth of MSMEs

Many theories have been developed to explain the sustainable growth of MSMEs over the years. Some of these theories are discussed as follows:

Institutional Theory

Consistent with Srisathan, Ketkaew, & Naruetharadhol (2020), "institutional theory refers to innovative elements or capabilities with sustainable growth of small and medium-sized enterprises as a stimulus lens that encourages management practices to pursue sustainable business growth" (Nimfa, Latiff, & Wahab, 2021). These factors include culture, the legal and social environment, traditional or cultural values, economic incentive programs, and market value. The general idea concentrated on the regulations set out by institutions, but the new approach concentrated on institutional entrepreneurship, such as the application of sustainable business models (Hadjimanolis, 2019) and attention to possibilities (Laukkanan et al., 2013). The two fundamental causes of the behavior patterns of organizations connected to institutional theory are moral legitimacy and isomorphism. The business wants legitimacy to satisfy the requirements of stakeholders and society (Ratten & Usmanij, 2020). Firms have made significant or isomorphic judgments about sustainability as a result of institutional pressure (Glover et al., 2014; Ahmad et al., 2020).

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Businesses collaborate with many stakeholders to foster innovation within the confines of the institutional system in order to support SMEs' long-term expansion (Nimfa, Latiff, & Wahab, 2021).

An institutional theory can be used to investigate the boundaries between industries or social groups that have influenced SMEs in different ways to achieve sustainable growth (Fauzi & Sheng, 2020). Explaining why sustainable endeavors are important is not simply a voluntary task, as the performance of businesses is challenged by a number of factors, such as governmental regulations and competitive pressures. As a result, sustainable innovation and internal or external firm-centric variables are the main emphasis of institutional theory (Nimfa, Latiff, & Wahab, 2021). Opportunities with normative, coercive, and mimetic drivers to influence small and medium-sized enterprises to shape environmental, social, or economic decision-making and to legitimize the vision of sustainable business practices are presented by the institutional theory of sustainable growth for small and medium-sized enterprises (Shibin et al., 2020; Caldera, Desha, & Dawes, 2019).

Sustainable business practices "promise profitability, resilience, and beneficial social and environmental benefits and are an aim for a growing share of small and medium-sized firms worldwide" (Caldera et al., 2019). Business owners are responding to institutional limitations in a variety of imaginative ways, including by implementing novel business ideas, strengthening their resolve and courage, joining organizations, attempting to give back to the community, and cooperating with the authorities (Eijdenberg et al., 2019). In addition to generating sustainable growth policies and practices (Roxas et al., 2007; Heiskanen, 2002), it has been widely applied to recognize quality plans or technological orientation (Barratt & Choi, 2007; Liu et al., 2010).

Resource-Based View Theory

The origins of resource-based view theory may be traced to Penrose (1959), who argued that “having resources and using them wisely will yield better outcomes than using alternative industrial structures." According to Wernerfelt (1984), a corporation should be regarded from the perspective of its most important resource. In line with Prahalad & Hamel (1990), the term "core competency" was underlined, and the firm's capability and competitive advantage were the focus of attention (Barney 1991). To another researcher, it is a particular competence, whereas the strategic component is the use of resources and competencies (Papp & Luftman, 1995). The theory of the resource-based view is an expansion of the theory of the firm's growth (Barney, 1991; Grant, 1991). This idea explained the firm's resource performance and sustained competitive advantage (Wernerfelt, 1984).

The notion of a resource-based view had discovered possibilities based on resource uniqueness that would result in competitive advantages (Grewal, Iyer, Javalgi, & Radulovich, 2011). The research enhanced understanding of the study's setting and strategies that concentrate on the development of sustainable franchising from a management perspective (Samsudin et al., 2018). A resource-based approach is undoubtedly crucial to take into account, in addition to business owners who are on their growth route. The evaluation of all available resources enables businesses to successfully accomplish their goals. Managers may overcome growth obstacles or reduce changes in course and growth challenges by choosing an effective growth plan (Nimfa, Latiff, & Wahab, 2021).

Since the resource-based perspective theory of the firm's limitations is primarily focused on an organizational level, it is not typically applicable (Davis & Bendickson, 2020). The primary challenges regarding capacities or businesses' performance were the focus of the resource-based perspective theory, which has long held importance in the field of strategic management (Darcy, Hill, McCabe & McGovern, 2014; Easterby-Smith et al., 2009). Small and medium-sized businesses are frequently not cultured with a resource-based viewpoint and the idea of continuous competitive advantage, despite their desperation for development and sustainability (Darcy et al., 2014). In highly dynamic markets, resource-based view theory (RBVT), like Porter's model of competitive forces, cannot successfully contribute to an enterprise's competitive advantage (Nimfa, Latiff, & Wahab, 2021).

Diffusion of Innovation (DOI) Theory

In order to explain the idea that innovation might be disseminated between different people over certain periods of time by various mechanisms, Rogers (1995) established the Diffusion of Innovations (DOI) theory from the standpoint of innovation and technology orientation. According to Al Mamun (2018), Rogers' theory defines one of the most well-liked adoption models in his book "Diffusion of Innovations," and numerous studies across a wide range of areas have used the model as a framework.

Rogers (2003) frequently used the terms "technology" or "innovation" as synonyms for the diffusion of innovation, which normally implies technological innovation. According to Rogers, diffusion is "a process by which innovation is completely disseminated among members of the social system through time through certain routes." The four fundamental components of the dissemination of innovation are invention, communication channels, time, and social structure (Chege & Wang, 2020). In fact, "behavior that shows a fondness and incentive for advancement, risk-taking, free expression, focus on teamwork, communication, respect, and trust, along with the promotion of group meetings and staff relations, empowering staff to improve their effectiveness, and regularly working on the current model can be linked and defined as a culture that promotes and embraces innovation" (Lijauco et al., 2020; Rogers, 2003).

The introduction of new technology and non-technology innovation are the main forces behind sustainability, competitive advantage, and efficiency for small and medium-sized businesses (Price, Stoica, & Boncella, 2013). SMEs that are more innovative and creative have much better ratios of revenue and employment than SMEs that are less inventive and creative, according to Fagerberg, Mowery, and Nelson (2004). Due to the innovative range of processes and activities that businesses engage in as well as their innovation responsibilities, which contribute to sustainability, success in the enterprise, and inclusive growth, innovation research is essential, especially in the field of small and medium-sized enterprises (International Labour Organization, 2015; Jia, Tang, & Kan, 2020).

Upper Echelons Theory

Hooi et al. (2016) attempted to take into account both the upper echelons theory and the resource-based view theory. According to Hambrick and Mason (1984), "the theory of upper echelons suggests that the managers' situation may have some influence over the organization's outcomes, strategic choices, and level of performance." Amazingly, the positions top executives encounter are interpreted by them according to their personality traits, fundamental values, and experience, which in turn affect their decisions (Hambrick, 2007). Since higher executives advance to play significant roles in enhancing organizational success, the notion of the upper echelons is still important (Nimfa, Latiff, & Wahab, 2021; Hambrick, 2007).

According to Hooi et al. (2016), bricolage tendencies within entrepreneurs are intended to perfect key tasks through delivering sustainable innovation in entrepreneurship. They propose that as a related channel for predicting and explaining why certain enterprises can gain a competitive edge and obtain superior profits (Hooi et al., 2016). The enterprise's highest administrative authorities play key roles in assessing organizational effectiveness, making the upper echelon theory (UET) still valuable and relevant today (Nimfa, Latiff, & Wahab, 2021; Nor-Aishah, Ahmad, & Thurasamy, 2020).

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3.2 Linking Entrepreneurship with MSMEs Development

The connection between entrepreneurship and MSMEs development can be traced by linking entrepreneurship orientation with the quest for self-efficacy. This relationship is captured in Figure 2.

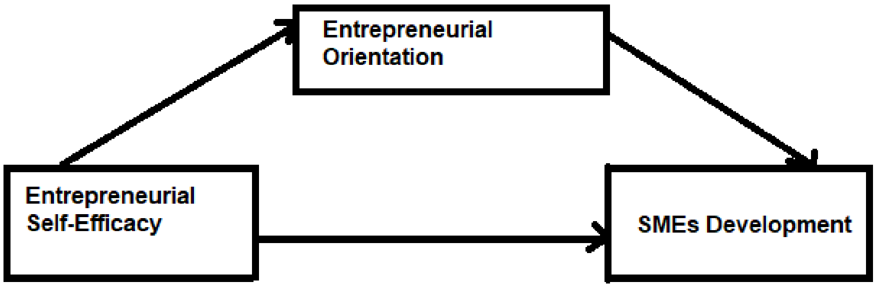

Figure 2: Entrepreneurship and MSMEs Linkages
Source: Extracted from Eniola (2020)

Self-efficacy is a person's conviction in his or her ability to organize his or her cognitive abilities, motivation, and sequence of activities in such a manner that he or she has control over life events (Wood & Bandura, 1989). Individuals with low self-efficacy avoid developing competences or taking risks, whereas individuals with strong self-efficacy may instill tenacity, effort, and confidence (Thomas & Velthouse, 1990). In accordance with the idea of ambidexterity, scholarly research commonly promotes entrepreneurial self-efficacy (ESE) as the primary motivator for the establishment of a new SME. The entrepreneurs' self-concept of being capable of performing a task that enables them to build a sufficient desire to act is referred to as ESE (Zhao et al., 2005; McGee et al., 2009; Eniola, 2020).

Although there is empirical evidence linking ESE to entrepreneurial performance-related outcomes, Forbes (2005) discovered that entrepreneurs' capacity to make comprehensive strategic judgments was strongly impacted by their ESE. Similarly, Luthans & Ibrayeva (2005) and McGee et al. (2009) discovered evidence of ESE's direct and intermediary influence on performance in transition economies. However, the influence of ESE on venture success is not well understood (Hmieleski & Baron, 2008; Poon et al., 2006) and calls for more context-specific empirical research (Markman et al., 2016).

The misalignment of educational attainment and market-based skill requirements in Nigeria has resulted in a lack of entrepreneurial tendencies and/or orientation (Kayed & Hassan, 2011; Pitan & Adedeji, 2012; Whiteoak et al., 2005). According to researchers, entrepreneurial intentions and orientation are crucial in turning entrepreneurial qualities (in this case, self-efficacy) into firm-level achievements (Ahlin et al., 2014; Poon et al., 2006; Rosenbusch et al., 2013; Wiklund & Shepherd, 2005). Entrepreneurial orientation is defined by Hambrick & Mason (1984) as the goals of entrepreneurs rather than the company: it is individuals' proclivity to generate and/or find market-based possibilities and respond proactively via innovation and risk-taking when building a new small and medium firm (Eniola, 2020).

4. Challenges of MSME in Nigeria

PwC's 2020 report revealed the primary difficulties confronting Nigerian MSMEs. The most serious issue that MSMEs confront is obtaining financing. Access to money, particularly credit, is a vital facilitator of small and medium-sized business growth and development. The SME loan market, on the other hand, is infamous for market failures and defects. As a result, 55% to 68% of formal SMEs in emerging markets and developing countries are either unserved or underserved by financial institutions, resulting in a total credit gap estimated to be USD5.1 trillion (PwC Survey, 2020). According to the PwC survey report, the funding deficit for Nigerian MSMEs (pre-COVID-19 pandemic) is around N617.3 billion every year. The ranking of the challenges is portrayed in Table 5.

Table 5: Challenges facing MSMEs in Nigeria

Challenges	Components
Obtaining Finance	22%
Finding Customers	16%
Infrastructural Deficits (electricity, transport)	15%
Insufficient Cash-Flows	14%
Multiple Taxation	7%
Competition	7%
Unskilled Workforce	7%
Advancements in technology and technology disruptions	5%
Regulatory Challenges (red tape/bureaucracy)	4%
Corruption	2%
Slow Judiciary/Court Processes	1%

Source: PwC Survey, 2020

Small firms accounted for less than 1% of total commercial banking credit in 2018, according to an examination of data from the CBN's annual statistics bulletin. According to the National Bureau of Statistics (NBS), just around 5% of SMEs have been able to obtain appropriate financing for working capital and business growth/expansion. Nonetheless, SMEs contribute a whopping 50% of GDP.

Another aspect explored in the PwC report is the Cost of Operations of MSMEs in Nigeria. Table 6 captures the ranking of this cost components.

Table 6: Cost of Components of MSMEs in Nigeria

Cost Components	Composition
Electricity (Power Generation)	21%
Rent	17%
Cost of Capital	15%
Employee Costs	14%
Taxes	12%
Transportation	12%
Debt Servicing Costs	5%
Others	3%

Source: PwC Survey, 2020

Electricity accounts for the highest expenditures of everyday activities. Nigeria's electricity sector is beleaguered by a slew of issues ranging from operational inefficiencies to infrastructural gaps. These difficulties have culminated in insufficient energy supply, which has had a negative influence on the business climate in Nigeria, resulting in large economic costs to SMEs and economic growth. According to the International Monetary Fund (IMF), a lack of dependable energy costs the Nigerian economy an estimated USD29 billion each year. According to a study undertaken by the Centre for Democracy Development (CDD) and SOAS University of London, SMEs in Nigeria receive just 1 to 5 hours of energy per day, with the large supply shortage 'killing' enterprises. PwC believes that one out of every seven firms will leave the economy as a result of the shortage in energy supply, based on an analysis of economic factor intensity.

The MSMEs in Nigeria are also influenced by Macroeconomic Challenges. Table 7 captures the weight of each of the factors

Table 7: Macroeconomic Factors Affecting MSMEs in Nigeria

Components	Composition
Pressure to reduce prices	22%
Rising Inflation	19%
Low Demand for Products and Services	16%
High Interest Rates	14%
High Exchange Rates	14%
All of the above	10%
My business is not being impacted by the economy	4%

Source: PwC MSME Survey, 2020

The need to lower costs is the most pressing economic issue confronting firms. This is attributable to the second and third economic concerns confronting the country: growing inflation and decreased demand for goods and services. Nigeria's economic recovery has been slow. Despite improved economic development during the previous three years, Nigeria's GDP trajectory still falls short of the 4.5% and 7% growth estimates set forth in the Economic Recovery and Growth Plan (ERGP) for 2019 and 2020, respectively. To enhance productivity and long-term growth for businesses, Nigeria's economy must expand at a pace of at least 5 to 7% on average (Pwc Survey, 2020). Meanwhile, problems like as rising borrowing rates, a fall in disposable income, and sluggish consumer demand continue to weigh on performance. Despite the economic challenges, 4% of company owners polled said their operations are unaffected.

Taxation is another challenge facing MSMEs growth in Nigeria. in Table 8, the different forms of taxation are captured based on how they affect MSMEs development.

Table 8: Tax Components Confronting MSMEs Development in Nigeria

Tax Category	Weight
Local Government Levies	28%
Company Income Tax (CIT)	26%
Value Added Tax (VAT)	25%
PAYE/Personal Income Tax (PIT)	17%
Others	4%

Source: PwC MSME Survey, 2020

Local government charges are the most challenging for MSMEs to comply with. This is followed closely by Company Income Tax (CIT) and Value Added Tax (VAT) (VAT). The following factors contributed to the difficulty in compliance: the multiplicity of taxes and levies; a lack of coordination between federal and state tax agencies; the absence of a technology platform(s) for the ease of payment of all taxes and levies; and the absence of fully functional tax refund schemes at the state and federal levels (PwC Survey, 2020). Other issues included a lack of detailed tax payment schedule notice or a calendar, as well as physical harassment/intimidation by local tax collectors.

Multiple taxes and levies continue to be a stumbling block for tax-paying firms in Nigeria, particularly MSMEs. This account for about 23% in all the challenges outlined in the PwC report in 2020. Studies has showcased that there is a significant relationship between multiple taxation and SMEs survival (see Adebisi & Gbegi, 2013).

Table 9: MSMEs Challenges in Paying Taxes in Nigeria

Tax Payment Challenges	Weight
Multiple taxes and levies	23%
Lack of coordination of federal and state tax agencies	18%
Absence of technology platform(s) for ease of payments	16%
Lack of fully functional tax refunds scheme	15%
Lack of proper and comprehensive tax payment schedules and notification or calendar	14%
Physical harassment/intimidation by local tax collectors	13%
Others	1%

Source: PwC MSME Survey, 2020

Furthermore, there is a lack of cooperation between federal and state tax departments. In addition to the Federal Inland Revenue Service (FIRS) and local governments, Nigeria has 36 state tax administrations. Each of these groups has constitutional authority to levy taxes, which has resulted in rising tax burdens and company concerns. On PwC's 2020 ease of paying taxes index, Nigeria scored 159th out of 190 economies.

The PwC survey also explored diverse options where MSMEs utilize to access finance. Table 10 captures these finning options and their weight.

Table 10: Financing Options Utilized by MSMEs in Nigeria

Financing Sources	Weight
Family and Friends	48%
Credit Facilities	15%
Trade Credit	8%
Co-operatives	6%
Grants	6%
Vendor Financing	6%
Private Equity Funds	4%
Others	4%
Venture Capital	3%
Listing on the Stock Market	1%

Source: PwC MSME Survey, 2020

In the last one year, 48% of firms in Nigeria employed family and friends for financing. According to the findings of the NBS SMEDAN MSME survey 2019, personal savings were the most prevalent source of capital for the majority of firms - both Micro and SMEs. Only 49.5% of SMEs (sole proprietorships) in the country reported having access to bank financing. The majority of micro-businesses began with less than ₦50,000 in capital. Only 4.7% begin with a sum more than ₦300,000. It is noted that 75% of SMEs begin with a capital of less than ₦10 million. However, 6% of MSMEs begin with more than ₦40m in capital. It is clear from Table 10 that the stock market is not a dominant financing options for MSMEs in Nigeria.

For the purpose of business expansion, MSMEs do resort to financing for growth. Table 11 reflects on the diverse options.

Table 11: Perceived Financing Options for Growth of MSMEs in Nigeria

Financing Sources	Weight
Private equity	46%
Debt financing	33%
Others	12%
Listing on the alternative securities (ASeM)	5%
Listing on the stock exchange	4%

Source: PwC MSME Survey, 2020

According to the 2020 PwC survey report, 46% of the firms polled indicated that private equity (PE) will be the most important source of capital for them to achieve their development goals. This data is consistent with PwC's 2018 family company study, in which 39% of family business owners stated that they were exploring PE investments over the next 1 to 2 years.

The role of information in MSMEs development is also of crucial importance. Table 12 captures the various information sources utilized by MSMEs in Nigeria.

Table 12: MSME Access to Information and Business Advice

Sources	Weight
Internet/Media/Research publications	22%
Business network/partners	18%
Friends/family members	17%
Professional service providers	16%
Business/Financial advisers/Consultant	10%
Growth accelerators/Business incubators	6%
Business associations/Chambers of commerce	5%
Banks	3%
Tax authorities	3%
Government	2%

Source: PwC MSME Survey, 2020

It is clear from Table 12 that the internet/media/research publications (22%) serve as the major information sources and business advice for MSMEs in Nigeria. This is followed by business networks/partners with a weight of 18% and family and friends with 17% weight. The tax authorities and the government stand out as the least information sources and the hub for business advice for MSMEs in Nigeria.

5. Conclusion and Recommendations

The ability of MSMEs to contribute to economic development and growth has drawn attention to the issue of how entrepreneurship development may affect the expansion of micro, small, and medium-sized businesses. However, there are challenges with how entrepreneurship development is affecting MSMEs in Nigeria. Most of the challenges facing MSMEs hinge on financial problems, management problems, inadequate basic infrastructure, socio-cultural problems, strategic planning problems, multiple taxes, and an unstable policy environment. It is generally recommended that an anchor scheme be established to bring together SMEs, provide capacity-building and training programs on subjects such as corporate governance, and have the correct documentation in place to obtain credit. SMEs might benefit from this anchor initiative by learning about global best practices and techniques for getting funding for company growth. Specifically,

- There is a need to resort to the 1999 National Enterprise Promotion Agency Work Plan: The United Nations work plan for SMEs could shape a brighter future for MSMEs development in Nigeria. Some of the action plans include the following: NEPA established and is offering national programs, projects, and services in accordance with SME national policy; Regional Enterprise Support Centers (RESCs) are created together with village-based Satellite Support Centers (SSCs); An appropriate credit scheme for business start-ups and early-growth SMEs is designed, developed, and is functioning in a pilot stage. A special Support to Innovative Enterprises Programme (SIEP) is established and functioning; support to the government is offered to improve accounting standards; and an incentive policy is developed to encourage informal sector entities (ISEs) to join the formal sector. These should be done in accordance with the feasible timeline attached to the work plan.
- Provision of soft loans should be paramount. The government of Nigeria should mandate deposit money banks to set aside a substantial proportion of their reserves as loans to MSMEs, with such loans being given at a low rate of interest. Long-term loans to MSMEs should be guaranteed by the government, and MSMEs funding agencies should be established to ensure adequate availability of working capital for MSMEs and ensure that such funds are accessible to them at a very low interest rate with a long-term repayment period.

- There should be public-private partnerships in infrastructural development. Infrastructure is crucial for successful MSMEs development. The Nigerian government should collaborate with the private sector in the provision of proficient public utilities (most importantly, power supply, water supply, good transport and communication facilities, etc.) to guarantee uninterrupted supply of these critical public utilities.
- There should be capacity building for MSMEs operators. The government of Nigeria should partner with the respective states' Chambers of Commerce and the SMEDAN to organize periodic training courses and seminars for prospective and operating MSMEs. Such training should be based on educating the MSMEs operators on strategic planning, business organization, and directing, along with business controls. Adequate entrepreneurial education will awaken the entrepreneurial spirits, which will spark the needed innovation and new venture creation.
- Tax incentives for MSMEs should be accelerated. The core way of achieving this is by ruling out the multiple taxation policy that has bewildered MSMEs operators in the country and avoiding the use of private revenue contractors and task forces (normally called touts) in revenue collection from MSMEs, as they often harass citizens in the course of their operations. In addition, favorable legal and economic framework conditions are required to support the entrepreneurial spirit.

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