

Bank of Industry (BOI) And SMEs Development in Ikeja Business District, Lagos State, Nigeria

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ABSTRACT

The aim of this study was to establish and assess the contribution of the Bank of Industry towards SMEs development in Ikeja Business District, Lagos state, Nigeria. The study aimed at ascertaining the financial contribution of the Bank towards the economic advancement of the area through provision of financial assistance to SMEs operators in the state. A simple random technique was used to select the respondents who are beneficiaries of the facility within the study area according to BOI directory, 2018. Data were collected through the use of questionnaire. The questionnaire was administered on a sample of one hundred and twenty (120) SMEs operators using a random sampling technique. Ninety two (92) of the questionnaire were correctly filled and returned. Bivariate regression analysis with the help of SPSS version 25 was used to test the formulated hypotheses. Findings from the Analysis revealed that although the identified predictor (BOI's financial contribution) is a good predictor of SMEs development and is statistically significant, its contribution is too minimal and is presented with the coefficient and probability value of ($\beta_1 = 0,085, p < 0.05$) at 5% significance level. This indicates that for every unit of the financial contribution offered by the Bank of Industry towards the development of small and medium scale enterprises in the study area, the effort only produces a paltry 8.5% change in SMEs development. The study recommends among other things that the expansion of the power of BOI as the apex institution for the development and promoting of SMEs in Nigeria should be considered with vigor, so that BOI would perform its statutory mandate of giving assistance to SMEs operators.

Key words: Development, Small and Medium Enterprises, Bank of Industry, Performance

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Nigeria**

1.0 INTRODUCTION

The place of small and medium scale business enterprises (SMEs) in both developed and developing economies cannot be over-emphasised. This is particularly true, because of the numerous roles they play towards the overall economic and industrial development of the economy. Every effort towards the restructuring of the economy without particular emphasis on the development of small and medium scale business is not likely to be very successful in the long term (2005). Small scale industry orientation is part and parcel of Nigeria. Evidence abound in our respective local communities of what successes our great grandparents made of their respective trading concerns, yam barns, iron smelting, farming, cottage industries and the likes. So the secret behind their success of a self-reliant strategy does not lie in any particular political philosophy, so much as in the people's attitude to enterprise and in the way by which the right incentive is adequate enough to make risk worth taking are provided. Economic history is well stocked with enough insights into the humble beginnings of present day grand corporations. Evidences abound that almost all of the multinational giant corporations were cottage enterprises, growing as their industry grew, and through their own sheer ability either reproduce existing products more cheaply or improve their ability. For example, Coca-Cola, the most popular branded soft drink in the world was invented as a tonic by an Atlanta Pharmacist, John, S. Pemberton in 1886 (Encyclopaedia Bratannica, 1912). Even at the international level, in the early stages of

her industrialization, Japan's economy was dominated by traditional industries, cottage firms, and by a large number of small scale firms, drawing their strength not from abundance of capital but rather from her supply of labour (Nduku, 2017).

Governments in developing countries, especially in Nigeria, provide a wide variety of programs to develop and assist SMEs. Despite these programs, it has been observed that their impact on the performance of SMEs has been less than satisfactory. This can be attributed to some factors that governments and policy makers in developing countries have failed to put into consideration in the design and implementation of SME development programs. Most SMEs either remain small, moribund or shut down within few years of operation due to some constraints that hinder their growth, especially finance. Though Bank of Industry has been an initiative of the Federal Government to serve as a partner in progress in the area of giving financial assistance to SMEs owners in the country, the problem is how effective has this been carried out and how it has met and/or satisfy the objectives of its establishment.

It is on record that many writers such as Oputu (2012), Samaila (2015), Aderemi (2010), Allen & Gale (2004) among others have written extensively on this subject matter but the methodologies and the study design adopted were greatly inconsistent and this has reflected in their result and findings. The inconsistencies necessitated this study as the work intends to fill the gap created.

1.1 Objectives of The Study

The main objective of this study was to determine the contribution of Bank of

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Industry (BOI) towards SMEs development in Ikeja Business District, Lagos state, Nigeria. Specific objectives was to:

- a. assess the financial contribution of BOI towards the development of SMEs in Ikeja Business District, Lagos state.

1.2 Research Hypothesis

Ho: Bank of Industry does not make significant financial contribution towards the development of SMEs in the study area.

Hi: Bank of Industry makes significant financial contribution towards the development of SMEs in the study area.

1.3 Scope of The Study

The scope of the study was the total beneficiaries of the financial assistance offered by the Bank of Industry (BOI) within the Business District of Ikeja, Lagos state, Nigeria between 2015 and 2018.

Conceptual Clarifications

Bank of Industry (BOI)

The Bank of industry (BOI) was created to vigorously pursue this aspiration of the government, which was to promote the growth and development of small and medium scale industries in the country. Bank of Industry has manifestly emerged as the nation's quintessential development finance institution with a several initiatives that have enhanced single digit interest regime in her values-added business operations (Olagunju, 2015).

In its attempts to further enhance the welfare of those at the grass roots, the Bank has developed its micro-credit scheme using the cooperative lending

model. This product is aimed at providing finance for enterprises with common interests who individually might not be able to meet the requirement for accessing finance but as a group can pool their resources together so as to raise adequate finance needed.

The emphasis of the Bank's cooperative lending is on value addition and clusters particularly in the agricultural value chain where the country has comparative advantages that can be converted to competitive advantages. The Bank would usually ring-fence its SMEs and Large Enterprises with these clusters to create a linkage between them whereby the cooperative clusters would provide for the raw material needs of the SMEs and Large Enterprises.

To increase the access of BOI assisted SMEs to working capital loans from commercial banks, the bank decided to enter into MOUs with 10 SME friendly commercial banks that have now agreed to lend at negotiated interest rate. The commercial banks are: First Bank, United Bank for Africa, Diamond Bank, ECOBANK, Standard Chartered Bank, Fidelity Bank, Stanbic-IBTC, FCMB, Access Bank and Skye Bank. BOI is to have access to the SME data bases of these commercial banks and also leverage their wider branch network across the country to enable BOI reach more SMEs.

Small and Medium scale enterprises (SMEs) in Nigeria

Small and medium scale enterprises (SMEs) in Nigeria have existed before the country's independence in 1960, but since independence, Nigeria has had series of seminars, studies and workshops, each of

which appraise the excellence, importance and need to facilitate the establishment and sustainability of SMEs (Oputu, 2012). As evident in every other part of the world, SMEs have also have a long history in Nigeria following their capability to offer great and alternative means of survival for the people. They, in Nigeria, have managed to save many poor homes that have the innovation to start a unique business though with diverse problems of establishment and/or survival considering the various environmental peculiarities (Sanni, 2009). In Nigeria, there is no generally acceptable definition of SMEs but it varies over time with organization, business and industry. For example, the Central Bank of Nigeria (CBN) defines SME as a business entity in which the asset cannot be more than ₦200 million without the value of its land and working capital. Also, its employees are between 10 and 300 people. Due to the flexible nature, SMEs are quite able to withstand economically diverse situations. In Nigeria SMEs are more likely able to survive in smaller urban and rural areas where they can effectively contribute to the amount of economic activity in many regions, which has helped to reduce migration into larger cities like Lagos, (Adejumo and Olaoye, 2012)

More so, Nigerian SMEs can be categorized into urban and rural enterprises. The urban in a more formal way, can further be classified into *Organized and Unorganized* enterprises. The organized enterprises which some scholars referred to as formal entities, have paid employees with a registered office while the unorganized enterprises also known as informal entities, are direct

opposite of the former; they do not have paid employees nor specific office locations as they are just artisans. operating in temporary wooden workshop or structures, the unorganized enterprises rely mostly on apprentices or family members and mostly employ low rate or no salary paid workers. Rural enterprises are made up of family groups, women that are engaged in food production from local farm crops, and individual artisans.

The contribution of SMEs globally is huge and extremely important because they create wealth, employment opportunities and promote entrepreneurial skills, poverty alleviation and stimulate wider prosperity (Mugisha, Wamono & Kikabi, 2012)

Importance of Small Business Enterprises in the Economic Development

Small business enterprise account for substantial part of the total industrial employment, production and value added in an economy business concern.

- i. They act as catalyst for technological development
- ii. They Provide employment opportunities
- iii. They provide training ground for establishment and management of a large firm, over time some of these firms grow in size either by expansion or by merging with other firms.
- iv. They encourage and promote private sector initiatives and development.
- v. They help to fill the gap left and un-serviced by the large firms.
- vi. They help to tab the relatively ignored and other unexploited

- resources and areas of production
- vii. They said the process of redistribution of incomes in many countries both in pure financial terms and in regional terms.
 - viii. They act as industrial links between local producers of raw materials and industrial concerns
 - ix. They have positive implications for improving the standard of living of the citizens and generation of foreign exchange through export

2.0 EMPIRICAL REVIEW

Sama'ila & Tahir, (2012) conducted a research on the Role of Bank of Industry (BOI) in the Development of Small and Medium Scale Enterprises (SMEs) in Bauchi Metropolis. The population of the study was 50 Small and Medium Scale Businesses in Bauchi metropolis. Due to data screening, only responses of forty (40) valid Questionnaires out of the fifty (50) SMEs were analysed. Correlation was used for the analysis. It was found out that Small and Medium Enterprises (SMEs) in Bauchi Metropolis are highly affected by the role the Bank of Industry. Loans collected by the SMEs from the bank are utilized for the purposes they are intended as revealed by the research.

Ács & Virgill, (2009) investigated the impact of bank loans on economic growth in Nigeria over the period of 1992-2013. This study made use of quantitative secondary data from the Central Bank of

Nigeria (CBN) statistical bulletin (2013) to carry out this study. The empirical perspective of this study employed the Augmented Dickey-Fuller Unit Root Test, co-integration test, error correction model (ECM) and the parsimonious test. Empirical evidence from the study has shown that the activities of bank loans have the capacity to influence the entire economy if it is well coordinated. The results of the study indicate that bank loans and domestic investment significantly and positively affect the growth of Nigeria's economy based on the magnitude and the level of significance of the coefficient and p-value and, there is a long-run relationship between

Agbaeze & Onwuka, (2014). (2012) examined the impact of finance institution on economic growth of a country, thus using Nigeria as a case study. The study employed the multiple regression analysis given that the data are cross-sectional and time series in nature. Secondary data of all commercial banks were extracted from the Central Bank of Nigeria statistical Bulletin and Annual Reports. Data used in this model are time series secondary data for the period 1992 to 2012. The findings of the study show that bank loans have a significant positive impact on the short run economic performance in Nigeria. Bank loans enhanced consumption per capita in short run with an impressive coefficient, although these bank loans do not have a significant impact on economic growth in the long run.

Idowu (2015) assessed the impact of Bank of Industry (BOI) on Small and Medium Enterprises (SMEs) in Nigeria. Simple random sampling technique was employed

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in selecting the 100 SMEs that constituted the sample size of the research. Structured questionnaire was designed to facilitate the acquisition of relevant data which was used for analysis. Descriptive statistics which involves simple percentage graphical charts and illustrations was tactically applied in data presentations and analysis. The findings of the study revealed that significant number of the SMEs benefitted from the BOI financial assistance even though only few of them were capable enough to secure the required amount needed. Interestingly, majority of the SMEs acknowledge positive contributions of the loans towards promoting their market share, product innovation achieving market excellence and the overall economic company competitive advantage.

3.0 METHODOLOGY

The research is descriptive in nature and relied heavily on the use of a structured questionnaire which was administered on respondents. The study area was the Business district of Ikeja, Lagos state, Nigeria. The population of the study was all the beneficiaries of the financial assistance enjoyed from the Bank of Industry (BOI) according to BOI directory, 2018. The scope of the study was between 2015 and 2018. A total number of 120 copies of questionnaire were administered on respondents using a random sampling technique with the help of market associations in commercial areas of Ikeja (Awolowo road), Computer

village, Opebi/Allen, Agidingbi/Secretariat axis. Ninety two (92) copies were correctly filled and returned, representing 77% response rate. The questionnaire consisted of two sections; the profile of the respondents and the main questionnaire that contains questions on Bank of Industry and its contribution towards SMEs performance. All variables in this study were measured using a 5-point Rensis Likert's scale of 5 = Strongly Agree, 4 = Agree, 3= Agree to some extent, 2 =Disagree and 1 = strongly disagree. Responses were coded, entered into the Statistical Package Software for Social Sciences (SPSS) version 25 for analysis. Bivariate regression analysis was used to test the hypothesis formulated for the study.

Model Specification

The Linear regression model to empirically test the hypothesis formulated is:

$$Y_t = a + \beta_1 X_{t1} + \beta_2 X_{t2} + \beta_3 X_{t3} + \beta_4 X_{t4} + \dots + e$$

Where Y_t =SMEs Development

X_{t1} = Financial contribution

a = Intercept

β = Beta co-efficient of the independent variable

e = Standard error of the estimate

Preliminary Findings

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Table 1 Responses generated in support of objective 1

RESPONSES	FREQ	PERCENT	VALID PERCENT	CUM. PERCENT
Strongly Agree	14	15	15	15
Agree	17	18	18	33
Disagree	32	35	35	68
Strongly Disagree	29	32	32	100
TOTAL	92	100	100	

Source: Field study, 2018

Table 1 above shows that 15% and 18% strongly agreed and agreed with the statement respectively that BOI contributes significantly to the survival of small and medium businesses in Lagos state, while 32% strongly disagreed with it.

HYPOTHESES TESTING

Test of hypothesis

The only objective of this study was to find out whether Bank of Industry as an agency of the federal government significantly assisted SMEs operators financially within the time frame covered in this study or not.

Ho: Bank of Industry does not make significant financial contribution towards the development of SMEs in the study area.

Table 2a: Model of fit for BOI's financial contribution and SMEs Development

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.233 ^a	.041	.061	.31801
a. Predictors: (Constant), BOI's financial contribution				

Source: Data Analysis (2019), SPSS Version 25

Table 2a above shows that BOI's financial contribution has an R² co-efficient of 0.041 and adjusted R² of 0.061. This reveals that one unit increase in BOI's

financial contribution resulted in 6.1% increase in SMEs development holding all other independent variables constant.

Table 2b: ANOVA on BOI's financial contribution

ANOVA^a						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.241	1	.321	2.148	.001 ^b
	Residual	4.197	36	.118		
	Total	4.438	37			
a. Dependent Variable: SMEs DEVELOP,ENT						
b. Predictors: (Constant), BOI's financial contribution						

Source: Data Analysis (2019), SPSS Version 25

Table 2b presents the result of ANOVA. The result provided an F-test of 2.148 and a P < 0.05, an indication that the model is

statistically significant going by the result of the p-value above.

Table 2c: Co-efficient of BOI's financial contribution and SMEs development

Coefficients^a						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	5.103	.413		2.115	.000
	QSD	.085	.106	.143	1.024	.001
a. Dependent Variable: SMEs DEVELOPMENT						

Source: Data Analysis (2019), SPSS Version 25

Table 2c reveals BOI's financial contribution resulted in just 8.5% change in SMEs development. From the analysis, the t-value = 2.115 and p-value < 0.05 which indicates that BOI's financial contribution is a significant predictor of SMEs development, although it is just a minimal contribution as seen in the coefficient and probability value of ($\beta_1 = 0,085, p < 0.05$)

4.0 DISCUSSION OF FINDINGS

This study was conducted to empirically verify the financial contributions of Bank of Industry (BOI) towards the development of small and medium scale enterprises (SMEs) in the Business district of Ikeja, Lagos state, Nigeria.

From the result of the analysis, it can be seen clearly that although the identified predictor (BOI's financial contribution) is a good predictor of SMEs development and is statistically significant, its contribution is too minimal and is presented with the coefficient and probability value of ($\beta_1 = 0,085, p < 0.05$). This indicates that for every unit of the financial contribution offered by the Bank of Industry towards the development of small and medium scale enterprises in the study area, the effort only produces a paltry 8.5% change in SMEs development.

5.0 CONCLUSION

Based on the results of the regression analysis on the assessment of the financial contributions of the Bank of Industry towards the development of small and medium scale enterprises in the Business district of Ikeja, Lagos state, the study was able to draw a conclusion that, although,

the identified predictor (BOI's financial contribution) is statistically significant, its contribution is not significant. As a result of this, we therefore accept the null hypothesis. The findings from this study disagrees with the work of Sama, I and Tahir, H (2015), Oputu (2012) which revealed that there exist significant positive relationship between Bank of Industry's loans and small and medium scale enterprises development in Bauchi metropolis.

6.0 RECOMMENDATIONS

The study recommends among other things that the expansion of the power of BOI as the apex institution for the development and promoting of SMEs in Nigeria should be considered with vigor.

A well-conceived and coordinated scheme aimed at strengthening and improving the information system and counseling services for wider dissemination and greater effectiveness should also be pursued.

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