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Research Article

An Assessment of the Effectiveness of Small and Medium Scale Enterprises as A Tool For Income and Employemnt Generation in Kano State, Nigeria

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Abstract: This paper investigated the impact of small and medium scale enterprises as tools for income and employment generation in Kano state Nigeria. The objective of this paper is to ascertain the impact of small and medium scale enterprises on income and employment generation in Kano state. The study is based on two sources of data, which are primary and secondary sources. The primary source of data is drawn from administered questionnaires to randomly selected SMEs in Kano metropolis. Sixty (60) questionnaires were administered to SMEs in the study area. The empirical results are in favour of a statistically significant impact of small and medium scale enterprises on employment and income generation in Kano state. Generations were shown using descriptive analysis, which involves a detailed exposition of the subject matter. Descriptive tools such as tables and percentages were used. A chi-square (x^2) test is employed at 5% level to test the validity of the hypotheses and proffer meaningful inference (based on the results obtained).on the basis of analysis it was revealed that small and medium scale enterprises impacted positively at 30% to income and employment generation in Kano state. One impressive result of this paper is that small and medium scale enterprises are panacea for income and employment generation in Kano state, Nigeria. *The study therefore recommends that the financial institutions should try and comply with the CBN stipulation in not only reserving 10% of their income for SMEs financing but should ensure that this fund is actually disbursed appropriately to entrepreneurs in SMEs. They should also devise a means of evaluating and monitoring these entrepreneurs to ensure the funds are not diverted to some other personal activities instead of using it for their business growth and expansion[1].*
Keywords: Small Scale Enterprises, Employment Generation, Income Generation.

INTRODUCTION

Small and medium scale enterprises development has continued to be a popular phrase in the business world. This is because the sector serves as a catalyst for employment generation, economic growth, poverty reduction, mobilization and utilization of local raw materials, output transformation in traditional enterprises, encouraging indigenous entrepreneurship and technological inventiveness Peterson (2003), SMEs both in the formal and informal sectors employ over 60 percent of the labor force in Nigeria. More so, 70 percent to 80 percent of daily necessities in the country are not hi-tech products, but basic materials produced with little or no automation. Most of these products come from the small and medium enterprises. Odubanjo (2000), Onwumere (2000) and Nnanna (2001) all support that small and medium enterprises help in the achievement of improvement in rural infrastructure. According to Dr. Olusegun Aganga (2012) the Minister for Trade and Investment, "The small and medium scale enterprises (SMEs) are the major drivers of the Nigerian economic growth and job creation. This sector is so critical that most of the countries are building their job creation strategies around SMEs. This sector's needs are efficient cost of financing for growth." (Business Day, Monday 18th June, 2012).

China has tenaciously understudied these facts and aggressively capitalizes on it. The SMEs with fewer than 300 workers account for 99.5 percent of the factories in Tokyo and employs 74 percent of the workforce there. Korea and Taiwan prospered as both countries manufacture and export with the aid of their SMEs. In the United States of America, the SMEs account for 87 percent of the country's workforce. The German SMEs employ about 72.6 percent of its labor force. SMEs employ a large percentage of workers in these countries. The SMEs sector, past studies have shown, employs 70 percent of the nation's industrial labor force, yet it only accounts for 10 – 15 percent of the total industrial output, while utilizing only about 30 percent of its installed capacity. The major reason adduced to these performances is the poor access to credit. Kadiri (2008), Levy (1993), Wahab (2006), Ijaiya (2003), and Cookey (2001), all support this position.

Sanda (2006), comparing large and small firms' ability to create employment observed that small firms are relatively better at creation of employment opportunities. Nigeria still depends largely on oil exports instead of learning from past experiences. The initial exceptionally high oil prices that brought a huge inflow of oil revenues that raised the per capita income from $1,300 in 1972 to $2,900 in 1980 thereafter collapsed.

Furthermore, as a result of the country's over-reliance on oil as its main source of income, a decline in the international price of oil resulted into a drop in the real per capita income of the country, expenditure, consumption and a rise in the poverty level. Countries that have succeeded in reducing poverty significantly indicate the importance of diversification from the development in achieving better results. But high growth is not enough, the pattern and sources of growth are extremely important from the point of view of raising the incomes of the poor.

One is not doubtful of the importance of the activities of small and medium scale enterprises and the role they play in economic development in any society. Importantly, small and medium scale enterprises (SMEs) generate more direct jobs per naira invested than do large scale enterprises. They also serve as training ground for developing technical entrepreneurial skills and by virtue of their greater use of indigenous technological capabilities, they promote local inter-sectorial linkages (particularly with agriculture).

Nevertheless, despite the efforts and contributions of past and present government towards promoting SMEs in Kano State, the contribution of this sector to the economy still remain relatively small in terms of its impact on Gross Domestic Product (GDP), unemployment and poverty reduction. The rate of unemployment in this state is still high and majority of the population still live in poverty. Ekezie (1995), Bacdom (2004), Iromaka (2006), Aremu, (2010) among others attributed the lack of credit as one the major constraint to the realization of the benefits of SME. In the light of the above, this paper attempt to examine the impact of SMEs on the economic development of Kano State, this paper focuses on the analysis of SME in Kano state, between the years 2006 and 2013.

The above scenario logically leads to the question the role of small and medium scale enterprises in supporting and sustaining economic growth in Nigeria. Specifically it is pertinent to ask whether small and medium scale enterprises environment in addition to various leverage and reforms undertaken in Nigeria is sufficient to serve as a springboard for the needed growth and development of the Nigeria economy. Pratten (1991) listed some of the conditions which together imply that small and medium scale enterprises are conducive to sustainable economic growth. These are lower productivity than that of a large business, being a business where the quality of job and the environment is reputed to be lower than that of the larger company. According to this theory, small business has found itself at the Centre stage of political and economic debate, which offers radically different interpretations over its role and its recent revival. Thus, a sound small and medium scale environment is imperative to achievement of economic growth and development. We therefore extend pratten (1991) conditions by adding the role of institutional environment, since developing countries are particularly plagues by weak institutions.

It is from the above background that this paper seeks to examine the impact of small and medium scale enterprise on job creation, poverty reduction and income generation in Kano state. To achieve this aim, the study is structured into 5 sections, after the introduction, section 2 explains the key concept used in the work, provides a treatise of the government intervention on small and medium scale enterprises and present the theoretical framework. Section 3 presents the methodology adopted for the research. Section 4 presents the results and discusses it. While section 5 presents the conclusion.

Literature Review and Conceptual Frame Work

The literature review elucidates the significance of Small and Medium Scale enterprises to the Nigerian economy and the various interventions of government in promoting SMEs. The conceptual framework examines the succeeded and failed government intervention on SMEs to the economic development of Nigeria. Small and Medium Scale enterprises varies with culture and peculiar circumstances of the person attempting the definition. The definitions in use depend on the purposes and the policies which govern the SME sector in a particular country. However, the three parameters that is generally applied by most countries, singly or in combination are: capital investment, volume of production or turnover of business. Jamodu (2000), Small and Medium Scale Enterprises is defined on the basis of employment, in micro/cottage industries (1-10 workers), small scale industries (11-100 workers), medium scale industries (101-300 workers) and large scale industries with (301 and above). In Japan, small and medium firms secure capital up to one hundred million Japanese yen and less than 299 employees involve in manufacturing. The Nigeria Minister for Industry noted that "Enterprises employing less than 500 workers are generally regarded worldwide as SMEs". Based on the foregoing, the major component is the annexation of resources and overall contribution to the economic wellbeing of developing nations across the globe. In a developing country like Nigeria, the importance of SMEs in the process of social economic development cannot be overlooked. The importance of SMEs in the development of the country has been summarized in Nigeria third national development plan 1975-1980 as the generation of employment opportunities, stimulation of indigenous entrepreneurship, facilitation of effective mobilization of local resources including capital and skill as well as reduction in regional disparities (Rahanaty, 2009).

Moreover, in a country like Nigeria with an adverse Balance of payment situation, the growing contribution of the small scale industries sector in Nigeria's export portfolio goes a long way in generating foreign exchange and smoothening out the adverse balanced of payment situation. This is important to the economy in that large percentage of their production inputs are sourced locally thus, reducing the pressure on the limited foreign exchange earnings and helping to eliminate some of the deficit in the balance of payment. According to Ikherehon (2002), SMEs constitute the very basis of the national economy in terms of development of local technology, stimulation of indigenous entrepreneurship, mobilization and utilization of domestic savings, employment creation, structural balancing of large and small industry sectors in both rural and urban areas, supply of high quality intermediate products thereby strengthening the international competitiveness of manufacturer's goods, stimulate technological development and innovations, provide the capacity to expand export possibility and substitute import effectively. Discovery has also shown that the expected role contribution by the large scale enterprise to the economy in terms of improvement in the GDP, employment generation, increasing local value added, technological development among others are been resolved by SMEs (Blackburn,2010).

Similarly, the problems of SMEs are analyzed broadly in two perspectives. Those limiting the institutions established to provide credit facilities to small-scale enterprises and those faced by the enterprise in the course of their daily operation. Akingunola, R. O. (2011). Those peculiar to the institutions are poor funding and undercapitalization. Most of the development banks and schemes do not have sufficient mobilized savings. High rate of loan default is another limiting factor. Due to poor monitoring and incidence of loan diversion, a large portion of the loans by these agencies are not paid as and when due. This depletes the volume of loanable funds and SMEs. These institutions and agencies experience inadequacy of professional staff and this has affected loan administration. The problems of infrastructure are manifested in inaccessible roads, irregular power supply, inadequate credit facilities creating insecurity and fear making the bank unwilling to lend to SMEs thereby limiting their linkage, through sub-contracting with the global markets and fostering inter-firm relationship to realize collective efficiency. There are policy shifts characterized by several uncertainties that are perverse to their growth capacities. Abachi (2002). In the same vein, they lack managerial expertise and ability to establish firmly in the domestic and international market. They cannot compete favorably due to the relatively inferior quality of their finished products resulting to low demand

in both domestic and international markets. Others include inadequate access to new production techniques, lack of access to current information and inadequate fiscal incentive framework. Notwithstanding, Abachi and Ayashabga (2002) believe that despite the numerous limitations above, the present and future prospects of the SMEs in Nigeria are not bleak. That the country is really endowed with vast human and natural resources much of which are yet untapped and are confirmed to exist in commercial quantity. More so, the forest resources opportunities in the agricultural sector among others are viable for entrepreneurial activities. Ogundipe (1987), posited that small scale enterprises have further advantages of offering opportunities for a considerable number of persons in a geographical location that is varied and diverse. Akinomu (1988), stated that small scale enterprises have vita roles to play in achieving a sustainable growth in Nigeria. He maintained that not only are they capable of generating more employment per unit of capital input, they also provide the best chance of industrializing our rural areas. Ojo A.T. (2006), he opined that small scale enterprises stimulate indigenous enterprises, providing employment to a great number of people, not withstanding in role in mobilizing and accelerating savings, which is geared towards the growth and development of the economy. In the same vein, Olusola, O. J. and Olusola, O. A. (2013), lamented "our hope in this country is in the development survival of the small scale industry which helps to provide the necessary raw materials for the bigger enterprises. He explained the strength of any industrious country in the variety, number and efficiency of her small scale sector.

Shortfall of Government Efforts towards the Growth of Smes in Nigeria

Government has made substantial effort on the development of small scale industries; nevertheless, part of the huge SMEs problems could be traced to the government. This is mostly in the area of improper implementation of its policies towards SMEs and a serious neglect in the area of incentive and infrastructural development to facilitate business activities of SMEs. Government policies seem to have constituted a serious problem area for SMEs. The beginning of harsh government policies toward SMEs can be traced back to 1982 with the introduction of "stabilization measures" which resulted in import controls and drastic budget cuts. These, in turn, adversely affected the subvention to the financial institutions established to provide financial assistance to the SMEs. For example, in 1983, out of a total of 8,380 applications for loans received from the SMEs for a total of 46.66 million naira was disbursed (Alasan and Yakubu, 2011). As the economic situation deteriorated, the government introduced the Structural Adjustment Programme (SAP) in 1986. Since the strategy of liberalization and deregulation of interest rates was implemented, interest rates have continued to increase. The SMEs, which prior to the SAP had been granted concessionary rates of interest (particularly for agricultural and housing loans), experienced great difficulties obtaining credit of a Stabilization Securities Account (SSA) whereby the banks were debited with liquidity in their accounts with the Central Bank. The frequent changes, and sometimes conflicting government monetary policies, have also tended to hurt the SMEs. For example, while the government increased total credit allocation to SMEs from 16 to 20 per cent, the same government removed excess liquidity in the banking industry through increase in the Minimum Rediscount Rate (MRR), transfer of government and parastatals accounts to the Central Bank and the creation of Stabilization Security Account (SSA) whereby the banks were debited with excess liquidity in their accounts with central bank. Another shortfall of government is the misappropriation of funds and wrong allocation of credit facilities. Obi (2001) pointed out was that the plan to provide, modest loan to small scale business operations was a flop, because loans were granted in most cases on political rather than on commercial or project viability considerations. What was supposed to be revolving fund designed to benefit so many SMEs owners ended up as a bonanza for a few and it became virtually impossible to recover most of the loans.

Another factor is the government improper implementation of its policies. Its inability to recruit trained manpower and adequate equipment to aid the extension services it put in place to support the SMEs. According to Obi (2001), the development centers were not endowed with adequate manpower to carry out technical appraisal of applications for loans from surging applicants. In the same vein, an empirical study on the analysis of the impact of government policies on SMEs (entrepreneurial development) noted that government policy programs on SMEs are concentrated in the cities where there is strict competition between the SMEs products and large scale business. While rural areas where their activities will impact on the macro economy environment through provision of in employment rate, reduction in rural-urban migration and overall contribution to the GDP where neglected (Ireghan (2009).

Theoretical Underpining

On the basis of theory, The emergence of small business sub-sector has been attributed to so many reasons: "there is now much agreement that the growth of the small business sector was not just an anti-cyclical response to the problems of the late 1970s and early 1980s but constitute a trend, evident since the early 1970s across a broad sector of the industrial and commercial economy (Sengenberger and Piore, 1991:307).The trend is interestingly observable in economies operating under governments of different ideologies. It cannot simply be explained by any single ideology; for example, Thatcherism (Burrows, 1991). The discovery of this trend has shifted academic interest away from the small business contribution to job creation. Given the fact that the small business sub-sector across most developed economies remains unchallenged, the issue of 'why' this occurred is most important for those who manage such economies and the institutions designed to support economic development. This has been led by Pratten (1991), particularly in respect of the traditional views of a small business as: (a) being one of lower productivity than that of a large business; (b) being a business where the quality of job and the environment is reputed to be lower than that of the larger company. According to this theory, small business has found itself at the Centre stage of political and economic debate, which offers radically different interpretations over its role and its recent revival. The contenders in this debate have been classified into three distinct camps.

The Free Market Theory

The free market theory relies on the principles of supply and demand which are expressed without a restraint in terms of price. This contrasts with a controlled market economy, where prices regulate supply and demand. The theory of free market assumes that the competition will usher in new ventures and smaller companies to prevent the monopolistic distortions of 14 large organizations. The nature of innovation and job creation in small enterprises is contrasted to the lethargy and stagnation of large nationalized enterprises (Stokes, 1995). The right wing government in UK and the USA see small business as a symbol of the new order of enterprise culture which was ushering an age of collectivism and government economic intervention. The then Prime Minister of Britain, Margaret Thatcher, pronounced small business as the barometer of freedom, insisting that the freer the society, the more small businesses there will be; while President Regan of the USA hailed the small businesses as the economic savior of America.

This paper contributes to existing empirical literature by investigating the influence of small and medium scale enterprises on the quest for economic growth in Nigeria. One major lacuna in the previous empirical studies on Nigeria is the scanty assessment of the impact of small and medium scale enterprises on her drive towards economic growth in Nigeria. The country is not in want of polices and reforms and all economic prescription to arrest identified structural weakness over the years have been largely unsuccessful. It is likely that the missing link in the country's quest for economic growth is the institution

environment for small and medium scale enterprises in Nigeria which may provide the mechanism through which polices and reforms transmit to economic development in Nigeria. This provides the intuition for the present study.

Hence the paper adopts the pattern traditional view of small business theory as a theoretical frame work for the study.

METHODOLOGY

The study focuses more on the effect of SMEs on employment and income generation in Kano State. The study covers selected SMEs in Kano metropolis. It cuts across those enterprises which are by definition considered to be small in their management. The study also covers SMEs services like barbing, hair dressing and the manufacturing enterprises like furniture making, block molding, etc. and production of raw materials, service industry as well as distributive activities of all kinds. The small scale agricultural establishments like poultry, fish farms, etc. are also considered. The study is restricted to Kano Municipal Local Government Area of Kano State. The choice of this local government area is due to the high concentration of the small and medium scale enterprises located within the metropolis. The paper adopts the survey research design methodology on the data collected. The method involves detailed and systematic description of facts and the characteristics of study about the effects of small and medium scale enterprises on employment generation in Kano State. This will thus be useful for proper analysis, comparison and also evaluation of findings. In the research work, the collection of information and drawing of inference about the population will be an examination of small and medium scale entrepreneurs selected at random in Kano metropolis. A total number of fifty (60) entrepreneurs were randomly sampled and is sub-divided into 22 enterprises that provide services, 20 enterprises that engage in manufacturing, and 18 SMEs that operate other forms such as arts, crafts and agricultural production. This serves as our target population. The simple random sampling is employed by strict use of probability, whereby each variable has an equal opportunity of being selected.

Data Source and Description

The study is basically based on two sources of data, which are primary and secondary sources. The primary source of data is drawn from administered questionnaires to randomly selected SMEs in Kano metropolis. Sixty (60) questionnaires were administered to SMEs in the study area. For secondary sources of data, information will be sourced from government agencies such as the Central Bank of Nigeria (CBN), Bureau of Statistics, Ministry of Commerce and Industry, and various issues.

Method of Data Analysis

In this paper, the relationship between small and medium scale enterprises and employment generation were shown using descriptive analysis, which involves a detailed exposition of the subject matter. Descriptive tools such as tables and percentages were used. A chi-square ($x2$) test is employed to test the validity of the hypotheses and proffer meaningful inference (based on the results obtained). The chi-square ($x2$) formula is given by:

$$X^2 = \frac{\sum (E - O)2}{\Sigma}$$

Where: O = the observed frequency, E = the expected frequency

A chi-square ($x2$) test is conducted at 5% confidence level; after the calculations, conclusions will be drawn based on the decision rule. If the $x2$ calculated is greater than $x2$ tabulated, we will reject the null hypothesis and accept the alternative hypothesis. If on the other hand, the $x2$ calculated is less than the $x2$ tabulated, we fail to reject the null hypothesis and reject the alternative hypothesis.

Data Presentation

The questionnaires were carefully designed based on the objectives of the study and also meant to test the hypotheses. The format of the questionnaire is structural and non-structural (open-ended). The non-structural format is an open-ended format that allowed the respondents to freely express their opinions and/or experiences. Also in this segment, the data analysis employed is simple percentages. The data is organized and presented in frequency tables. This is to enhance simple comparisons at a glance.

Table 4.1 shows the distribution of questionnaires. The table indicates that a total of 60 questionnaires were distributed to 50 entrepreneurs of SMEs in the study area. However, fifty (50) of the questionnaires (representing 90% of the respondents) were returned, which leaves us with 10 unreturned (10%). The result of the responses was very significant since 100% of the questionnaires administered were returned. This gives us a reasonable ground to make generalizations based on the study. Table 4.2 shows the distribution of the questionnaires by sex. It shows that out of the fifty (50) respondents, thirty-six (36) of the respondents, which is 72%, were male; while fourteen (14) of the respondents, represented by 28%, were female. The result indicates that majority of the entrepreneurs of SMEs are male while only few women are engaged in SMEs activities. This point to the fact that the task of generating income for the survival of the family is left in the hands of men, to minimize the problem of unemployment and low income, women are encouraged to fully participate in SMEs in the state. Table 4.3 shows the distribution of questionnaires to respondents by age. It shows that no respondent was below 15 years. Twenty-eight (28) respondents representing 56% were aged between 16 – 35 years. Nineteen (19) of the respondents, representing 38%, were aged between 36 – 50 years. A total of three (3) respondents, representing 6%, were aged from 51 years and above. The study reveals that those within the age bracket of 16 – 35 years are mostly engaged in SMEs activities, since they constitute the highest percentage of 56% of the sampled respondents.

Table 4.4 shows the distribution of respondents by educational qualification. It shows that four (4) of the total respondents, representing 8%, have no formal education. Two (2) of the respondents, representing 4%, have their highest qualification of First School Leaving Certificate (FSLC). Fourteen (14) of the respondents, representing 28%, have had their O-level certificate; while a total of thirty (30), representing 60%, have acquired their A-level certificate. The study reveals that most SMEs activities are left in the hands of those with A-level certificate, since they constitute the highest group (60%). This point to the fact that the main problem of SMEs does not lie on management perspective alone, since majority of the 61 entrepreneurs have acquired A-level certificates and as such, they are well equipped to manage resources at their disposal to enhance business expansion.

Table 4.5 shows the distribution of the type of enterprise engaged in by the respondents. The result obtained shows that fourteen (14) of the respondents, representing 28%, are engaged in service delivery. Twelve (12) of the total respondents, representing 24%, are into manufacturing; while entrepreneurs who engage in other forms of enterprises such as arts and crafts, agricultural production, merchandise and so on were twenty-four (24), representing 48% of the respondents. The study reveals further that most of the enterprises in Kano metropolis are into other forms of enterprises such as retailing/wholesaling, arts, agricultural production, merchandising, etc.

Table 4.6 above shows the distribution of the financial base of entrepreneurs of the SMEs in the sample area. The result shows that out of fifty (50) respondents, twenty-two (22),

representing 44%, of the entrepreneurs have a capital base that is below N1.5 million. On the other hand, also, twenty-two (22), representing 44%, have a capital base between N1.5 million – N50 million. And a total of six (6) respondents, representing 12% of entrepreneurs, operate with a capital base between N50.1 – N200 million. Employees).

Table 4.7 shows the distribution of respondents based on the number of years of the enterprises. The result of the survey shows that eight (8) entrepreneurs in the study area, representing 16% of the respondents, said their business is 1 year old. Four (4) SMEs, representing 8% of the respondents are two (2) years old. Fourteen (14) SMEs, representing 28%, indicated that their 62 businesses were three (3) years old, while 48% of the total respondents (24), responded that their enterprises were above three (3) years. Table 4.8 above shows the distribution of respondents based on the initial capital the enterprise was set up with. From the result obtained, eight (8) SMEs, representing 16% of the respondents, indicated that their start-up capital was between N20, 000 – N50, 000. Eighteen (18) entrepreneurs, representing 36%, responded that their initial capital was between N51, 000 – N100, 000, while twenty-four (24) respondents, representing 48%, indicated their start-up capital to be above N100, 000.Table 4.9 shows the distribution of the respondents based on their source of capital. From the responses obtained, thirty-four (34) entrepreneurs, representing 68% indicated that their source of capital was from personal savings; ten (10) respondents, representing 20% responded that they sourced their capital through loans from friends and family; two (2) of the respondents, representing 4%, indicated that they obtained loans from financial institutions, while four (4) respondents, representing 8%, said they sourced their capital through other means.

Table 4.10 shows the conditions under which the sources of capital are accessed by the entrepreneurs. The result so obtained shows that, two (2) respondents, representing 4%, 63 indicated that the conditions under which these loans are obtained are stiff, especially from financial institutions. However, twenty-two (22) respondents, representing 44%, indicated that the conditions are moderate, while 52% of the total respondents (26) claimed the conditions are relaxed.

Table 4.11 shows the distribution of the respondents' assessment of the output level of their enterprise. From the result obtained, thirty-two (32) respondents, representing 64%, indicated that their business output is high, while 36% of the total respondents indicated that the output level of their enterprise is low. However, there was no response as regards poor output level.

Table 4.12 presents the distribution of respondents based on the reasons why their outputs are either high or low, or poor. The result obtained shows that twenty-eight (28) entrepreneurs, representing 56%, responded that the reason for high output level is based on adequate capital; two (2) of the respondents, representing just 4% of the entrepreneurs, believe that the reason for their low output is down to inadequate infrastructure like electricity, roads, etc. Eight (8) of the respondents, responding 16% of the entrepreneurs, revealed that their reason for low output is due to poor government policies while 24% (12) of the total respondents indicated that their other reasons for high and low output include factors such as high population and demand, poor management, inadequate capital, etc. Table 4.13 shows the distribution of respondents based on their awareness of government incentives to encourage SMEs activities. The result obtained indicates that 30 of the respondents, representing 60%, are aware of government incentives to encourage SMEs incentives while 40% (that is, twenty (20) respondents) indicated that they are not aware of it.

Table 4.14 shows the distribution of respondents based on how often they have benefited from government incentives. From the result obtained, six (6) respondents, representing 12%,

indicated that they benefit from these government incentives regularly, while 24% of the entrepreneurs (12 respondents) indicated that they benefit from these incentives occasionally. However, twelve (12) of the respondents plus twenty (20) (who are not aware of the incentives), which adds up to be thirty-two (32), and represents 64%, rarely benefit from these incentives. The implication here is that, a lot of entrepreneurs are yet to be aware of these incentives, and even though majorities are aware, they hardly benefit from these incentives.

Hypothesis Testing

The hypotheses were tested on the basis of employment generation; while the other, is on income generation in Kano state. This can be done to determine their relationship with SMEs. The distribution of responses from Table 4.22 (Do you believe that SMEs have significant effect on employment generation?) and Table 4.24 (Do you believe that SMEs have positive impact on income generation?) below, shall be used to carry out the test.

Do you believe that SMEs have significant effect on employment generation?

Response	Service	Manufacturing	Others	Total
Yes	14	12	16	42
No	0	0	8	8
Total	14	12	24	50

Source: author's computation

The chi-square could be computed using the figures in Table 4.22 above through the use of the formula:

$$X^2 = \frac{\Sigma (E - O)^2}{\Sigma}$$

Where: x^2 = the chi-square, O = observed frequency, E = expected frequency Σ = sum of

The degree of freedom (d.f) is allowed based on the number of rows and columns. This will be based on 5% level of significance. The degree of freedom for this purpose is obtained by the formula:

V = (r – 1) (c – 1) Where: v = degree of freedom, r = number of rows, c = number of columns

Ho: Small and medium scale enterprises have no significant effect on employment generation in Kano State.

To test the hypothesis, the table below is required:

Response	O	E	O-E	(O-E)²	(O-E)²/E
Yes	14	11.76	2.24	5.0176	0.427
Yes	12	10.08	1.92	3.6864	0.366
Yes	16	20.16	-4.16	17.3056	0.858
No	0	2.24	-2.24	5.0176	2.240
No	0	1.92	-1.92	3.6864	1.920
No	8	3.84	4.16	17.3056	4.507
Total	50				10.318

Source: author's computation

Degree of freedom can be stated as:
V = (r – 1) (c – 1)
V = (2 – 1) (3 – 1)
V = 1 x 2
V = 2
$x\alpha^2 = x^2_{0.05}(2)$
$x0.05(2)^2 = 5.991$
$x^2cal = 10.33$
$x^2tab = 5.991$

DECISION RULE
Since the value of x^2 calculated is greater than the value of x^2 tabulated (i.e. 10.33 > 5.991), we therefore reject the null hypothesis (Ho) and accept the alternate hypothesis (Ha) and

conclude that small and medium scale enterprises (SMEs) have significant effect on employment generation in Kano metropolis.

Do you believe that SMEs have significant effect on income generation?

Response	Service	Manufacturing	Others	Total
Yes	14	12	16	42
No	0	0	8	8
Total	14	12	24	50

Source: Source: authors computations

To test the hypothesis, the table below is used:

Response	O	E	O –E	(O-E)²	(O-E)²/E
Yes	14	11.78	2.52	6.3504	0.553
Yes	12	9.84	2.16	4.6656	0.474
Yes	15	19.68	-4.68	21.9024	1.113
No	0	2.52	-2.52	6.3504	2.520
No	0	2.16	-2.16	4.6656	2.160
No	9	4.32	4.68	21.9024	5.070
Total	50				11.890

Source: Source: authors computations

Degree of freedom can be stated as:
$V = (r – 1)(c – 1)$
$V = (2 – 1)(3 – 1)$
$V = 1 \times 2$
$V = 2$
$x\alpha 2 = x_{0.05}(2)^2$
$x_{0.05}(2)^2 = 5.991$
$x^2 tab = 5.991$
$x^2 cal = 11.890$

Since the value of $x2$ calculated is greater than the value of $x2$ tabulated (i.e. 11.890 > 5.991), we therefore reject the null hypothesis (Ho) and accept the alternate hypothesis (Ha) and conclude that there is enough evidence to show that small and medium scale enterprises (SMEs) have a positive effect on income generation in Kano metropolis.

From the foregoing analysis contained in 4.1, it was discovered from entrepreneurs that all the business outfits covered in this research were of the SMEs type. More so, an overwhelming majority of 48% out of the total responses confirm that most of the SMEs covered in this study were at least three (3) years old. This period is long enough to expand output, size and capital, etc.

Further observation from the study revealed that majority of those who are engaged in SMEs activities are literates. This is confirmed from the majority of responses that 60% of the total respondents have tertiary education. This perhaps is one of the reasons for high level of output and expansion of the business since the owner is educated and has the requisite knowledge of management. It was discovered in the study that majority of the SMEs in Kano metropolis (48%) are involved in other forms of business activities such as retailing/wholesaling, arts, agricultural production, merchandise, etc. Further observation about the responses show that a very significant number of SMEs indicated (44%) have a capital base of less than N1.5 million; another 44% of the respondents that they have a capital base in the range of N1.5 – 50 million. It was further revealed that most SMEs (about 48%) started their business with a capital above N100, 000. The analysis under explanation also revealed that most entrepreneurs, 68% of the responses start their business through personal savings.

The study also revealed that the process of obtaining capital for the business was relaxed as confirmed by 52% of the responses. The analysis further revealed that the output of the SMEs under observation is high, 64% of the responses confirmed this. The dominant reason for this high productivity, as observed by the study from the responses, is adequate capital (represented by 56%). The study, revealed that majority of the SMEs in the study area is faced with the problem of inadequate power supply. Based on the result of the study, 60% of the SMEs covered are aware of government incentives to encourage SMEs activities; the problem according to the findings however, is that they (SMEs operators) rarely benefit from these incentives while quite a number of them are unaware. This is confirmed by the majority of responses (64%). It was also revealed that majority of SMEs (64%) do not obtain loans from financial institutions while the remaining 36% do obtain loans from financial institutions. However, those who indicated that they do obtain loans from financial institutions were quick to add that the interest rate charged by these institutions is very high. This is confirmed by the overwhelming 77.8% response from those who obtain loans. Further observation also revealed that all the responses under study (100%) pay tax to the government and the tax rate is low, as confirmed by 48% of the responses. The findings also revealed that all SMEs (100%) under study believe that infrastructural facilities are important for the growth of their business, while 44% of them (SMEs operators) believe that the infrastructural facilities provided by the government in the study area is encouraging. Finally, the findings revealed that all the entrepreneurs in the study area overwhelmingly agree that the number of employees in an organization depends on how large the business is. In other words, as the business expands, the number of employees also increases and vice versa.

Conclusion

SMEs are faced with myriads of problems ranging from establishment, difficulty in expansion, increase in number, output and capital to business collapse, unusual collaterals, high cost of capital and bankruptcy. Until the adequate understanding of the multi-dimensional nature of the problems are put to plan, all efforts at addressing them may end up in one dimension, thus leaving others unattended to, which is disastrous. By this, government should ensure that incentives are granted to these SMEs by way of liberal loans. To effectively achieve the objectives of increasing the number of SMEs, their output and capital, the government should step in and provide the enabling environment by cutting down taxes, and increasing subsidies on the productive activities of these activities. More so, government officials in charge of implementing these policies are advised to apply and make these packages available for SMEs to benefit while dealing with them. Another area government at all levels can help the SMEs is in the issue of taxation. Most of these enterprises are caught up in multiple taxation; they pay taxes to the Federal Inland Revenue Service, as well as the State counterparts and local governments where their businesses are domiciled. Access to credit facilities as a vital factor cannot be overstressed.

Policy Implication

On the basis of findings, the following recommendations are made to arrest the enumerated problems. Since small and medium scale enterprises have been identified to be an appropriate tool for employment and income generation in Kano state, appropriate policy should be pursued, to achieve this, focus should be placed on the following:

- The financial institutions should try and comply with the CBN stipulation in not only reserving 10% of their income for SMEs financing but should ensure that this fund is actually disbursed appropriately to entrepreneurs in SMEs. They should also devise a means of evaluating and monitoring these entrepreneurs to ensure the funds are not diverted to some other personal activities instead of using it for their business growth and expansion.

- Credit support provided by commercial banks should be seen as a factor of production and not as a "magic stick" towards solving the problems of SMEs expansion in number, output, profit and capital. Credit is a two "edged sword" which can easily build, and destroy if not properly used.

Loan application sensitization should be embarked upon by all units of all financial institution.

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