MICRO, SMALL AND MEDIUM ENTERPRISE NATIONAL SURVEY 2013

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Nigeria
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“It’s not government that creates jobs; its small business. Our job is to make sure they have the access to capital, the access to contracting opportunities, and the help, advice and mentoring that they need to go out and be successful”

K. Mills, 23rd Administrator of Small Business Administration, Obama Administration (2009-2013)
MSMEs and Economic Growth
MSMEs for Economic Growth

It is well known that Micro, Small and Medium Enterprises are key drivers of socio-economic transformation in both developed and developing counties, put at the forefront of economic policy.

Potential for growth:
- Low levels of capital needed
- Labor intensive; employment potential
- Innovation high
- Flexibility to change
- Encourages more equitable distribution of wealth and economic diversification
- Increase in local value added;
- Stimulates local economy
  - Drawing wealth, businesses and jobs from commercial centers easing infrastructural pressure
  - snowballing effect, as more infrastructure and upward and downward linking business suddenly find it beneficial to set up in that location and in this way development spreads faster as economic grow.

Challenges:
- Vulnerable to business collapse
- Affected by policy change
- Unregulated, untaxed and unsupported by government

To harness this potential and mitigate challenges, policymakers need **accurate and reliable data** to understand the characteristics and dynamics of the MSME sector.
Survey Background and Methodology
Background of Survey

- Main objective was to establish a **credible and reliable database** to support MSME growth and development.

- **Collaboration** between The Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) and the National Bureau of Statistics (NBS).

- Some aspects like employment and GDP contribution not comparable due to methodology updates since last report.

- Previous collaboration with NBS in **2010** in collection of the **baseline MSME data** was a success, with basic findings as follows:

  - Number of the MSMEs in Nigeria in 2010 of 17,284,671
  - Micro enterprises constituted 17,261,753 or 99.87%
  - Small enterprises accounted for 21,264 or 0.12%
  - Medium scale enterprises were 1,654 in number or 0.01%.
Defining MSMEs

<table>
<thead>
<tr>
<th>S/N</th>
<th>Size Category</th>
<th>Employment</th>
<th>Assets (=N= Million) (excl. land and buildings)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Micro enterprises</td>
<td>Less than 10</td>
<td>Less than 5</td>
</tr>
<tr>
<td>2</td>
<td>Small enterprises</td>
<td>10 to 49</td>
<td>5 to less than 50</td>
</tr>
<tr>
<td>3</td>
<td>Medium enterprises</td>
<td>50 to 199</td>
<td>50 to less than 500</td>
</tr>
</tbody>
</table>

- It is possible under this criteria that a conflict of classification may arise. In such cases, **the employment-based classification will take precedence**
  - Eg. if an enterprise has assets worth seven million naira (N7M) but employs 7 persons, the enterprise would be regarded as micro.
Sampling Methodology

Conducted in all the 36 States of the Federation and the Federal Capital Territory.

Micro Enterprises
• Canvassed through the National Integrated Survey of Household (NISH) Schedule.

• Twelve (12) households with enterprises were systematically selected per EA making a total of **480 Households with enterprises in each state**.

Small and Medium Enterprises
• **4000 Enterprises** were selected for study across the country in **13 sectors**

• Small (employing 10-49 persons) and medium (employing 50-199 persons) enterprises were covered through the National Integrated Survey of Establishment (NISE) Module.
Findings: MSME Sector Overview
Key Findings: Overview

- The total number of enterprises: **37,067,416**
  - Micro: 36,994,578
  - Small: 68,168
  - Medium: 4,670

- Highest number in Lagos
  - Micro: 3,224,324 (8.72%)
  - Small Medium: 11,663 (16.01%)

- Lowest number:
  - Micro: Nasarawa (382,086, 1.03%)
  - Small and Medium: Kwara (226, 0.31%)
Contribution to GDP

- MSMEs contribution to Gross Domestic Product in nominal terms stood at 48.47%, contributing 7.27% to exports

Contribution of MSMEs to GDP by Economic Sector

- Services accounted for 45.72% of total
- Agriculture followed with 42.02%
  - This is due to the low levels of capital and employees needed in businesses within these sectors
- Industry 12.26%
Composition of MSMEs: Business type

- Education had the greatest number of Small and Medium enterprises, followed by Manufacturing.

- Trade had the greatest number of Micro enterprises, followed by Manufacturing.
Labour
Employment

• The total number: 59,741,211, representing 84.02% of the total labour force

By Gender:

• Micro enterprise more gender equal in both business owners and Employees

• Higher gender inequality in business owners in both Micro and Small and Medium

• Highest inequality in Small/Medium Business owners with 77.25% male domination
Education of MSME Owners

- 1 in 5 people in micro enterprises have no education
- 3.6% of people in SMEs have no education
Employment: Skills Gap

- Average Skills Gap larger in Micro enterprises, at 42.10%, against 27.75% in Small and Medium

- Top 5 business types with greatest skills gaps:

<table>
<thead>
<tr>
<th></th>
<th>Micro</th>
<th>Small and Medium</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Mining and Quarrying: 65.48%</td>
<td>Water Supply, Sewerage..: 60.00%</td>
</tr>
<tr>
<td>2</td>
<td>Extraterritorial Organisations and Bodies: 52.99%</td>
<td>Trade: 37.38%</td>
</tr>
<tr>
<td>3</td>
<td>Accommodation and Communication: 51.99%</td>
<td>Agriculture: 33.34%</td>
</tr>
<tr>
<td>4</td>
<td>Education: 50.83%</td>
<td>Arts, Entertainment..: 32.32%</td>
</tr>
<tr>
<td>5</td>
<td>Real Estate: 49.83%</td>
<td>Administrative Activities: 26.83%</td>
</tr>
</tbody>
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Finance
Financing MSMEs: Startup Capital

- **Currently, low levels are being used:**
  - **Micro:** 68.35% start with < N50,000
    1.28% start with > N1,000,000
  - **Small and Medium:** 88.87% start with < N10,000,000
    2.44% start with > N50,000,000

- **Most Capital Intensive Sectors at Startup**

<table>
<thead>
<tr>
<th>Micro (above N1 m)</th>
<th>Small and Medium (above N50 m)</th>
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<tr>
<td>1 Professional, Scientific and Technical Services (5.54%)</td>
<td>Transportation and Storage (9.09%)</td>
</tr>
<tr>
<td>2 Administrative and Support Services (5.36%)</td>
<td>Construction (6.58%)</td>
</tr>
<tr>
<td>3 Mining and Quarrying (4.70%)</td>
<td>Accommodation and Food Services (5.78%)</td>
</tr>
</tbody>
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Capital: Total

Small and Medium Enterprise Total Capital (N, Millions)
Micro enterprises rely more on Family and Cooperatives, whereas Small and Medium are more likely to access a loan.
Challenges
Absence of Formalisation

Lack of capital and poor integration into final markets

Most of the enterprises are operating without legal and financial protection

- **Business Plan:**
  - Micro: 69.52% no business plan
  Lack of planning in MSMEs contributes to their high rate of failure as well as a lack of willingness of investors to provide capital

- **Registration:**
  - Micro: 95.99% not registered
  Unregistered business makes it hard to keep track of development and needs of small business, as well as regulate them and generate revenue from tax

- **Insurance:**
  - Small Medium: 65.16% no insurance
  - Micro: 94.61% no insurance
  MSMEs are particularly vulnerable to shocks, so a lack of integration into financial markets means that this risk is greater

- **Patents:**
  - Small and Medium: 65.57% no patented product
  - Micro: 90.99% no patents
  Patenting products allows economic benefits of a product to remain local
Challenges from MSME Perspective

Priority Areas of MSME Assistance

- The three priority areas: access to finance, provision of infrastructure and regular supply of power and water.

- Small/Medium rely on more hours of alternative sources of power every day.

Daily Use of Alternative Source of Power

- Small/Medium
Policy Recommendations

- A proactive strategy is necessary to address the 6 key constraints faced by the sector:
  - Access to finance
  - Weak infrastructure
  - Inconsistency of Government Policies
  - Access to market
  - Multiple taxation
  - Obsolete technology

- Stable financial development, effective and secure financial systems and targeted lending

- Good institutions at all levels of government supporting and promoting MSMEs.
  - This will ensure corruption and regulatory burdens are minimized and rule of law, land and property rights, creditors’ rights etc. are overcome
THANK YOU FOR YOUR ATTENTION

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