AN APPRAISAL OF THE EFFECTS OF SMALL AND MEDIUM INDUSTRIES EQUITY INVESTMENT SCHEME (SMIEIS) ON BANK LENDING: A CASE STUDY OF SOME SELECTED BANKS

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BEING A PROJECT SUBMITTED TO THE POSTGRADUATE SCHOOL IN PARTIAL FULFILMENT OF THE REQUIREMENT FOR THE AWARD OF THE DEGREE OF MASTERS OF BUSINESS ADMINISTRATION (MBA) OF AHMADU BELLO UNIVERSITY, ZARIA

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CERTIFICATION

This is to certify that this project titled "An appraisal of the effects of Small and Medium Industries Equity Investment Scheme (SMIEIS) on Bank lending: A case study of some selected banks." By HASSAN, Bello meets the regulations governing the award of the degree of Masters of Business Administration (MBA) of Ahmadu Bello University, Zaria and it is therefore approved for its contribution to knowledge, and literary presentation.

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DEDICATION

I have dedicated this project to my lovely wife Hadiza and our children.

ACKNOWLEDGEMENT

I undertook this project while I was in Abuja. Consequently, I had to travel to and fro Zaria several times and all without an adverse incidence. I am eternally grateful to Almighty Allah for his mercies in seeing me through.

My profound appreciation goes to my supervisor Mr. D. O. Y. Malachy for his patience, constructive criticism and useful suggestions that gave this research its present quality.

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I must acknowledge the encouragement I received from my parents, friends and colleagues who have been very supportive.

ABSTRACT

Small Scale Industries play a vital role as a vehicle for rapid industrialization, sustainable economic development, poverty alleviation and employment generation. Various policy measures in the past were introduced by the government to assist them. The Bankers' Committee in its voluntary initiative, at its 246th Meeting on December 21, 1999 approved the establishment of the Small and Medium Industries Equity Investment Scheme (SMIEIS). The scheme, going by the initial guidelines, required all banks to set aside 10% of their Profit Before Tax (PBT) for equity investment and promotion of Small and Medium Enterprises. Despite the fact that funds had been set aside for investment in the SMIs, by the banks, not much was actually disbursed to potential users. Total normal bank lending to small and medium scale enterprises have been on the decline since the inception of the scheme.

The study therefore sought to find out why less than 45% of the funds set aside as at December, 2004 were disbursed and whether there is any correlation between the SMIES and normal bank lending to small scale industries.

Both primary and secondary data were used in the study. Similarly parametric and non-parametric tools were employed in the analysis.

Using T-test, the study discovered that there was no significant correlation between SMIEIS and normal bank lending. Similarly, many factors like lack of awareness, fear of loosing ownership, lack of adequate skills amongst other were identified as the cause of the low patronage of the scheme.

The study concluded with a recommendation on what is considered as the critical success factors of the scheme and the survival of the small scale industries in Nigeria.

DECLARATION

I here by declare that this project is a product of my research findings and to the best of my knowledge never been published before. All other research materials, books, journals and seminar materials consulted have been duly acknowledged in the reference page.

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CHAPTER ONE

1.1 INTRODUCTION

The role of Small Scale Enterprises (SME) in the development of the economy has been recognized over the years and well documented in the literature. Empirical evidence has shown that the success story of the industrial development of the developed world was owed largely, to the success story of the SMEs. The industrial revolution (1760 to 1850) was a case in point.

In most of the developed countries of the world, SMEs account for well over fifty percent of total share of employment. In Japan for instance, about 80% of industrial labour force is in the SMEs, about 46% in the United States and about 50% in Germany. The role of the SMEs in employment generation therefore, can not be over emphasized.

Prior to December 1999, the Federal Government of Nigeria had adopted various policy measures to assist the Small Scale Industries because of the role they played as a vehicle for rapid industrialization, sustainable economic development, poverty alleviation and employment generation. Some of these policy measures include the mandatory sectoral allocation of credit, the rural banking scheme, the National Economic Reconstruction Scheme (NERFUND), World Bank assisted programmes, Nigerian Industrial Development Bank, Agricultural Credit Guarantee Scheme and a host of others.

As a response to the Federal Government's concern and as a policy measure for the promotion of Small Scale Industries (SMIs), the Bankers' Committee in its voluntary initiative, at its 246th Meeting on December 21, 1999 approved the establishment of the Small and Medium Industries Equity Investment Scheme (SMIEIS). The scheme, going by the initial guidelines, required all banks to set aside 10% of their Profit Before Tax (PBT) for equity investment and promotion of Small

and Medium Enterprises. The scheme commenced on June 19, 2001 with the deduction from the banks' Profit Before Tax for the accounting period year 2000.

The funding which is supposed to be in the form of equity investment in eligible enterprises is expected to reduce the burden of high interest rate cost and other financial charges expected under normal bank lending to the Small and Medium Enterprises (SMEs). The initiative is expected to contribute significantly towards the Federal Government's efforts in stimulating the flow of funds for the establishment of new small and medium enterprises and the reactivation, expansion or restructuring of on-going projects in the sub-sector. It was also expected to stimulate economic growth, development of local technology and generating employment. Similarly, the scheme is expected to eliminate the lingering problem of dearth of long-term funding and poor business management skills which had inhibited the development and realization of the potentials of the SMEs as the engine of growth of the Nigerian economy.

1.2 STATEMENT OF THE PROBLEM

Various policy measures were put in place by the Federal Government in order to assist the Small Scale Enterprises over the years because of the role they play in economic development. With all these policy measures however, the desired result has not been achieved. In furtherance of these measures to assist the SMIs, the Small and Medium Industries Equty Investment Scheme (SMIEIS) was launched. The objectives of SMIEIS were no doubt laudable. It included amongst others, to make equity capital available to small and medium enterprises so as to jump start their growth in order to revitalize the economy. Similarly, the effort of the Bankers' Committee in adopting the measure was quite commendable.

Despite the fact that funds had been set aside for investment in the SMIs, by the banks, not much was actually disbursed to potential users. As at the end of February, 2005 the total funds set aside by all banks in Nigeria under the scheme amounted to ₦30.998 billion. Total investment under the scheme however,

stood at ₦8.956 billion or 34.61% of the total fund available, covering 180 eligible projects from 58 banks thereby leaving ₦ 22.042 billion as un-invested funds with the banks. Therefore, the problem is to find out why less than 35% of the funds set aside were disbursed?

Furthermore, since banks invest in these small and medium scale enterprises, it is expected that normal bank lending to the sector should also improved because the banks, being equity stake holders are supposed to be more interested in the affairs of such enterprises and should be willing to grant credit facilities to meet the working capital requirements of the SMEs. However, total bank lending to small and medium scale enterprises have been on the decline since the inception of the scheme.

1.3 OBJECTIVES OF THE STUDY

Following from the statement of the problem articulated in the preceding paragraphs, the aims of this study include the following:

a) To find out why only ₦ 8.956 billion or 34.61% of the total fund of ₦30.998 billion set aside as at February, 2005 were invested in the equity capital of small and medium enterprises by the banks since the inception of the scheme;

b) Why was there a declining trend in the level of bank lending to small and medium scale enterprises since the inception of Small and Medium Industries Equity Investment Scheme (SMIEIS);

c) To find out the critical success factors of the scheme;

d) To find out the achievements of the scheme since inception;

e) To propose suggestions and recommendations to the authorities based on the outcome of the study on the way forward in order to ensure the attainment of set the objectives of the scheme.

1.4 HYPOTHESIS OF FORMULATION

The hypotheses of the study are:

Ho : The Small and Medium Industries Equity Investment Scheme (SMIEIS) has contributed to the growth of Small Scale Enterprises and does not affect bank lending to them.

H1: SMIEIS fund has contributed to the growth of Small Scale Enterprises and decrease in bank lending to them.

Ho : SMIEIS fund not readily available to eligible enterprises.

H1 : SMIEIS fund is readily available to eligible enterprises.

1.5 SIGNIFICANCE OF THE STUDY

Various policies were put in place by the Government to assist the Small Scale Enterprises in order to promote their growth. These measures included the sectoral allocation of credit, the National Economic Reconstruction Fund (NERFUND), the establishment of the Nigerian Bank for Commerce and Industry amongst others. With all these bold steps taken to make funding available to small scale enterprise, not much could be said to have been achieved due to the fact that most banks were averse to lending to small business because of the perceived inherent risk associated with them and lack of adequate collateral amongst other reasons. The SMIEIS was no doubt intended to be a turning point in the funding of small scale enterprises in Nigeria. The significance of the study therefore, includes:

a. To find out the major factors hindering access to the SMIEIS funds from the banks perspective and suggest the way forward in order not to derail in the attainment of the laudable objectives of the scheme.

b. To identify the likely problems that may affect the success of the scheme and suggest the way forward;

c. To create further awareness of the scheme and stimulate further reading and research on SMEs and their funding; and

d. To contribute to literature and therefore, serve as a reference point for further research work.

1.6 SCOPE OF THE STUDY

The equity investment scheme started in 1999 and therefore, this study is going to be limited to the period of inception of the scheme from 1999 to December, 2004. Similarly, three banks

namely: First Bank of Nigeria Plc, Union Bank of Nigeria Plc and United Bank of Nigeria Plc were selected for the study.

The choice of only three banks out of about eighty seven operating as at December, 2004 was informed by the fact that all the banks in the system were expected to follow the same procedures in setting aside the contribution to the scheme, the same appraisal procedure before committing the funds to any investment and the three banks were the top-three leading banks in the system as at December, 2004 base on profitability, asset base and deposits liabilities. The three banks therefore, were a true representation of the industry wide practice.

1.7 LIMITATIONS OF THE STUDY

This study is not without some limitations which were unavoidable. Some of these limitations include the following:

a. The project made analysis based on the data obtained from reliable sources, questionnaire were only

administered to some bank officials and did not sample the opinion of the operators of small scale enterprises.

b. The project made use of data that is just a little over four years.

1.8 DEFINITION OF TERMS

The following terms were used in this project:

Small and Medium Enterprises (SME): is any enterprise with maximum assets base of N200 million, excluding land and working capital, and the number of staff employed by the organization not less than 10 and not more than 300. The term is synonymous with Small Scale Industries (SMIs) and would be used interchangeably.

Small and Medium Industries Equity Investment Scheme (SMIEIS): The scheme established to provide equity funds to SMIs.

Investment Exit: Period after which a bank can divest it investment from the SMI and plough it back to its shareholders' funds.

Qualifying project: Range of activities for which SMIEIS funds can be applied, mostly in the real sector of the economy as specified by the guidelines.

SMIEIS Stake holders: This refers to all those concerned with the implementation of the scheme. They include the Federal Government, the Central Bank of Nigeria, the Bankers' Committee, individual banks, independent fund managers, the Securities and Exchange Commission and the Promoters of SMEs.

SMIEIS conditionality: Set of conditions to be fulfilled by a potential beneficiary before disbursement or enjoying equity funding from the scheme.

SMIEIS guidelines : Rules and regulation guiding the operations of the scheme which were designed by the stakeholders to the scheme.

Bankers' Committee: A consultative committee comprising of all the Chief Executives/Managing Directors of banks and the representative of the Central Bank of Nigeria.

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 INTRODUCTION

Small scale industries, the world over, have been acknowledged to have the potentials of being the engine of growth of any economy if properly harnessed. Several people have written or conducted studies on the concept, objectives and advantages of Small Scale Industries.

In this chapter, the concept and objectives of Small Scale Industries would be examined as documented in the literature. Similarly, various policy-measures adopted by the government to assist the Small Scale Industries as well as an assessment of the past policies would be discussed in this chapter. Furthermore, the salient issues raised in the guideline of the Small and Medium Industries Equity Investment Scheme as issued by the regulatory authorities in conjunction with the

Bankers' Committee are presented in this chapter. Finally, the problems and prospects of Small Scale Industries in Nigeria were also examined in this chapter.

2.2 THE CONCEPT AND OBJECTIVES OF SMIs

A universally accepted definition of SMIs has not been made. Consequently, what ever definition is given to the term must be in the context of the country's prevailing economic conditions and level of economic development. The Federal Ministry of Industries in 1973 defined a small size manufacturing enterprise as any business concerned with a total capital investment of up to ₦ 60,000.00 (land, building, machinery and working capital) and employing up to 50 persons. Later the definition was revised to include manufacturing establishments or those organizations in the service industry with capital not exceeding ₦ 150,000.00.

Prior to 1992 different government agencies like the Central Bank of Nigeria, National Directorate of Employment (NDE) and

others tended to adopt different definitions to reflect their policy focus. The National Council on Industry in 1992 however, decided to streamline the definition and to revise it every four years in the light of prevailing economic realities.

The 13th Council meeting of the National Council on Industry held at Makurdi, Benue State in July, 2001 gave the latest definition of Micro, Small and Medium Enterprises as follows:

i. Micro cottage industry- An industry with a labour size of not more that 10 workers or total cost of not more than ₦ 1.5 million, including working capital but excluding cost of land.

ii. Small scale industry- An industry with labour size of 11-100 or a total cost of not more than ₦ 50.0 million, including working capital but excluding cost of land.

iii. Medium Scale industry –An industry with a labour size of 101-300 workers or a total cost of over ₦ 50.00 million but not more than ₦200.00 million, including working capital but excluding the cost of land.

iv. Large Scale Industry- An industry with a labour size of over 300 workers or a total cost of over ₦ 200.00 million, including working capital but excluding cost of land.

GENERAL CHARACTERISTICS OF SMIs

According to Mauser et al (1970:2001) SMIs in Nigeria are usually characterized by the following:

a. Lack of access to long term funds probably due to lenders perception of the high level of risk associated with them.

b. Absence of complex management structure due to the fusing of ownership and management.

c. Owned largely by sole a proprietor or a group of individuals in partnership.

d. Large dependence on labour intensive production process although in recent times, some of them have started embracing technological changes in their operations.

e. SMIs confine their vision to the local market and thus ignore wider distant markets, and invariably reduce the quality of goods the establishment produces and hence the profits made (Agba A. V. 1990:160-169).

2.3 THE ROLE OF SMIs IN ECONOMIC DEVELOPMENT

SMIs if properly nurtured can contribute significantly to the attainment of developmental objectives of any country. In Nigeria, according to Olorunshola (2003), SMIs stimulate entrepreneurship, create greater employment opportunities per unit of capital invested and aid the development of local

technology. They also serve as a veritable means of mobilization and utilization of domestic savings as well as increased efficiency through cost reduction and greater flexibility.

The SMIs, according to Sanusi, J. O. (2003), can be the engine of growth of an economy and a veritable tool for the development of indigenous technology, rapid industrialization, generation of employment and a pivot for sustainable economic development in Nigeria.

2.4 REVIEW OF POLICY MEASURES AIMED AT ASSISTING SMIs

Over the years, the Federal Government and its various agencies had initiated various programmes aimed at assisting the SMIs in order to realize their potentials. Some of these measures include the establishment of the following:

a. Nigerian Industrial Development Bank (NIDB)

The NIDB was set up in 1964 with the sole aim of providing finance for industrial development. Although the bank was set up to finance large scale industrial concerns, it had a unit that caters for the small scale industries. The finance from NIDB was in the form of equity investment which was really what was lacking to those types of establishments. The bank was later merged with other banks to form the Bank of Industry.

b. The Rural Banking Scheme

In order to bring finance closer to the SMI the Federal Government through the Central Bank of Nigeria introduced the rural banking scheme in 1977. Under the scheme, banks were mandated to open rural branches in their branch expansion process. Although banks had complied with the directives, the desired result was not achieved because SMIs had difficulty in accessing credit lines from the banks due either absence of collaterals or

poor investment proposals. Furthermore, the establishment of the Peoples Bank was aimed at making credits available to the small scale industries.

c. National Economic Reconstruction Fund (NERFUND)

In January, 1990 the Federal Government as part of the Structural Adjustment Programme (SAP) set up the NERFUND essentially to provide long-term loans of 5-10 years at concessionary rates to the SMIs. This was necessitated due to the devaluation of the naira caused by the SAP. Between the period of setting up the fund and 2001 when it was merged with Bank of Industry, the fund had disbursed considerable amount of credits to the SMIs in both local and foreign currency.

d. World Bank Assisted SME II Loan Project

In 1989, the Federal Government secured a multilateral funding from the World Bank totaling $270 million. This window of finance was to be channeled through the

participating banks for on-lending to the beneficiaries. In order to ensure proper implementation of the scheme, the Central Bank was in charge of processing the loan applications. By 1994 when the scheme was abolished, more than $100 million was approved for disbursement to eligible beneficiaries. This like other schemes before it had not really made the SMIs to achieve the desired goals due to other factors mentioned above. Other windows of finance were also negotiated by the Federal Government all with the sole aim of making finance available to the small scale industries. The African Development Bank (ADB) export stimulation loan came under this category.

Other programmes put in place to assist the small scale industries include the Small Scale Industry Credit Scheme, the National Directorate of Employment (NDE), the Agricultural Credit Guarantee Scheme and a host of others.

2.5 ASSESSMENT OF THE PAST SMIs PROGRAMMES

All the programmes highlighted above did not achieve the desired results. Furthermore, most of the financing institutions were face with high rate of loan delinquency. This was largely due the following factors:

i. Absence of well define projects proposals and commitment on the part of the financing institution.

ii. Lack of adequate project monitoring techniques.

iii. Absence of clearly defined roles of private and public sector in the promotion of small and medium scale enterprises.

iv. Poor infrastructural facilities which increase overhead costs.

v. Inflationary conditions which kept on devaluing the investments.

vi. Poor management practices and low entrepreneurial skills.

2.5.1 THE SMALL AND MEDIUM INDUSTRIES EQUITY INVESTMENT SCHEME (SMIEIS)

The Small and Medium Industries Equity Investment Scheme (SMIEIS) was designed to address some of the short comings associated with the earlier programmes. The establishment of SMIEIS according to J.O. Sanusi (2003) was informed by the lingering problems of the dearth of long-term funding and poor management skills which have inhibited the realization of the potentials of the small and medium-scale industries as the engine of growth in the Nigerian economy, despite the various schemes that had been initiated in the past to provide incentives for the development of this sector.

The Bankers' Committee therefore, agreed at its 246th meeting in 1999 that each bank should set aside 10% of its Profit Before Tax (PBT) for the purpose of investing in the equity capital of SMIs.

2.6 SMALL AND MEDIUM INDUSTRIES EQUITY INVESTMENT SCHEME GUIDELINES

In order to ensure proper implementation, guidelines were made which were subject to review in the light of prevailing circumstances. The initial guideline spelt out the following:

Objectives of the scheme

The objectives of the scheme include, among others, the following:

a) Facilitating flow of funds for the establishment of new small and medium industries and reactivation, expansion or restructuring of on-going projects in this sub-sector.

b) Stimulation of economic growth, development of local technology and employment generation.

c) Management and stimulation of corporate governance in the SMIs.

Management of the funds

The financial statements of participating banks are to show clearly reserves of SMIs. Furthermore, the participating banks were free to operate the fund alone or through a subsidiary or a venture capital company.

Modus operandi

Funds shall be for equity investment in eligible enterprises.

Equity investment shall be in the form of fresh injection of capital or the conversion of existing debt owed the participating bank into equity.

Participating banks may obtain more funds by way of addition to those they presently have relationships with, for funds under the scheme.

Conditionality

Any potential beneficiary of SMIEIS funds must satisfy the following conditions:

i. Have a commercially viable business
ii. A good business plan
iii. Acceptance of the business plan by the equity financing bank
iv. Acceptance/meeting the requirements of the equity investor
v. Acceptance to maintain competent management in the business
vi. Access to business support services
vii. A clear exit strategy

Eligibility criteria

To be eligible for funding under the scheme, all prospective beneficiaries shall:

Register as a limited liability company with the Corporate Affairs Commission and comply with the provisions of the Companies and Allied Matters Act (1990).

Comply with all applicable tax laws and regulations and render regular returns to the appropriate authorities.

Activities covered by the scheme

The ranges of activities to be funded by the scheme are those in the real sector of the economy as listed below;

a. Agro-allied

b. Information Technology and Telecommunications

c. Manufacturing

d. Educational establishments

e. Services

f. Tourism and leisure

g. Solid minerals

h. Construction

Any other that may be determined by the Bankers' Committee from time to time.

Definition of small and medium industry

The guidelines define Small and Medium Industry as any enterprise with minimum assets base of ₦ 200 million, excluding land and working capital; and the number of staff employed by the enterprise not less than 10 and not more than 300. This definition is subject to review by the Bankers' Committee from time to time.

Period of the Scheme

The Scheme shall be subject to annual progress report and comprehensive review after 5 years from the commencement date, by the Bankers' Committee.

Investment exit

The exiting of investment under the scheme shall be after a minimum number of years. Divested funds shall be ploughed back to shareholders' funds and shall not be subject to tax.

Utilization of the scheme's funds

The following restrictions shall apply to the funds reserved for the scheme:

i. The funds committed to the scheme shall be appropriated from the previous year profit and loss account as at the end of the bank's accounting year and maintained in a non-distributable reserve (Reserves for SMI).

ii. The reserves for the SMI can only be distributed on liquidation of investment.

iii. Banks must utilized all reserve funds within the specified period failing which the Central Bank of Nigeria will apply the appropriate sanction as approved by the Bankers' Committee.

iv. These assets should be segregated from other assets in the balance sheet.

Registration with Securities and Exchange Commission as Venture Capital Operators

All Fund managers shall register with the Securities and Exchange Commission as venture capital operators.

2.7 PROBLEMS OF SMIs IN NIGERIA

Small and Medium Industries have the potentials of turning around an economy. With a population in excess of 120 million people in Nigeria, SMIs ought to have flourished unhindered. The Small and Medium Scale Industries in Nigeria however, were bedeviled with many problems which largely were responsible for their slow growth over the years. Some of these problems confronting the Small and Medium Scale Industries in Nigeria include the followings:

(a) Poor infrastructural facilities

It is a known fact that the state of infrastructural facilities in Nigeria is very poor. Consequently, Small and Medium Scale Industries would have to occupy themselves with the provision of basic facilities like water, electricity, communication, security and many more at a great cost to the enterprises. Heavy industries could afford to bear the cost of providing such facilities and still break-even, but certainly not the Small and Medium Scale Industries.

(b) Inadequate credit facilities

Small and Medium Scale Industries need credit facilities not only for equity funding but also to finance working capital requirements. The financial sector is generally biased towards Small and Medium Scale Industries due to largely their risk perception. Prior to 1996, the Monetary Authorities had to imposed a mandatory sectoral allocation of 20% of banks total credits to Small and Medium Scale Industries failing which necessary sanctions were imposed. However, with the abolishing of that ceiling in 1996, the ratio of total banks credits to Small and Medium Scale Industries had been on the declining trend. Furthermore, the absence of long-term funding at a lower cost is also one of the problems facing the SMIs.

(c) High mortality rate

Most Small and Medium Scale Industries in Nigeria have not divorced management from ownership. Consequently, most Small and Medium Scale Industries died with the death of the

owner. It had in a great deal hindered the growth of Small and Medium Scale Industries in Nigeria.

(d) Low marketing capabilities

Due to their size, Small and Medium Scale Industries in Nigeria had not been able to market their products effectively beyond the shores of Nigeria. This is because of their in ability to compete favourably with other established foreign competitors due to low level of technological usage there by losing potential market share. This had in a way, kept the vast potential markets that exit outside unexplored.

(e) Inefficient implementation of policies

As mentioned earlier, various policies and programmes were enunciated by the Federal Government over the years in order to advance the growth of the Small and Medium Scale Industries in Nigeria. However, red-tapism associated with the implementation of laudable programmes aimed at assisting the SMIs had hindered their growth. This could be seen in

multiplicity of regulatory bodies, double taxation, high incorporation cost amongst others.

(f) Low level of awareness

Most of the owners of the Small and Medium Scale Industries are not aware of the facilities made available to them by the Government to aid their growth.

(g) Poor corporate governance

Most small scale enterprises have not divorced ownership from management. The level good corporate governance is low in most of them. Consequently, most of them borrow from financial institutions with the intention not to repay back and regard the loan as part of their share of the 'cake'

2.8 PROSPECTS OF SMIs IN NIGERIA

The Small and Medium Scale Industries have great potentials in moving the Nigerian economy forward through increase in employment and poverty reduction. In the Oil-industry were the

Government is aiming at 100% local content in the near future, the Small and Medium Scale Industries have a great role to play towards achieving that milestone. For these potentials to be realized however, the Government must address some of the problems facing the Small and Medium Scale Industries in Nigeria through the following ways:

The Government should embark on an aggressive enlightenment drive to sensitize the entrepreneurs on existence of the Small and Medium Industries Equity Investment Scheme (SMIEIS). The recently launched Baseline Economic Survey by the Central Bank on Nigeria which seeks to provide integrated information system about SMIs in Nigeria for better implementation of the SMIEIS needs adequate publicity.

The poor state of infrastructural facilities needs to be given the desired attention. Services like communication, water and electricity can be privatized for better service delivery. This

would no doubt reduce the burden of over head cost on the Small and Medium Scale Industries.

Government must evolve a deliberate way to enhance capacity building within the Small and Medium Scale Industries. This would assist them in better management of their business; know how to properly package a loan request to a bank and how to access other available financing sources amongst others.

Government should encourage vertical integration between the small scale industries and the large scale industries in order to promote patronage rather than competition among them.

Efficient and responsive financial system capable of providing an array of financial services to the small scale industries is indispensable for the realization of the potential of the small scale industries in Nigeria.

CHAPTER THREE

METHODOLOGY

3.1 INTRODUCTION

The data for the study was obtained both from primary and secondary sources. The analysis also employed both descriptive and analytical tools in analyzing the data collected. Data about the operations of the SMIs in Nigeria could only be obtained from the government sources that are in a position to demand for mandatory returns from business. The data therefore used in the analysis could be said to be dependable based on its source.

The period covered by the study, the sample selected would be presented in this chapter. Furthermore, both the null and the alternative hypothesis of the study were spelt out. Methods of data collection for the study and the tools employed in the analysis were also covered in this chapter.

3.2 PERIOD COVERED BY THE STUDY

The Small and Medium Industries Equity Investment Scheme (SMIEIS) was launched or approved in December, 1999 by the Bankers' Committee. The Scheme was to draw its funding from the setting aside of 10% of profit before tax of the participating banks.

The scheme commenced on June 19, 2001 with the deduction from the banks' Profit Before Tax for the accounting period year 2000. Consequently, the study is going to cover the period prior to the commencement of the scheme and during the operations of the scheme in order to be able to analyze what was obtainable before and during the scheme. To this end, the period January, 1999 and December, 2004 is considered adequate and is therefore, covered by the study.

3.3 SAMPLE SELECTION

The study as indicated previously ought to have covered both banks and the operators of the Small and Medium Scale Industries. However, as one of the limitations of the study, only the banks were focused on in the study due to time and resource constraints.

There were eighty seven deposits money banks as at December, 2004 that is, before the mergers and acquisitions prompted by the consolidation exercise of the Banking Sector Reform Programme. All the participating banks were expected to follow the SMIEIS guidelines to the latter in the setting aside of contributions to the fund, appraisal of equity participation applications and disbursements.

For the purpose of this study, three banks namely, Union Bank of Nigeria Plc, First Bank of Nigeria Plc and United Bank for Africa Plc were selected. These three banks were the top three banks in the industry in terms of profitability, assets size and deposits

liability. Coupled with procedural uniformity in the banking industry highlighted in the above paragraph, the three selected banks could be said to be a true representation of industry wide practice.

For the purpose of this study, one hundred and twenty (120) questionnaires were therefore, administered to the employee of the three sampled banks and some employees of the Central Bank of Nigeria who are in charge regulating the Small and Medium Industries Equity Investment Scheme. The sample of the respondents was chosen at random and it cut across both junior and senior management levels of the institutions.

In the analysis of the relationship between the Small and Medium Industries Equity Investment Scheme (SMIEIS) and total bank lending however, the aggregate lending by all the banks to Small Scale Industries were used in the analysis. This was because, the SMIEIS funds represented contributions by all the banks in the industry and therefore, the like item to make

analysis with is the aggregated lending by all the banks in the industry as well.

3.4 HYPOTHESIS

This study is basically an appraisal of the effects of Small and Medium Industries Equity Investment Scheme (SMIEIS) on bank lending to SMIs. The study therefore, is going to test the following hypothesis:

1. Ho : The Small and Medium Industries Equity Investment Scheme (SMIEIS) has contributed to the growth of Small Scale Enterprises and does not affect bank lending to them.

   H1: SMIEIS fund has contributed to the growth of Small Scale Enterprises and decrease in bank lending to them.

2. Ho : SMIEIS fund is not readily available to eligible enterprises.

H1 : SMIEIS fund is readily available to eligible enterprises.

3.5 METHODS OF DATA COLLECTION

The study made use of both primary and secondary data in the analysis of the hypothesis of the study. In order to sample the opinion of industry practitioner and regulators at the Central Bank of Nigeria, a simple questionnaire comprising of open ended and close ended questions was designed and administered to bank officials in the section dealing with credit administration while regulators in the departments of the Central Bank of Nigeria responsible the monitoring of the SMIEIS were also given the questionnaire. A total of one hundred and twenty questionnaires were given out while one hundred and twelve completely filled questionnaires were returned in a usable form. The employees on whom the questionnaires were administered were taken at random and they covered both junior and senior management category of the institutions selected.

The main sources of the secondary data however, for the aggregate bank lending and lending to Small Scale Industries are the Central Bank of Nigeria Annual Reports, Statistical bulletin, Economic and Financial Reviews and Monthly Progress Report on Small and Medium Industries Equity Investment Scheme (SMIEIS). Other sources of data include the Audited Annual Financial Statements of the sampled banks for the period covered by the study. Included in such audited financial statements are data showing the contribution of the individual bank towards the SMIEIS funds and reports of Directors and Chief Executives which provided valuable contribution in the analysis of the figures presented in the audited statement of account of the banks.

3.6 METHODS OF DATA ANALYSIS

In analyzing the data obtained both from the primary source and the secondary sources, parametric and non-parametric

methods are employed in the analysis of the data obtained in order to test the hypothesis.

The non-parametric method involved the use of percentages, tables and ratios in analyzing the result of the responses obtained from the questionnaire administered among the respondents.

The data obtained for the total bank lending to Small Scale Industries could be related to the data on total contribution or amount set aside by all the banks in the industry on a comparable time scale. Consequently, using correlation co-efficient, a T-test is carried out to determine the statistical significance or insignificance of the co-efficient of correlation between the data obtained.

Using 0.005 level of significance because of the time frame covered by the analysis, the critical value is determined in order to test the hypothesis whether there is any significant

correlation between total bank lending to Small and Medium Scale Industries and the equity funding from the Small and Medium Industries Equity Investment Scheme (SMIEIS). Therefore, a calculated value above the critical value is taken as indication of correlation and the null hypothesis is rejected while a critical value above the calculated value is considered as supporting the null hypothesis and the rejection of alternative hypothesis because there is a no significant relationship between the two.

CHAPTER FOUR

PRESENTATION AND ANALYSIS

4.0 INTRODUCTION

The data obtained from both the primary source and the secondary sources are analyzed using both parametric and non-parametric tools. The data from the primary source was obtained from questionnaire administered to some respondents while the data from the secondary sources was obtained from the Central Bank of Nigeria Annual Reports, Statistical bulletin, Economic and Financial Reviews and Monthly Progress Report on Small and Medium Industries Equity Investment Scheme (SMIEIS).

The analysis, discussion of the empirical results of the study is presented in this chapter. Furthermore, the impact of the scheme and the summary of findings were equally presented in this chapter.

4.2 PRESENTATION AND ANALYSIS

Tables I and II show the percentage of commercial and merchant banks Loans to Small and Medium Enterprises for the period 1999 to 2004 respectively. It should be noted however, that the distinction between commercial and merchant bank was removed in 2001 with the introduction of the concept of universal banking in Nigeria.

Table I

Annual Percentage of Commercial Bank loans to SMIs

Year	Commercial bank loans to SMIs ₦'000,000	Commercial banks total loans ₦'000,000	Commercial banks loans to SMIs as a percentage of total loans %
1999	46,824.0	353,081.0	13.3
2000	44,542.3	508,302.2	9.7
2001	52,428.4	796.164.8	6.6
2002	82,368.4	954,628.8	8.6
2003	90,176.5	1,210,033.1	7.5
2004	104,540	1,519,242.7	6.9

Source: CBN Statistical Bulletin for the year 2002

Table II

Annual Percentage of Merchant Bank loans to SMIs

Year	Merchant Bank loans to SMIs ₦'000,000	Merchant Banks total loans ₦'000,000	Merchant Banks loans to SMIs as a percentage of total loans %
1999	6,381.1	49,257.7	13.0
2000	51,001	565,871.7	9.0

Source: CBN statistical Bulletin for the year 2001

Table III

Quarterly Percentage of Commercial Bank loans to SMIs

Year	Bank loans to SMIs ₦'000,000	Total Bank credits ₦'000,000	Banks loans to SMIs as a percentage of total loans %
2001 1st quarter	59,034.4	661,952.4	8.9
2nd quarter	61,501.7	698,056.7	8.8
3rd quarter	58,080.3	758,777.3	7.7
4th quarter	52,428.4	796,164.8	6.6

2002 1st quarter	62,542.0	830,819.7	7.5
2nd quarter	73,355.3	891,468.8	8.2
3rd quarter	78,446.1	909,311.8	8.6
4th quarter	82,368.4	954,628.8	8.6
2003 1st quarter	87,053.6	1,018,865.4	8.5
2nd quarter	93,316.7	1,058,464.9	8.8
3rd quarter	90,235.6	1,052079.6	8.6
4th quarter	90,176.5	1,210,033.1	7.5

Source: CBN Statistical Bulletin for the year 2002 and 2003

Table IV

Cumulative balance of SMIES funds 2002-2004

Period	**Balance N'000**
December 2002	6,784,224
December 2003	7,048,250
December 2004	20,116,028

Source: CBN Monthly Progress Report on SMIES. Various Issues

The determination of the correlation between the annual total bank loans to Small and Medium Industries and the cumulative annual contribution by all the banks to the SMIES fund over a three year period is presented below:

y represents annual total bank loans to SMIs

x represents cumulative annual contribution of banks to SMIEIS funds

Table V

X	*Y*	*Xy*	x2	*y*2
N'billion	N'billion	N'billion	N'billion	N'billion
6.78	82.36	558.40	45.97	6,783.17
7.05	90.18	635.77	49.70	8,132.43
20.12	104.54	2,103.34	404.81	10,928.61
33.95	277.08	3,297.51	500.49	25,844.21

Source: CBN statistical Bulletin and Progress Report on SMIEIS. Various Issues

$$r = \frac{3(3{,}297.51) - 33.95(277.08)}{\sqrt{3(500.49 - (33.95)2 \times \sqrt{3}\ (25{,}844.21 - (277.08)2}}$$

$$= \frac{9{,}892.53 - 9{,}406.87}{\sqrt{1{,}501.47 - 1{,}152.60} \times \sqrt{77{,}532.63 - 76{,}773.33}}$$

$$= \frac{485.66}{\sqrt{348.87} \times \sqrt{759.3}}$$

$$= \frac{485.66}{514.82}$$

$$= 0.943$$

to conduct a T-*test* on the result

$$t = \frac{r\sqrt{n-2}}{1-r2}$$

$$= \frac{0.943\sqrt{3-2}}{1 - (0.943)2}$$

$$= 8.5146$$

t values at 0.005 level of significance with 2 as the degree of freedom

= 9.925

Causes of low patronage of SMIES

The result of the questionnaire administered showed that the low level of patronage of Small and Medium Industries Equity Investment Scheme is attributable to the borrowers or the owners of the enterprises. Some of the problems as indicated in the responses included the following:

i. Lack of requisite knowledge skills to be able to package a loan or equity funding request proposals to a bank.

ii. Ignorance on the part of borrowers about the scheme in general. Some see the scheme as another avenue to share the 'cake'. Furthermore, most of the borrowers could not differentiate between equity funding and ordinary bank lending.

iii. The fear of loss of control should equity funding be embraced by the initial owners had made SMIES very unattractive to some small scale enterprises owners.

iv. Due to the relative size of small scale enterprises, record keeping is a serious problem. This hampers periodic review of operations of the enterprises by investor banks. Similarly, non segregation of personal assets from that of the business makes valuation of assets extremely difficult.

4.3 DISCUSSION OF THE EMPIRICAL RESULTS OF THE STUDY

The empirical results of the study are discussed on the two formulated hypothesis of the study.

Test of Hypothesis

Hypothesis I

Ho: The Small and Medium Industries Equity Investment Scheme (SMIEIS) has contributed to the growth of Small Scale Enterprises and does not affect bank lending to them.

H1 : SMIEIS fund has contributed to the growth of Small Scale Enterprises and decrease in bank lending to them.

The analysis of the data revealed that the calculated value is 8.5146 while the critical value as determined from the t-table using 2 as the degree of freedom and 0.005 level of significance is 9.925. Since the calculated value is lower than the critical value, it shows that there is no significant correlation between total bank loans and Small and Medium Industries Equity Investment Scheme funds. Consequently, the null hypothesis which states that the Small Scale Industries Equity Investment Scheme (SMIEIS) had contributed to the growth of the Small Scale Industries and does not affect bank lending to the SMIs should be accepted. Therefore, the alternative hypothesis which stated that the Small Scale Industries Equity Investment Scheme (SMIEIS) had contributed to the growth of Small Scale Enterprises and decrease in bank lending to small scale industries should be rejected.

Hypothesis II

Ho: SMIEIS fund is not readily available to eligible enterprises.

H1: SMIEIS fund is readily available to eligible enterprises.

Based on the out come of the result of the questionnaire administered to the respondents, eighty seven respondents or 77.68% of the completed questionnaire agreed that the SMIES fund is readily available to the targeted beneficiaries. Consequently, only twenty seven respondents or 22.23% of the completed questionnaire indicated that the funds are not readily available.

Based on the foregoing therefore, the null hypothesis (Ho) which stated that the SMIES fund in not readily available to eligible enterprises is rejected and the alternative hypothesis which stated that the SMIES fund is readily available to the eligible enterprises is accepted.

4.4 THE IMPACT OF THE SCHEME

The Small and Medium Industries Equity Investment Scheme was approved by the Bankers' Committee in December, 1999. Funds for the scheme were first set aside by banks in 2001 against their profit for the accounting year ended 2000.

The scheme was intended to contribute significantly towards the Federal Government's efforts in stimulating the flow of funds for the establishment of new small and medium enterprises and the reactivation, expansion or restructuring of on-going projects in the sub-sector. It was also expected to stimulate economic growth, development of local technology and generating employment. Similarly, the scheme is expected to eliminate the lingering problem of dearth of long-term funding and poor business management skills which had inhibited the development and realization of the potentials of the SMEs as the engine of growth of the Nigerian economy.

As at December, 2004, the scheme had succeeded in financing one hundred and sixty eight (168) projects at the cost of ₦ 8.53 billion with one hundred and fourteen (114) in the real sector of the economy and fifty four (54) in the service sector of the economy but excluding trading.

Further analysis of the impact of the scheme as at December, 2004 revealed that of the one hundred and fourteen projects financed in the real sector of the economy, twenty one (21) were for agro allied (including wood work and water bottling) at the cost of N706.684 million, eighty one (81) were for manufacturing (including printing and publishing) at the cost of ₦ 3.741 billion, nine (9) were for construction (including quarrying) at the cost of ₦1.071 billion while three projects were financed in the area of solid minerals at the cost of ₦ 59.44 million.

In the break down in the service sub-sector of the economy indicated that thirteen (13) projects in the area of Information

technology and communications were financed at the cost of ₦ 1.024 billion, three (3) projects in the educational establishments were financed at the cost of ₦103.935 million, thirty four (34) projects in the area of services were financed at the cost of ₦ 1.619 billion and in tourism and leisure, four (4) projects were financed at the cost of ₦ 203,22 million as shown in table (VI) below.

Table VI

Sectoral distribution of investments under SMIEIS as at December, 2004

Sector	Enterprises	No. of projects	Amount N'000
Real Sector	Agro allied (including wood work and water bottling)	12	706.684
	Manufacturing (including printing and publishing)	81	3,741.869

	Construction (including quarrying)	9	1,071.288
	Solid minerals	3	59.440
Service Related Enterprises	Information technology and communications	13	1,024.633
	Educational Establishments	3	103.935
	Services	34	1,619.260
	Tourism and Leisure	4	203.220
Total		168	8,530.328

Source: CBN progress report on SMIEIS, January, 2005

An analysis of the geographical spread of the financing of the SMIs by the scheme as at December, 2004 revealed the major beneficiary states were Lagos State with the highest share of 110 projects valued at ₦ 5.054 billion followed by Ogun State with nine projects. Kano, Abia and Rivers States recorded five projects each. It is worthy of note that as at December, 2005 several applications were at the Securities and Exchange

Commission awaiting approval to enable them enjoy the funding of the scheme.

At the 277th meeting of the Bankers' Committee held on February 22, 2005 in Lagos, the Committee approved the liberalized guideline for the scheme and changed its name from Small and Medium Industries Equity Investment Scheme to Small and Medium Enterprises Equity Investment Scheme. It also approved that every legal business be eligible for funding under the scheme with the exception of trading/merchandising and financial services. With this radical change, it is expected that the number of project being financed by the scheme will improve tremendously.

4.5 SUMMARY OF FINDINGS

The null hypothesis of the study which state that the Small and Medium Industries Equity Investment Scheme (SMIEIS) has contributed to the growth of Small Scale Enterprises and does not affect bank lending to them was accepted based on the

analytical evidence of the absence of significance correlation between the two variables. The null hypothesis which states that SMIEIS fund has contributed to the growth of Small Scale Enterprises and decrease in bank lending to them is rejected based on the outcome of the test of the hypotheses conducted.

It showed clearly that the SMIES fund does not affect bank lending to the Small and Medium Industries. This is because the correlation coefficient using t-test did not indicate any significance correlation between the two variables. Similarly, the results of the questionnaire administered indicated that the SMIES fund is readily available to the intended beneficiaries except that they were expected to fulfill certain conditions precedent to qualifying for equity investment by the banks which included the followings:

a) Having a commercially viable business

b) A good business plan

c) Acceptance of the business plan by the equity financing bank
d) Acceptance/meeting the requirements of the equity investor
e) Acceptance to maintain competent management in the business
f) Access to business support services
g) A clear exit strategy

Similarly the second null hypothesis which states that SMIEIS fund is not readily available to eligible enterprises was rejected and the alternative hypothesis which suggested availability of the funds accepted.

The study further revealed that the factors that retard the growth of Small and Medium Industries in Nigeria included among others, the followings:

a. The absence of an enabling environment or poor infrastructural facilities

b. Inability of the applicants to package a good feasibility report to enjoy funding from the banks
c. Reluctance on the part of SMIs owners to open up or have a broad ownership
d. Ignorance on the part of most SMIs owners on the opportunities opened to them
e. Poor management structure

The reason for the slow pace of disbursement of the funds to the targeted beneficiaries from the study included the followings:

i. Equity investment requires skills-set which are quite different from those of credits appraisal and management.

ii. In view of the fact that the scheme was introduced of recent, necessary structures for the investing banks to

effectively administer the scheme were not in place and they require some to set up.

iii. There is still lack of awareness of the opportunities offered by the scheme to the SMIs. The need for greater publicity therefore, is important.

iv. There is also the shortage of viable and attractive project for the banks to invest due to low level of business packaging capabilities.

v. The unwillingness of the entrepreneurs to dilute their ownership by taking up equity investment was also identified as one of the factors responsible for the slow pace of disbursement.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 INTRODUCTION

Under this chapter, the entire study would be summarized, a conclusion given and recommendations highlighting the critical success factors of he scheme which if implemented by the government would assist in achieving the laudable objectives of the Small and Medium Industries Equity Investment Scheme which included among others to revamp ailing SMIs, increase employment and reduce poverty. The chapter would also discuss the direction of further study on this particular topical issue of Small Scale Industries financing.

5.2 SUMMARY

The Small and Medium Industries Equity Investment Scheme was introduced to as one of the policy measures to assist the small scale industries with equity funding. Banks were expected

to set aside 10% of their profit before tax to meet the requirement. As at December, 2004, the total amount set aside by all the banks stood at N2.116 billion out of which the sum of N8.541 billion was invested by the banks in a total of one hundred and seventy (170) projects that cut across various sectors of the economy. However, normal bank lending to the Small Scale Industries by the banks had been on the decline since the abolishing of the mandatory credit allocation to the Small Scale Industries by the Central Bank of Nigeria. The study revealed that the Scheme does not affect normal bank lending but rather other factors which include but not limited to the following were responsible for the declining trend in normal bank lending to SMIs:

With the review of the SMIES guidelines to cover more areas that are eligible for investment under the scheme, more SMIs are expected to spring up in the near future given the sustained tempo of investment. Furthermore, the recently launched CBN Baseline economic survey on Small Scale

Industries which is expected to make data on SMIs more readily available will no doubt boost the level of investment in SMIs in no distant time.

The test of hypothesis revealed that the SMIES fund does not affect the attitude of the banks towards lending to the small scale industries. The study therefore believes that given the necessary enabling environment, the small scale industries could champion the local sourcing of raw materials for our industries and improve the country's export drive so that the Balance of Payment problems being faced by Nigeria would ease out.

5.3 CONCLUSION

The role of small scale industries in economic development cannot be over emphasized. Although small scale industries will still be expected to source for loan facilities to finance working capital requirements among other financing needs, the SMIES is intended to relieve the small scale enterprises of the burden of

interest rate and other bank charges associated with normal bank lending and provide long term equity capital. Participating banks would be expected in collaboration with entrepreneurs, to package a viable project or resuscitate an ailing project for the purpose jump stating activities in the real sector.

The projects so far financed under the scheme indicated that they were not evenly spread across the country. Consequently, the operations of the SMIES need to be given maximum publicity if the desired results are to be achieved.

All the problems militating against the survival of the SMIs as highlighted, need to be addressed by the government other wise the record achieved so far would be lost.

5.4 RECOMMENDATIONS

The Small and Medium Industries Equity Investment Scheme is no doubt of the most laudable measures taken to salvage the

ailing Small Scale Enterprises sector of the economy. Within a short period of its inception, several projects were financed there by boosting economic activity through generation of employment and poverty reduction. In order to maximize the objectives of the scheme, the following recommendations which are equally considered the critical success factors of the scheme are made to the policy formulators and regulators;

With the dismantling of barriers to international trade in the name of globalization, the SMIs in Nigeria are bound to face stiff competition from industries of the foreign countries which have the enabling environment for production, distribution and marketing of their products. Unless the correct policies are put in place to provide the enabling environment that would guarantee the availability of constant power supply, good communication facilities and adequate security, many small scale industries may not survive the competitive drive in the global arena.

The Government should embark on an aggressive enlightenment drive to sensitize the entrepreneurs on existence of the Small and Medium Industries Equity Investment Scheme (SMIEIS). The geographical spread of the projects financed suggested that the level of awareness of the scheme is not uniform across the country. Furthermore, the recently launched Baseline Economic Survey by the Central Bank on Nigeria which seeks to provide integrated information system about SMIs in Nigeria for better implementation of the SMIEIS needs adequate publicity.

Government must evolve a deliberate way to enhance capacity building within the Small and Medium Scale Industries. This would assist them in better management of their business; know how to properly package a loan request to a bank and how to access other available financing sources amongst others.

Government should encourage vertical integration between the small scale industries and the large scale industries in order to promote patronage rather than competition among them. Furthermore, linkages can be established and strengthened through sub contracting.

Efficient and responsive financial system capable of providing an array of financial services to the small scale industries is indispensable for the survival of small scale industries. This is because; equity funding is not enough to move a business, working capital requirement must constantly be met otherwise operations may run in to unnecessary hitches.

Government must device a means of making the small scale enterprises to allow joint ownership in their businesses. This is because as indicated from the responses obtained from the questionnaire, most small scale enterprises are reluctant to access the SMIEIS funds for fear of diluting their ownership through equity funding. The small scale enterprises must be

made to realize that it is better to own 20% of the viable business than 100% of a dead business.

The cumbersome documentation requirements by the banks from eligible business should be made flexible without sacrificing the principle of sound financial practice.

The government should provide incentives to the banks by evolving a procedure of sharing the risk of exposure to the small scale industries by the banks. This risk sharing arrangement between the banks and the government would encourage the banks to channel credits to that sub sector.

A data base of foreign market should be created and made available to small scale enterprises. This should include participation in foreign trade fairs and export missions. Furthermore, the promotion of tie-ins, technical service agreements, joint ventures and franchising with larger foreign

companies would assist the SMIs greatly in the areas of technology and marketing.

The government should come out with an array of incentives to encourage investments in small scale business. Incentives like tax holiday, interest draw back are appropriated.

Finally, the government should ensure that there is a stable and transparent micro-economic environment. This will enable business predict accurately and plan the business programmes with greater certainty.

5.5 DIRECTION FOR FUTHER STUDY

One of the limitations of the study as earlier mentioned is the inability to sample the opinion of the operators or entrepreneurs running the small scale enterprises. In conducting a study of this nature, all things being equal, the views of the two sides of the divide should be obtained. Unfortunately, due to some

constraints as mentioned earlier, the study concentrated on banks and the regulators of the scheme.

Further research on this subject that will marry the findings of this study with the views of the operators of small scale industries is recommended. Similarly, in the near future a re-assessment of the achievement or other wise of the scheme is recommended in order to advise the authorities in charge of policy formulation and to enrich the literature.

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APPENDIX 1

QUESTIONNAIRE

I am an MBA student of the Department of Business Administration, Ahmadu Bello University, Zaria; carrying out a research work on the topic: An appraisal of the effects of Small and Medium Industries Equity Investment Scheme (SMIEIS) on Bank lending: A case study of some selected banks.

Consequently, I would like you to please respond to this questionnaire by filling in the gaps or ticking the right answers as appropriate. You are assured that all responses given would be treated with the strictest confidence and would be used purely of academic purposes.

Yours faithfully.

B. Hassan

1. Name of the institution _____
2. Status of the respondent _____
3. Working experience: (a) Below 5 yrs ( ) (b) 5-10 Yrs ( ) (c) 10-15 yrs( ) (d)15-20yrs ( ) (e) 20yrs and above ( )

4. What is your risk perception of lending to Small Scale Enterprises? (a)Very high ( ) (b) High ( ) (c) Medium ( ) (d) Low( )

5. Do you think SMIEIS affects normal lending to Small Scale Enterprises? Yes ( ) No ( )

6. Is SMIEIS funds readily available to the intended beneficiaries? Yes ( ) No ( )

7. Are banks willing to lend to Small Scale Enterprises? Yes ( ) No ( )

8. If No why?

   _____
   _____
   _____
   _____

9. Are conditions precedents to grant of SMIEIS funds stringent? Yes ( ) No ( )

10. If Yes how could they be simplified?

    _____
    _____
    _____
    _____

11. What is the level of awareness of SMIEIS among the intended beneficiaries? (a) very high ( ) (b) high ( ) (c) medium ( ) (d) low

12. Less than 45% of the SMIEIS funds were accessed by the targeted beneficiaries as at December, 2004. Who is responsible for this low patronage? (a)Banks ( ) (b) Beneficiaries ( )

13. If Banks why?

_____
_____
_____
_____

14. If Beneficiaries why?

_____
_____
_____
_____

15. What are the remedies for 11 or 12 above?

_____
_____
_____
_____

APPENDIX II

UNION BANK OF NIGERIA PLC

FIVE YEAR FINANCIAL SUMMARY

	2004	2003	2002	2001	2000
ASSETS	**₦'000**	**₦'000**	**₦'000**	**₦'000**	**₦'000**
Cash and short term funds	42,288,966	34,819,766	32,480,257	20,901,456	19,001,305
Treasury Bills	46,137,510	21,754,227	7,268,847	12,356,310	5,903,355
Advances under finance lease	2,311,275	2,639,781	2,479,866	1,769,830	1,368,665
Loans and advances	30,915,451	20,074,849	21,452,737	21,246,120	11,068,122
Investments	3,541,243	2,352,627	222,501	0	0
Debt stock	3,650,317	3,650,317	0	0	0
Other Assets	4,064,263	3,309,872	3,004,242	2,033,198	1,072,613
Asset on lease	0	0	0	11,135	414,887
Fixed Assets	3,185,896	2,976,925	3,037,504	2,204,076	1,467,839
TOTAL	**136,094,921**	**91,578,364**	**69,945,954**	**60,522,125**	**40,296,786**
LIABILITIES					
Deposit and other accounts	103,230,510	74,234,477	58,926,704	52,158,404	33,031,350
Other liabilities	10,867,505	6,648,979	3,438,076	3,314,766	3,760,044
Taxation payable	446,841	288,978	355,821	286,253	247,144
Deferred taxation	429,498	440,000	123,911	21,915	0
Dividend payable	1,112,507	681,910	550,060	437,500	375,000
Share Capital	2,781,267	1,948,314	1,571,600	1,250,000	1,250,000
Share premium	5,972,404	798,300	233,229	65,429	65,429
Deposits for shares	1,749,861	0	0	0	0
Statutory reserves	3,408,040	2,184,152	1,813,238	1,120,611	563,349
Small Scale Industries Reserve	1,251,481	799,103	491,460	213,287	866,372
General reserves	4,706,909	3,416,053	2,303,757	1,515,862	
Revaluation reserve	138,098	138,098	138,098	138,098	138,098
TOTAL	**136,094,921**	**91,578,364**	**69,945,954**	**60,522,125**	**40,296,786**
Contingent liabilities	11,923,485	5,105,297	3,460,170	3,718,286	5,446,852

SOURCE: Union Bank of Nigeria Plc Annual Report and Accounts, Lagos Nigeria.

APPENDIX III

FIRST BANK OF NIGERIA PLC

FIVE YEAR FINANCIAL SUMMARY: For the year Ended march 31

	2004	2003	2002	2001	2000
ASSETS	₦'000'000	₦'000'000	₦'000'000	₦'000'000	₦'000'000
Cash bank balances and bills disc	195,800	230,497	186,978	145,924	126,457
Investments	16,825	7,343	780	501	491
Loans and advances	78,040	56,046	61,918	46,111	34,981
Other Assets	11,596	17,428	8,664	12,855	10,933
Equipment on Lease	665	644	190	202	244
Fixed Assets	9,564	8,620	7,826	7,308	7,447
	312,490	**320,578**	**266,356**	**212,901**	**180,553**
LIABILITIES					
Deposit	207,181	199,294	168,175	148,279	127,230
Current taxation	4,022	3,123	1,176	1,740	1,103
Deferred taxation	1,533	1,165	694	453	0
Dividend	5,429	3,811	2,642	2,114	1,626
Other liabilities	55,704	88,145	75,922	43,222	36,075
Small Scale Industries Reserve	3,879	2,468	1,129	620	0
Capital and other reserves	34,742	22,572	16,618	16,473	14,519
	312,490	**320,578**	**266,356**	**212,901**	**180,553**

Source: First Bank of Nigeria Plc. Annual Report and Accounts 2004, 2003, 2002

APPENDIX IV

UNITED BANK FOR AFRICA PLC

FIVE YEAR FINANCIAL SUMMARY: For the year Ended march 31

	2004	2003	2002	2001	2000
ASSETS	₦'000'000	₦'000'000	₦'000'000	₦'000'000	₦'000'000
Cash and short term funds	89,820	92,615	103,314	87,712	53,920
Bills discounted	40,497	30,490	30,268	47,823	34,499
Investments	2,387	2,049	944	757	647
Loans and advances	56,136	46,076	40,135	23,106	17,325
Other Assets	13,603	24,176	19,125	22,990	9,595
Fixed Assets	6,363	5,589	4,894	4,860	4,001
	208,806	**200,995**	**198,680**	**187,248**	**119,987**
LIABILITIES					
Deposit and current accounts	151,929	142,427	131,866	133,135	82,518
Other liabilities	32,051	41,994	55,403	44,478	29,427
Deferred taxation	1,103	1,923	1,265	918	0
Taxation	2,279	884	364	290	1,260
Borrowings	3,385	0	0	0	0
Share capital	1,275	1,275	850	850	500
Reserves for bonus issue	255	0	425	0	350
Small Scale Industries Reserve	1,426	865	224	0	0
other reserves	15,103	11,627	8,283	7,577	5,932
	208,806	**200,995**	**198,680**	**187,248**	**119,987**

Source: United Bank for Africa Plc. Annual Report and Accounts 2004, 2003, 2002