

EMBRACING TECHNICAL EDUCATION IN GROWING SMALL AND MEDIUM ENTERPRISES(SMEs) AND THE PROSPECTS FOR NIGERIAN ECONOMY

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ABSTRACT

This paper took a critical look at the benefit of embracing Technical Education in growing Small and Medium Enterprises (SMEs) in Nigeria and the major focus of this work was to delve more on the practice of technical education on the growth and prospects of SMEs on the Nigerian Economy. While attempting to give a perfect definition of Small and Medium Enterprises using employment strength and asset base criteria, the work revealed that embracing technical education in growing SMEs, contribute significantly to the growth and development of the economy in the provision of goods and services, technical skills, creation of employment and the contribution of a quality and high standard of living. Some of the merits from this practice have increased financial capacity of citizens, and immediate action plan in dealing with eventualities, technical and managerial skills. The study shows that technical education is regarded a catalyst in most developing economies and that it is very crucial to the growth and development of the Country, Nigeria. As such, it was recommended that government policies should support the embrace of technical education in growing SMEs by opening and giving more training opportunity of young entrepreneurs, establishment of technical acquisition Centers for Small and Medium Entrepreneurial Development and promoting entrepreneurial spirits. There should also be deliberate funding of empowerment programmes across the Country, for the purpose of growing the Economy and her Citizens. This will facilitate the training and retraining of entrepreneurs with technical knowhow in setting small and medium enterprises and also help Nigerian youths to develop interest in entrepreneurship. This article shares practical steps and tools that Small and Medium Enterprises (SMEs) can adopt to improve operational efficiency and drive sustainable growth.

Introduction

Technical education, according to the Nigerian national policy, is concerned with qualitative technological human resources development directed towards a national pool of skilled and self-reliant craftsmen, technicians and technologists in technical and vocational education

fields. It refers also to training in theoretical and practical basic scientific skills and knowledge related to careers in STEM (Science, Technology, Engineering and Mathematics) fields. Technical Education is an aspect of education that deals with all the approaches involving practical teachings and experiences, gaining knowledge to do and undo some form of things technically.

Small-size enterprises are companies with fewer than 50 employees, and medium-size enterprises are ones with fewer than 250 employees. In addition to small and midsize companies, there are micro-companies, which employ up to 10 employees. SME stands for small and medium-sized enterprises. These are enterprises that have less than a specific level of investment and turnover.

Micro, Small and Medium Enterprises (MSMEs) account for about 96% of all businesses in Nigeria; contribute 49% of the national Gross Domestic Product (GDP); and employ 84% of the country's workforce (PwC MSME Survey 2020). The sustenance of Nigeria's economy relies heavily on these enterprises.

Small and Medium Enterprise development pursuit is subject to technical and innovative skills acquisition through technology and vocational education. Subject to this, Nigeria established Technical Education (NBTE) in 1977 to coordinate, monitor and accredit institutions that provide technology, vocational Education and training (TVET) to ensure quality skills training. In addition, Nigeria has established many technological institutions of higher learning to complement other conventional institutions that also run some technical courses.

Embracing or adopting technical skills in developing entrepreneurship plays a significant role in enhancing the growth of an economy and this requires increased in both public and private investment. According to Mainoma & Aruwa (2012), entrepreneurship leads to creating incremental wealth and individuals who assume the major risks in terms of equity, time and career commitment create this wealth. This value addition or wealth creation is possible through the development of necessary innovative and technical skills. Most entrepreneurs are engaged in small and medium scale enterprise (SMEs) and the development of SMEs in Nigeria dates back to the early 1960's with the establishment of Industrial Development Centers, aimed at providing a solid foundation for industrial development.

Digitalization and technology are keys in the optimal operation of businesses in the 21st century. The evolution of concepts such as customer satisfaction, advertising and payment are results of the heavy involvement of digitalization in today's businesses. MSMEs that have embraced digitalization and technology fare better. A study done in Turkey shows that 41.2% of 131 SMEs underwent technological innovations and this led to an operational efficiency of 96.9%.

Hisrich and Peter, (2002) sees entrepreneurship is the process of creating something new of value by devoting the necessary time and effort, assuming the accompanying financial psychic and personal satisfaction and independence. Egai (2008) cited in Nwafor & Okpaga (2015) affirms that entrepreneurial development is disposition to accept innovative idea,

methods and making people more interested in present and future than the past. Entrepreneurship Development refers to the process of enhancing entrepreneurial skills and knowledge through structured training and institution- building programmes (Osemeke, 2012)

Ikupolati, Adeyeye, Oni, Olatunle & Obafunmi (2017), sees technical skills to include mastery of the methods, techniques and equipment involved in specific functions such as engineering, manufacturing or finance. They further accentuate that it include specialized knowledge, analytical ability and the competent use of tools and techniques to solve problems in that specific discipline.

In categorizing organizations as small, medium or large, it means that businesses can be classified by means of their sizes. It is difficult to determine when a business transits from small to medium or large. To facilitate our discussion, this article shall look at some definitions and thereafter, attempt a definition for each of the three groups based on capital or assets base, the skill of the managerial team and the total market share, other criteria notwithstanding.

The International Labour Organisation (ILO, 1999) defines micro enterprises as those having 1-10 employees and small scale enterprises as those having 11-50 employees, and did not bother to talk about the market spread and capital base. At the 13th Council meeting of the National Council on Industry held in July, 2001, Small and Medium Enterprises (SMEs) were defined by the Council as follows:

- **Small Scale Industry:** Industry with asset base of more than ₦1.5 million but in excess of ₦50 million excluding cost of land, but including working capital and/or a staff strength from 11 to 100.
- **Medium Scale Industry:** Industry with asset base of more than ₦50 million, but not in excess of ₦200 million excluding cost of land but including working capital and/or a staff strength from 101 to 300.
- **Large Scale Industry:** Industry with asset base of over ₦200 million excluding cost of land but including working capital and/or a staff strength of more than 300.

According to Yinka Fisher, coordinator of Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) in Lagos in an interview with Daily Independent (2012), Small and Medium Enterprises (SMEs) were defined as follows:

- **Small Enterprise:** Those that employ between 10 and 49 employees and having a capital base from ₦5 million to ₦50 million so once a business is within that confine, it is running a small enterprise.
- **Medium Enterprise:** Any enterprise that employs from 50 to 199 employees and having

a capital base from ₦50 million to ₦500 million. If a business is within that confine it is running a medium enterprise and if it has anything above that, it is a large enterprise or a multinational as the case may be.

Generally, small businesses are usually associated with little capital outlay, minimal fixed assets, highly localized in the area of operation, and often with unsophisticated management structure. Baumbach (1992:4) says characteristically, small business is one that is actively managed by its owners, highly personalized, largely local in the area of operations, of relatively small size within the industry and largely dependent on internal sources of capital to finance its growth. It is very easy to start up one since it does not involve drawing up complex plans nor does it involve much capital. In the same vein, the exit and failure rates are very high. Small businesses contribute to availability of goods and services in the market thereby leading to reduction in price level. Small and medium businesses exist to fill gaps left over by large scale businesses, thus these business organizations exist to do what big businesses refuse to do. Also, there are some businesses whose maximum operation and size demand smallness of scale. These include food and related products, furniture and fixtures, tailoring, relaxation spots, traditional crafts, and native medicine.

The SMEs are noted for their ability to adapt to changes because the decision process is not complex and the owner-manager does not need anyone's permission to adapt to change. They are also noted for greater use of local raw materials, simplified record keeping and a good relationship with consumers and employees.

Technical Education and SMES on the Nigerian Economy

Technical Education and Small and Medium Enterprises (SMEs) play vital role in the economic development of Nigeria and are known to be the main engine of economic growth and a key factor in promoting private sector development and partnership. Technical education create the skills and technical knowhow for the progressive nature of SMEs which are generally responsible for the availability of goods and services, credits, motivating entrepreneurial spirit and repairs of second handed products. They create employment and a high standard of living, provide competition and fill needs of society and other firms.

The expanded roles of technical education in growing SMEs include:

- a) Aiding in the development of local technology.
- b) Providing effective way of stimulating indigenous entrepreneurship.
- c) Mobilization and utilization of domestic savings.
- d) Ensuring a structural balance in terms of large and small scale industrial sector, as well as urban areas.
- e) Ensuring the supply of high quality parts and components, and intermediate products, thereby strengthening the international competitiveness of manufactured goods.

- f) Producing specialized items in small quantity to meet current and diverse demands.
- g) Mitigating rural-urban migration

Technical Education and SMEs contribute significantly to employment of the teeming unemployed youths and also strengthening the manufacturing sector of the economy. In a survey carried out by Debbie (2004), it was shown that SMEs constitute about 97 percent of all businesses in Nigeria and generate about 50 percent of employment. The embraces of Technical Education in SMEs growth also produce 30 percent of manufacturing output (National Policy on Micro, Small and Medium Enterprises, NPMSMES, 2006). The 2010 National MSMEs Collaborative Survey puts the number of Micro, Small and Medium Enterprises (MSMEs) in Nigeria at 17,284,671 with a total employment of 32,414,884 and contributing 46.54 percent to the GDP in nominal terms the Transformation Agenda of government, all efforts must be put in place to grow these numbers (SMEDAN OLOP Report, 2014). Emphasizing further on creation of employment the Nigerian government confirms that since 2011 to date, 98 percent of the 1.8 million jobs created each year are from small and medium enterprises (NBS, 2014).

The benefits of technical education in growing SMEs in any economy, is easily noticeable. Technical Education and SMEs contribute to the Nigerian economy in terms of production of a variety of goods and services, creation of jobs at relatively low capital cost, especially in the growing services sector, providing a vehicle for the reduction of income disparities, developing a pool of skilled and semi-skilled workers as a basis for future industrial expansion. Technical Education and SMEs have been known to improve forward and backward linkages between economically, socially and geographically diverse sectors of the economy, provide opportunities for developing and adopting appropriate technological approaches, offer an excellent breeding ground for entrepreneurial and managerial talent, promotion of industrial diffusion and regional balance, etc. Further, the issue of technology transfer and development, Acha (2009:180) asserts that many SMEs import, copy and indigenize the production techniques of developed and developing countries. They are vibrant in the export sector where they play an active role of providing the country alternative foreign earning sources. By so doing, Technical Education and SMEs are helping to diversify the economy by exporting agricultural produce semi-processed products.

Deliberate Efforts Nigerian Governments Should Encourage

- a) **Consistent Government Policies:** The Federal Government and State Governments should have clear objective in promoting the development of small businesses or enterprises for the creation of employment opportunities, mobilization of local resources, and mitigation of rural-urban migration and more even dispersal of industrial enterprises within the Nigerian State. In all, the basic aim must be to ensure that budding indigenous investors are assisted to get established and eventually develop into future industrial giants. This is based on the fact that most Nigerian investors are small businessmen with low level of capital and entrepreneurial know-how. These are to be achieved through

offering financial facilities and technical assistance with the establishment of more technical education centers to ensure their growth and usefulness to the state.

- b) **Government Macroeconomic Policies:** Let there be largely consistent political instability. In monetary terms, there should be an increase in loanable funds to small and medium scale businesses, loans to rural borrowers, more loans to agriculture and pegging of lending rate to below 21 percent, and during implementation also, there should be guarded and laudable policy direction and decisions. The same could be said of fiscal policies such as reduction in personal income tax, tax reliefs to manufacturing companies, the establishment of Export Processing Zones (EPZ), as well as other industrial, agricultural and commercial promotion policies.

Prospects of Technical Education and SMES In Nigeria

Technical Education and Entrepreneurship are very crucial to the economic growth and development of Nigeria. It is regarded as the catalyst of most developing economies. The three entities of government, foreign donors and Nigerian entrepreneurs have done a lot to encourage SMEs in Nigeria.

1. Opportunities from the Nigerian Government:
 - i. The establishment of Small and Medium Entrepreneurs Development Agency of Nigeria (SMEDAN) to see to the nurture and growth of SMEs.
 - ii. Enactment of laws and policies to provide a conducive environment for SMEs
 - iii. Training and deployment of qualified staff for entrepreneurs by Administrative Staff College of Nigeria (ASCON) and Industrial Training Fund (ITF)
 - iv. The establishment of microfinance banks to particularly grant loans to SMEs with little or no collaterals
 - v. Various loan scheme provided by government such as:
 - Funds for Small Scale Industries (FUSI)
 - National Directorate of Employment (NDE) credit scheme
 - Agricultural Credit Scheme
 - Export Credit Guarantee and Insurance Scheme
 - Export Development Fund
 - Export Adjustment Scheme Fund
 - Family Economic Advancement Programme (FEAP)

- National Economic Reconstruction Fund (NERFUND)
- 2. There are also international Organizations that provide funds for small and medium enterprises and entrepreneurs. The opportunity is for countries having industrial and economic cooperation among them. Some of these bodies include International Labour Organization (ILO), United Nations Development Programme (UNDP), African Development Bank (ADB), UNESCO, Common Wealth, International Fund for Agricultural Development (IFAD), Export Development Corporation of Canada (EDC), International Finance Corporation (World Bank), etc. Some developed countries do contribute meaningfully to entrepreneurial growth in developing countries by either giving grants or granting soft loans to developing countries at very low interest rates, sometimes below the country lending rates.
- 3. The third factor that enhances the prospects of SMEs is the Nigerian entrepreneur himself who despite the hurdles on his way is more determined to succeed. He has the desire, energy, self-confidence, ability to evaluate opportunities and he is committed to the cause not minding the risk involved. In order to avoid failure, the Nigerian entrepreneur needs some degree of freedom to pursue his ideas without interference. Nigerian entrepreneurship possesses inert qualities that are comparable to entrepreneurs in other countries. Entrepreneurs are apt in taking decisions to establish new business ventures. They possess the willingness and ability to seek new investment opportunities, establish and run an enterprise not minding the inherent risks. Adeleye (2007:34-5), Ude (1999) and Udo (2005) summarise the contributions of the Nigerian entrepreneurs/SMEs to include: Development of new markets, discovery of new sources of materials, mobilization of capital resources, introduction of new technology, new industries and new products, creation of employment and enhancing self-reliance/sufficiency.

Conclusion and Recommendation

A technical skill is the practical development of individual potentials in different socio-economic activities targeted at enhancing value addition. While Entrepreneurship development is the ability to bring forth new products with the aid of technical skills or innovative ideas. In this regard, every entrepreneurs venturing into Small and Medium Enterprises should have some innovative and technical skills to enhance the efficient management of their enterprise. Theories have strongly emphasized the importance of the internal resources of the enterprise as the major determinant of success factor (Barney, 1991 Grant, 1991), which means, to remain competitive, priority must be given to the development of human resources viz-a-viz employees engaged in productive activities.

Embracing Technical Education for technical skills in growing Small and Medium Enterprises (SMEs) for the purpose of developing the Nigerian Economy cannot be over emphasized.

Small and Medium Enterprises (SMEs) by themselves are a big laboratory for innovation but due to lack of a systematic approach to managing innovations and technical skills within most of the SMEs, benefits are only short-term. Therefore every Technical Education Centre or Institute in the country should be encouraged to interact with as many SMEs in its

neighbourhood to guide and train them on research, technology inputs and up gradation, product improvements, marketing strategies and innovation management.

In order to enable SMEs overcome its problems and enhance their access to new technologies for increasing their competitiveness in the Nigerian market and elsewhere, it is imperative to give them a conducive environment which includes:

- Proper management and timely release of funds meant for SMEs by relevant bodies,
- Formulation and implementation of appropriate policies in favour of SMEs,
- Building up technological capacity, knowledge flows and technology databases and
- Research and development and interfirm linkages.

Tax/duties structures for SMEs should be kept such that they encourage innovation. SMEs in Nigeria should adopt marketing strategies/practices and research to encourage competitiveness and growth.

Government policies should be in favour or support the establishment of more technical hubs, for the growth of SMEs.

Nigerian entrepreneurs need more government assistance in the following ways:

- i. Government should curtail or stop the importation of certain products that can be produced locally so as to encourage the establishment of more SMEs to flood the markets with Nigerian goods. This will lead to reduction in prices, a higher standard of living and creation of employment for the citizenry.
- ii. Established SMEs should develop more skilled entrepreneurs and managers to man their businesses. Most of the so-called entrepreneurs lack business skills and technical abilities. The Industrial Training Fund (ITF) should be strengthened to meet the present day realities.
- iii. More affordable and accessible means of funding should be created for SMEs so that our budding industries can grow into industrial giants. Financial experts are skeptical of the efficiency and effectiveness of the microfinance banks as they affect the funding of SMEs.
- iv. Nigerian Higher Institutions should make the establishment of Centres of Technical Skill Acquisition and Entrepreneurial Development their utmost priorities. This will facilitate the training and retraining of entrepreneurs and also help our youths to develop interest in skills and entrepreneurship. Nigeria government needs to renovate and equip existing technical schools with modern technologies across the six geopolitical zones. As a follow up to complement government's effort, private individuals and corporations need to make substantial investment in technical education to produce good number of technicians, artisans/craftsmen and women that can add value in various products. In addition, relevant stakeholders in government should ensure that policies and programmes implementation across various institutions that govern economic and social interactions should see light of the day to reap its benefit

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