

Research Article

## Evaluation of Small and Medium Scale Enterprise Challenges and Prospects in achieving Business Success and National Industrialization: Evidence from Nigeria

Anisiuba, C. A.(Ph.D)<sup>1</sup>, Emengini, E. S.(Ph.D)<sup>2</sup>,Ezeaku, H.C.<sup>3</sup>

<sup>1,2</sup>Department of Accountancy, University of Nigeria, Enugu Campus

<sup>3</sup>Department of Banking and Finance, Caritas University, Enugu

Emails: [chika.anisiuba@unn.edu.ng](mailto:chika.anisiuba@unn.edu.ng)<sup>1</sup>, [emeka.emengini@unn.edu.ng](mailto:emeka.emengini@unn.edu.ng)<sup>2</sup>, [gijindu@gmail.com](mailto:gijindu@gmail.com)<sup>3</sup>

**ABSTRACT:** *Small and Medium Scale Enterprises (SMEs) obstacles in fulfilling their economic roles has attracted the attention of government, its agencies and researchers alike both in the developed and developing economies. This study aims at filling a gap by evaluating SMEs challenges and prospects in achieving business success and national industrialization. To carry out this study, the researchers used survey research design. Data were collected by means of structured questionnaire distributed to 600 SMEs managers in the South-east of Nigeria. The researchers grouped the questions into accounting and non-accounting business challenges. Data were analysed using percentage frequency. Hypotheses were tested using Multinomial Logit Model (MNL) technique. The results of the data analysis shows that the model is well fitted and the regressors that are accounting challenges are jointly significant in affecting SMEs business success. The study also reveals that the regressors which are non-accounting challenges are jointly significant in affecting SMEs contributions to national industrialization. The researchers therefore recommends that SMEs should endeavour to institute proper accounting system and maintain up to date and accurate book keeping as well as financial reports. This can be achieve through effective handling of the accounting tasks by either employing the services of an accountant, outsourcing the accounting functions or utilizing accounting software that suits the organisation's accounting needs. In addition, government should embark on public/private partnership for provision of socio-economic facilities for easy running of business. They should equally ensure provision of financial support, effective security, adequate power supply, and rent subsidy for SMEs so as to motivate them towards contributing to national industrialized.*

**KEYWORDS:** *Business Success, Challenges, Prospects, National Industrialization. Small and Medium Scale Enterprises (SMEs)*

### 1. INTRODUCTION

Small and Medium Scale Enterprises (SMEs) are essential economic units that is vital for rapid national development and industrialization. They are the backbone of economic growth and the key to sustainable economic development of a nation [1]. The indispensable value of SMEs in every economy has been recognised for several

decades especially by developed nations due to the unique roles they play in aiding accelerated industrialization, economic growth and stability [2]. Specifically, they contribute immensely to job/employment creation, mobilization and utilization of domestic savings, poverty reduction, innovation, entrepreneurship and export/import stimulation as well as to the national Gross Domestic Product [3]. According to [4] the percentage contribution of SMEs to Gross Domestic Product (GDP) in different countries are 60% in China, 57% in Germany, 55.3% in Japan, 50% in Korea and 47.3% in Malaysia. SMEs in Ghana provides about 85% of total employment and it is estimated to contribute about 70% to the GDP. Also, according to [5] SMEs contribute up to 33% of national GDP and 45% of total employment in emerging economies. In Nigeria, SMEs contributions are seen in areas such as employment generation, provision of goods and services, utilization of local raw materials, supplying of input to larger firms, export/import and entrepreneurship stimulation, poverty alleviation and contribution to national gross domestic product [6] and [7]. Specifically, SMEs contribute about 48% of the national GDP and accounts for over 50% of employment in Nigeria. Having recognised the economic value of SMEs by Nigerian government, several efforts were made towards its development and enhancement. Amongst the efforts is the establishment of banks and agencies such as Nigeria Industrial Development Bank -NIDB (1962), Nigerian Bank for Commerce and Industry -NBCI (1973), National Economic Reconstruction Fund -NERFUND (1990), Bank of Industry -BOI (2000), and Small and Medium Industries Equity Investment Scheme -SMIEIS (2001). The essence is to encourage SMEs activities for the benefit of the nation [8]. Despite the efforts of the government in promoting SMEs, the high rate of unemployment, poverty level, business closure, and the low percentage rate of SMEs contribution to the national GDP [2] and [9] suggests that SMEs are experiencing some challenges which are hindering their business success, hence, low level of national industrialization.

This situation arose the researchers' interest in evaluating SMEs challenges in achieving business success and national industrialization in Nigeria using SMEs in the South-East of Nigeria as the case study. This study is significant in the sense that an economy without progressive and positive performing SMEs is in danger of landing into national economic depression.

### 1.2 Objectives of the Study

The main objective of this study is to evaluate SMEs challenges and prospects in achieving business success and national industrialization in Nigeria, while the specific objectives are to:

1. Ascertain SMEs accounting and non-accounting challenges in Nigeria.
2. Determine whether SMEs accounting challenges have effect on business success.
3. Determine whether SMEs non-accounting challenges have effect on their contributions to national industrialization.

### 1.3 Research Questions

The research questions raised for this study are:

1. What are the SMEs accounting and non-accounting challenges in Nigeria?
2. What effect does SMEs accounting challenge has on business success?
3. What effect does SMEs non-accounting challenge has on their contributions to national industrialization?

#### 1.4 Research Hypotheses

Based on the aim of this research, the following hypotheses were developed in a null form:

1. SMEs do not have accounting and non-accounting challenges in Nigeria.
2. SMEs accounting challenges have no significant effect on business success.
3. SMEs non-accounting challenges have no significant effect on their contributions to national industrialization.

## II. CONCEPT OF SMALL AND MEDIUM SCALE ENTERPRISES (SMES)

Small and Medium Scale Enterprises are regarded as the key to national growth, development and industrialization both in the developed and developing economies. They unlock potentials of a nation and bring about economic development. SMEs helps in job creation, production, export stimulation, poverty reduction, and contributes to the national Gross Domestic Product (GDP). In Nigeria, SMEs contribute to about 48% of the national GDP, and accounts for over 50% of employment [2]. Owing to the economic values of SMEs, countries defined it in different ways depending on the SMEs roles, economic policies, or industrialization target of the country [10]. Basically, most definitions have common features which are firm size, fixed assets, turnover, and the number of employees [11]. In developed economies like USA, U.K and Canada the definition consist of a mixture of annual turnover and employment level [2] while a mixture of firm size and number of employees are adopted in developing economies. For statistical purposes, the Organisation of Economic Corporation and Development defined SMEs as the firms employing up to 249 persons using the following breakdown: micro (1 to 9), small (10 to 49) and medium (50-249). In Nigeria, the National Council of Industries in 2003 categorized enterprises using three criteria: firm size, number of employees and total assets including working capital but excluding land. Furthermore, the criteria adopted by Small and Medium Enterprise Development Agency of Nigeria (SMEDAN) in 2007 for National Policy on Micro, Small and Medium Enterprises (MSMEs) are firm size, employment size and assets excluding land and building. However, the asset base criterion is mostly used in Nigeria. Furthermore, Central Bank of Nigeria, in its 2005 guideline on Small and Medium Scale Industries Equity Investment Scheme (SMIEIS) defined SME as any enterprise with a maximum asset base of 200million naira excluding land and working capital with a number of staff employed not less than 10 or more than 300 [2]. In spite of the varieties of definition accorded to SMEs, there is still a high level of consensus on their economic roles and importance to nation's growth and industrialization.

#### 2.1 SMEs and Accounting Challenges

Bookkeeping and accounting are amongst the essential activities in every business organisation. Bookkeeping is the act of recording business or financial transactions as they occur. Accounting is the process of collecting classifying, summarising and communicating financial information for effective decision making. Accounting system in use in any organisation determines the success or failure of that organisation [12]. According to [13] and [14] many SMEs do not keep adequate accounting records needed for preparing accurate and useful financial reports. Unfortunately, most of them do not see mistakes or wrong accounting treatment as a major challenge or threat to the success of the

business [14]. It went further to highlight bookkeeping challenges facing small businesses which include not using the correct accounting software that suits the business needs, inaccurate financial statements, inability to produce accurate monthly financial reports, mixing personal finance with business finance, carrying out business expenses without recording, starting new projects and ideas without budgeting, and poor interpretation of accounting information. Furthermore, [8] and [16] pointed out wrong accounting system, poor management of accounting information, incorrect accounting reports, and incomplete financial information as accounting challenges facing SMEs.

## 2.2 SMEs and Non-Accounting Challenges

SMEs equally face non-accounting challenges that come from business environment. According to [2] and [10] these challenges which include lack of infrastructural facilities, lack of government financial support, lack of credit facilities, non-enabling business environment, policy inconsistency, multiple taxation, high level of unskilled workforce, low investment commitment by the government and lack of investment in human capital are encountered by SMEs in the course of business endeavour. Moreover, [17] stated that SMEs in Nigeria face so many business challenges such as power shortage, corruption and government inability to give significant financial support to SMEs thereby neglecting an important economic trigger and pillar of economic development. [18] went further to outlined bad road, inadequate infrastructure, lack of access to finance, unfavourable tax policies/administration, ineffective power supply, corruption, insecurity, lack of vocational education and business skills training as challenges facing SMEs which hinders their efforts in becoming the backbone of the economic growth and industrialization in Nigeria.

## 2.3 SMEs and National Industrialization

National industrialization is the process of changing from an agriculture-based society to the one based on manufacturing. Its features include automation, scientific development, factories establishment, increase in mobile workforce, and the growth of urban centers [19]. Most of these features are visible in developed economies like USA and U.K, and some of the developing economies like Ghana and Kenya. Most industrialized countries give the credit to the existence of SMEs who are regarded as the drivers of economic development and industrialization [9]. SMEs are indispensable in achieving national economic growth and industrialization. They play important roles such as innovation, high percentage of the total national employment, provision of goods and services, export stimulation, tax payment and contribution to Gross Domestic Product [17]. According to [6] SMEs as well as micro enterprises in the OECD economies account for over 95% of firms, 60-70% of employment and 55% of GDP. In developing economies, such as in Morocco, 93% of firms are SMEs and they account for 38% of production, 33% of investment, 30% of export and 46% of employment. Survey carried out by the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) in conjunction with National Bureau of Statistics (NBS) in 2013, revealed that “the total number of Micro, Small and Medium Scale Enterprises (MSMEs) as at 2013 stood at 37,067,416 with Micro Businesses recording 36,994,578, Small Businesses recording 68,168, and Medium Businesses recording 4,670” [3]. The SMEs employed 59, 741,211, representing 84.02% of the Nigeria total labour force, contribute 48.47% to Gross Domestic Product (GDP) and 7.27% to exportation. However, based on these contributions, SMEs in Nigeria is said to have not performed up to expectation owing to a small percentage contribution to the GDP unlike the other emerging economies in the world [20]. He further outlined the likely causes

or SMEs challenges in Nigeria that hinders SMEs contributions to national industrialization which include poor and inadequate infrastructure, lack of access to funds, government bureaucracy, as well as multiple taxes and levies.

#### 2.4 Prospects of SMEs in Nigeria

The population of SMEs in Nigeria is increasing geometrically. This is mainly due to unemployment situation, rural-urban migration, poverty, coupled with the increase in number of higher institution unemployed graduates which has multifaceted the activities of the SMEs [21]. With the help of the knowledge and skills acquired in school and during national youth service corp, most graduates were able to start up businesses or join existing ones. Moreover, non-graduates who are unemployed are not left out in this race. They also establish SMEs according to their abilities and resources. This development demonstrates the SMEs prospects in Nigeria in terms of job opportunities creation, which has direct effect on poverty and unemployment reduction as well as improvement in standard of living. Other areas of SMEs prospects in Nigeria include wealth creation, entrepreneurship stimulation, increase in tax revenue generation, export-import stimulation, redistribution of income and wealth, steady supply of raw materials to large scale industries, utilization of local raw materials, and increase in productivity level [2]. Based on the SMEs outlined prospects, it is important that Nigerian government should make a favourable business policy a priority for SMEs business success and national industrialization (Ololube and Uzorka, 2008 as cited in [21]).

This study was anchored on Business Continuity Management, and Developmental State theory. Business continuity management (BCM) is a critical process which ensures that company maintains normal business operations during a challenge with minimal disruption. BCM works on the principle that good response systems mitigate damages from theoretical events ([www.bocada.com/](http://www.bocada.com/)). Developmental State theory on the other hand, was conceptualized by Chalmers Johnson (1982), who defined developmental state as “a state that focused on economic development and takes necessary policy measures to accomplish its’ objective” [22]. Based the purpose of Business Continuity Management and Developmental State theory are suitable for this study since SMEs aim at sustaining their businesses irrespective of the challenges facing them, and government economic intervention usually aims at achieving enabling business and social environment.

In a study carried out by [14] they investigated accounting record keeping practices for performance measurement employed by SMEs in Zimbabwe, using Bindura as a case study. The study revealed that the majority of SMEs do not keep complete accounting records because of lack of accounting knowledge that resulted to incomplete accounting information for measurement of financial performance. They recommended that national regulators should develop specific record keeping and accounting guidelines for SMEs and organize accounting training programmes for entrepreneurs in small businesses. [13] in his work “evaluation of accounting systems used by small scale enterprises in Nigeria” in which he used Enugu South-East as the case study. The researcher pointed out the link between record keeping by SMEs and financial performance/profitability. He asserted that without adequate record keeping, small-scale business operators could not effectively determine their financial performance. The researcher suggested that SMEs should keep adequate records that will help them to keep accurate track of the business activities and enhance their performance. This is because wrong financial information can negatively affect the business decision and long-term sustainability of a business whether large or small. Also, in a research work carried out by [8] with emphasis on the relevance of accounting information and the extent to which accounting information can be used to ameliorate the financial challenges of SMEs in Nigeria. The study showed that SMEs in Nigeria operates poor accounting system. It also revealed that SMEs access to loan depends largely on the quality of their accounting reports which are usually inaccurate. The study recommended that SMEs should employ the services of the accountants in other to establish dependable accounting system that is characterised by generally accepted accounting practices (GAAPs). This is because accurate accounting report enhances SMEs financial



decisions, access to loan and business management. A study on financial accounting practices of small and medium scale enterprises (SMEs) carried out by [16] in Ho Municipality, Ghana using 225 owner-managers, indicated that majority of SMEs keep improper accounting records of their businesses. This resulted to difficulty in determining the assets and liabilities as well as the profit earned or loss suffered in the business within an accounting period. The study also revealed that the failure to keep proper accounting records and prepare useful financial statements is due to challenges that are facing SMEs, which include high cost of hiring qualified accountants and lack of accounting knowledge on the part of some owner-managers. The researchers recommended that the National Board for Small Scale Industries (NBSSI) in collaboration with the accounting bodies should organize accounting training programmes on proper bookkeeping and accounting practices for owner-managers of SMEs. [2] studied the issues, challenges and prospects of small and medium scale enterprises in Port-Harcourt City, Nigeria. The result of the study indicated that poor financing, inadequate infrastructure, lack of managerial skills and multiple taxation are major challenges facing SMEs in Port-Harcourt. They recommended provision of soft loan and guaranteeing of long-term loans to SMEs operators by the government, as well as establishment of SMEs funding agency, capacity building and provision of tax incentives for SMEs operators. [7] in their study in which they examined the challenges militating against the development of Nigerian industrial sector and strategies for economic industrialization in the year 2035. The research result showed that foreign technology dependent, poor infrastructural facilities, inadequate power supply, uneasy access to fund, bureaucratic corrupt practices, inadequate technical manpower, poor entrepreneurial development, lack of progressive and protectionist industrial policies hinders industrialization in Nigeria. The researchers recommended development of indigenous technology, provision of infrastructural facilities, entrepreneurship promotion, steady power supply as well as honest and transparent leaders with strong political will as paths to achievement of industrialization in Nigeria. Furthermore, [17] in his study in which he empirically explored the role played by SMEs, their contributions, challenges and solutions, he discovered that SMEs in Nigeria face numerous challenges such as poor management skills and competencies, lack of capital, power shortage, inadequate information and corruption. The researcher calls for Nigerian government to develop favourable policies for SMEs perfection and put them in their development agenda. It also emphasized that with an appropriate legal framework, infrastructure, continuous power supply and accessibility to finance; SMEs will effectively play its roles and contribute to economic development in Nigeria.

### III. METHODOLOGY

Survey research design was used in this study. The population consist of 600 randomly selected Small and Medium Enterprises (SMEs) in the South-east of Nigeria. Questionnaire was used to source data for the study. The questionnaire consists of two major sections. The first section consists of questions relating to accounting challenges of SMEs, while the second section consists of questions relating to non-accounting challenges of SMEs in Nigeria. The questionnaire was closed ended with five Likert-scale of strongly agree, Agree, Undecided, Strongly disagree and Disagree. The questionnaires were distributed to 600 SMEs managers. All distributed questionnaire were collected with the help of dedicated research assistants. Data were analysed using percentage frequency and hypotheses were tested using Multinomial Logit Model (MNL) technique.

### 3.1 Decision Rule

If p-value is less than 0.05 ( $p\text{-value} < 0.05$ ) reject  $H_0$  and accept  $H_1$

If p-value is greater than 0.05 ( $p\text{-value} > 0.05$ ) reject  $H_1$  and accept  $H_0$

### 3.2 Data Presentation and Analysis

The analysis of the SMEs managers' responses to the questions on SMEs accounting and non-accounting challenges are presented in tables 1 and 2 below:

**Table 1 Response to the SMEs accounting challenges in the South-East of Nigeria**

Options	Frequency	Percentage (%)
Wrong Accounting System	62	10.3
Inadequate Cash flow Management	16	2.7
Inefficient prepayment Management	8	1.3
Inefficient accrual Management	10	1.7
Inaccurate financial Reports	102	17
All of the above	402	67
Total (%)	600	100

Source: Researcher's Field Survey, 2018

Table 1 above reveals that 402 (67%) of the respondents identified wrong accounting system, inadequate cash flow management, inefficient prepayment management, inefficient accrual management and inaccurate financial reports as the accounting challenges facing SMEs in the South-east of Nigeria. The analysis also reveals that 102 (17%) and 62 (10.3%) of the respondents identified only inaccurate financial reports, and wrong accounting system respectively as the accounting challenges facing SMEs in the South-east of Nigeria. Furthermore, 16 (2.7%) and 10(1.7%) of the respondents as well as 8 (1.3%) of the respondents identified only inadequate cash flow management, inefficient accrual management and inefficient prepayment management respectively as the accounting challenges facing SMEs in the South-east of Nigeria.

**Table 2 Response to the SMEs non-accounting challenges in the South-East of Nigeria**

Options	Frequency	Percentage (%)
Lack of infrastructural facilities	11	1.8
Insecurity	30	5
Lack of government financial support	3	0.5
Inadequate power supply	14	2.3
High cost of rent	4	0.7
All of the above	538	89.7
Total (%)	600	100

Source: Research's Field Survey, 2018

Table 2 above shows that 538 (89.7%) of the respondents identified lack of infrastructural facilities, insecurity, lack of government financial support, inadequate power supply and high cost of rent as the non-accounting challenges facing SMEs in the South-East of Nigeria. The study also reveals that 30 (5%) and 14 (2.3%) of the respondents identified only insecurity, and inadequate power supply respectively as the non-accounting challenges facing SMEs in the South-East of Nigeria. Furthermore, 11 (1.8%) and 4 (0.7%) of the respondents as well as 3 (0.5%) of the respondents identified only lack of infrastructural facilities, high cost of rent, and lack of government financial support respectively as the non-accounting challenges facing SMEs in the South-East of Nigeria.

#### **IV. TESTS OF HYPOTHESES**

##### 4.1 Test of Hypothesis 1

The hypotheses are stated as follows:

$H_{01}$ : SMEs do not have accounting and non-accounting challenges in Nigeria.

$H_{11}$ : SMEs have accounting and non-accounting challenges in Nigeria.

This hypothesis was tested using the percentage analysis of the respondents' responses in tables 1 and 2 above. In line with the percentage responses, it was observed that SMEs are facing both accounting and non-accounting challenges in Nigeria. This is evidenced by the selection of all listed accounting and non-accounting challenges by the respondents, representing the highest percentage of 67% and 89.7% of the respondents that selected all the listed accounting challenges, and non-accounting challenges respectively as being the challenges facing SMEs in the South-East of Nigeria. The identified accounting challenges are wrong accounting system, inadequate cash flow management, inefficient prepayment management, inefficient accrual management and inaccurate financial reports, while the non-accounting challenges identified are lack of infrastructural facilities, insecurity, lack of government financial support, inadequate power supply and high cost of rent. In line with this outcome, the null hypothesis which states that SMEs do not have accounting and non-accounting challenges in Nigeria is rejected, while the alternate hypothesis which states that SMEs have accounting and non-accounting challenges in Nigeria is accepted. Therefore, it is concluded that SMEs have accounting and non-accounting challenges in Nigeria.

##### 4.2 Test of Hypothesis 2

The hypotheses are stated as follows:

$H_{02}$ : SMEs accounting challenges has no significant effect on business success.

$H_{12}$ : SMEs accounting challenges has significant effect on business success.



Decision Rule is :

If p-value is less than 0.05 ( $p\text{-value} < 0.05$ ) reject  $H_0$  and accept  $H_1$

If p-value is greater than 0.05 ( $p\text{-value} > 0.05$ ) reject  $H_1$  and accept  $H_0$

The statistical tool that was used to test hypothesis 2 is Multinomial Logit Model (MNL), and the outcome is shown in tables 3 to 6 below:

**Table 3 Parameter Estimates**

SMEs Business Success <sup>a</sup>	B	Std. Error	Wald	Df	Sig.	Exp(B)	95% Confidence Interval for Exp(B)	
							Lower Bound	Upper Bound
Intercept	-4.373	.835	27.443	1	.000			
WAS	.845	.393	4.616	1	.032	2.327	1.077	5.029
ICM	.598	.326	3.376	1	.066	1.819	.961	3.443
IPM	-1.489	.559	7.096	1	.008	.226	.075	.675
IAM	-.334	.487	.470	1	.493	.716	.276	1.860
IFR	1.335	.354	14.179	1	.000	3.799	1.896	7.610

a. The reference category is: Strongly Agree.

Key: WAS =Wrong Accounting System; ICM = Inadequate Cash flow Management; IPM = Inefficient Prepayment Management; IAM = Inefficient Accrual Management; IFR = Inaccurate Financial Reports.

Table 3 above explain the parameter estimates for the impact of accounting challenges on the SMEs business success. It shows that wrong accounting system, inadequate cash flow management and inaccurate financial reports are more likely to have adverse effect on the SMEs business success, while inefficient prepayment management and inefficient accrual management are less likely to have adverse effect on the SMEs business success.

**Table 4 Likelihood Ratio Tests**

Effect	Model Fitting Criteria	Likelihood Ratio Tests		
	-2 Log Likelihood of Reduced Model	Chi-Square	Df	Sig.
Intercept	107.660	20.893	2	.000
WAS	97.651	10.884	2	.004
ICM	90.141	3.375	2	.185
IPM	98.400	11.633	2	.003
IAM	90.896	4.129	2	.127
IFR	102.928	16.162	2	.000

Note: Dependent Variable = SMEs Business Success  
 Key: WAS = Wrong Accounting System  
 ICM = Inadequate Cash flow Management  
 IPM = Inefficient Prepayment Management  
 IAM = Inefficient Accrual Management  
 IFR = Inaccurate Financial Reports

Table 4 above presents the magnitude of the effect of accounting challenges on the SMEs business success. It reveals that wrong accounting system, inadequate cash flow management and inaccurate financial reports have significant effect on the SMEs business success, while inefficient prepayment management and inefficient accrual management do not have significant effect on the SMEs business success.

**Table 5 Model Fitting Information**

Model	Model Fitting Criteria	Likelihood Ratio Tests		
	-2 Log Likelihood	Chi-Square	Df	Sig.
Intercept Only	129.980			
Final	86.767	43.213	10	.000

Table 5 above presents information on model fitting. It shows that when the intercept alone is regressed against the SMEs business success, the log likelihood is 129.980 but with no degree of freedom. However, when the accounting challenges (regressors) are included, the log likelihood becomes 86.77 while the degree of freedom is 10. The result thus reveals that the model is well fitted, and the regressors which are the accounting challenges are jointly significant in affecting the SMEs business success. This is explained by the p-value (0.000) which is less than 0.05 ( $p\text{-value} < 0.05$ ) and shows that accounting challenges have negative significant effect on the SMEs business success. In line with this outcome, the null hypothesis which states that SMEs accounting challenges has no significant effect on business success is rejected, while the alternate hypothesis which states that SMEs accounting challenges has significant effect on business success is accepted. Therefore, it is concluded that SMEs accounting challenges has significant effect on business success.

**Table 6 Pseudo R-Square**

Cox and Snell	.369
Nagelkerke	.580
McFadden	.448

Table 6 above presents Pseudo R-square and the analysis is based on Nagelkerke which shows that 58 percent of the variation in SMEs business success can be explained by wrong accounting system, inadequate cash flow management, inefficient prepayment management, inefficient accrual management and inaccurate financial reports.

#### 4.3 Test of Hypothesis 3

The hypotheses are stated as follows:

$H_{03}$ : SMEs non-accounting challenges has no significant effect on their contributions to national industrialization.

$H_{13}$ : SMEs non-accounting challenges has significant effect on their contribution to national industrialization.

The statistical tool that was used to test this hypothesis is Multinomial Logit Model (MNL), and the outcome is shown in tables 7 to 10 below:

**Table 7 Parameter Estimates**

SMEs contribution to National Industrialization <sup>a</sup>	B	Std. Error	Wald	Df	Sig.	Exp(B)	95% Confidence Interval for Exp(B)	
							Lower Bound	Upper Bound
Intercept	-1.411	.635	4.933	1	.026			
LIF	.074	.467	.025	1	.874	1.077	.431	2.687
LGFS	-.052	.324	.025	1	.873	.950	.504	1.791
INSC	.791	.240	10.878	1	.001	2.206	1.378	3.529
IPS	1.188	.582	4.170	1	.041	.305	.097	.953
HCR	-.047	.284	.027	1	.869	.954	.547	1.664

a. The reference category is: Strongly Agree.

Decision Rule:

If p-value is less than 0.05 (p-value < 0.05) reject  $H_0$  and accept  $H_1$

If p-value is greater than 0.05 (p-value > 0.05) reject  $H_1$  and accept  $H_0$

key: LIF = Lack of Infrastructural Facilities;  
 LGFS = lack of Government Financial Support;  
 INSC = Insecurity;  
 IPS = Inadequate Power Supply;  
 HCR = High Cost of Rent

Table 7 above presents parameter estimates for the effect of non-accounting challenges on SMEs contribution to national industrialization. It indicates that lack of infrastructural facilities, insecurity and inadequate power supply are more likely to hinder SMEs contributions to national industrialization, while lack of government financial support and high cost of rent are less likely to hinder SMEs contributions to national industrialization.

**Table 8 Likelihood Ratio Tests**

Effect	Model Fitting Criteria	Likelihood Ratio Tests		
	-2 Log Likelihood of Reduced Model	Chi-Square	Df	Sig.
Intercept	107.424	5.904	2	.052
LIF	96.100	12.233	2	.004
LGFS	101.925	.405	2	.817
INSC	111.645	10.126	2	.006
IPS	114.052	12.532	2	.002
HCR	102.049	.529	2	.767

Note: Dependent Variable = SMEs contribution towards National Industrialization

Key: LIF = Lack of Infrastructural facilities

LGFS = Lack of Government Financial Support

INSC = Insecurity

IPS = Inadequate Power Supply

HCR = High Cost of Rent

Table 8 above presents the magnitude of the effect of non-accounting challenges on the SMEs contribution to national industrialization. It reveals that lack of infrastructural facilities, insecurity and inadequate power supply have significant effect on SMEs contributions to national industrialisation, whereas lack of government financial support and high cost of rent do not have significant effect on the SMEs contribution to national industrialization.

**Table 9 Model Fitting Information**

Model	Model Fitting Criteria	Likelihood Ratio Tests		
	-2 Log Likelihood	Chi-Square	Df	Sig.
Intercept Only	123.660			
Final	101.520	22.140	10	.014



Table 9 above presents information on the model fitting. It shows that when the intercept alone is regressed against the SMEs contribution to national industrialization, the log likelihood is 123.660 but with no degree of freedom. However, when non-accounting challenges (regressors) are included, the log likelihood becomes 101.520 while the degree of freedom is 10. The result thus reveals that the model is well fitted and the regressors which are the non-accounting challenges are jointly significant in affecting the SMEs contributions to national industrialization. This is evidenced by the p-value (0.014) which is less than 0.05 (p-value  $0.014 < 0.05$ ). This shows that non-accounting challenges has negative significant effect on the SMEs contributions to national industrialization. In line with this outcome, the null hypothesis which states that SMEs non-accounting challenges has no significant effect on their contributions to national industrialization is rejected, while the alternate hypothesis which states that SMEs non-accounting challenges has significant effect on their contributions to national industrialization is accepted. Therefore, it is concluded that SMEs non-accounting challenges has significant effect on their contributions to national industrialization.

**Table 10 Pseudo R-Square**

Cox and Snell	.336
Nagelkerke	.463
McFadden	.243

Table 10 above presents R-square and the analysis is based on Nagelkerke which shows that 46.3 percent of the variation in SMEs contributions to national industrialization can be explained by lack of infrastructural facilities, lack of government financial support, insecurity, inadequate power supply, and high cost of rent.

## V. Discussion and Conclusion

The result of descriptive analysis using percentage response that was applied on hypothesis 1 reveals that SMEs have accounting and non-accounting challenges in Nigeria. It shows that SMEs are facing both accounting and non-accounting challenges in their business endeavours. The study reveals that wrong accounting system, inadequate cash flow management, inefficient prepayment management, inefficient accrual management, and inaccurate financial reports are the accounting challenges facing SMEs in Nigeria, while lack of infrastructural facilities, insecurity, lack of government financial support, inadequate power supply and high cost of rent are the non-accounting challenges facing SMEs in Nigeria. This finding agreed with the research outcomes of [13] and [8] which revealed that incomplete record keeping and poor accounting system are amongst the accounting challenges facing SMEs in Nigeria. The research finding is also in line with the research outcome of [2] and [7] in which they identified amongst other things inadequate infrastructure, inadequate power supply, and uneasy access to fund as challenges facing SMEs. Also, the result of Multinomial Logit Model (MNL) applied on hypothesis 2 to find out whether the identified SMEs accounting challenges have effect on business success, reveals that the SMEs accounting challenges jointly have negative significant effect on business success. This is evidenced by the p-value = 0.000 which is less than 0.05. This finding agreed with the research outcome of [13] in which he asserted that with

inadequate record keeping, small scale business operators could not effectively determine their financial performance which has direct effect on the business success. Furthermore, the result of Multinomial Logit Model (MNL) applied on hypothesis 3 to find out whether the identified SMEs non-accounting challenges have effect on national industrialization, reveals that the SMEs non-accounting challenges jointly have negative significant effect on their contributions to national industrialization. This is evidenced by the p-value = 0.014 which is less than 0.05. This finding is in line with the research outcome of [7] in which they revealed among others that the challenges facing SMEs such as inadequate infrastructure and inadequate power supply hinders SMEs contributions to industrialization in Nigeria.

## VI. CONCLUSION

From the study, it was seen that SMEs are facing both accounting and non-accounting challenges which include wrong accounting system, inadequate cash flow management, inefficient prepayment management, inefficient accrual management, inaccurate financial reports, lack of infrastructural facilities, lack of government financial support, insecurity, lack of power supply and high cost of rent. These challenges has negative significant effect on business success and SMEs contributions to national industrialization. This is evidenced by the percentage response to the outlined challenges facing SMEs in the South-East of Nigeria as well as the result of the hypotheses tested in which p-value is less than 0.05.

## VI. RECOMMENDATIONS

Based on the findings of this study, the following recommendations are made:

1. SMEs should endeavour to institute proper accounting system and maintain up to date and accurate book keeping and financial reports for the achievement of business success. These can be achieved through effective management of the accounting tasks by either employing the services of an accountant, outsourcing the accounting functions or utilizing accounting software that suits the organisations accounting needs.
2. Government should embark on public/private partnership for provision of socio-economic facilities for easy running of business in Nigeria. They should also ensure provision of financial support, effective security, adequate power supply, rent subsidy for SMEs so as to motivate them towards contributing to national industrialization.

---

## REFERENCES

- [1]Anigbogu, T. U. Roles of Small and Medium Scale Enterprises in Community Development, 2014, <https://www.researchgate.net> [Accessed 3 June 2019].
- [2]Agwu, M. and Emeti, C. Issues, Challenges and Prospects of Small and Medium Scale Enterprises in Port-Harcourt City, Nigeria. *European Journal of Sustainable Development*, 3(1), 2014, 101-114.
- [3]Abbakin.com, The Role of SMEs in Nigeria Economic Development, 2018, [online]. Available at : <https://abbakin.com/the-role-of-smes-in-nigeria-economic-development/> [Accessed 26 May 2018].
- [4]Frimpong, C. SMEs As An Engine of Social and Economic Development in Africa, 2013, [online]. Available at: <https://www.modernghana.com/news/478225/1/smes-as-an-engine-of-social-and-economic-development> Html [Accessed 5 Jun. 2018].
- [5] OECD, Enhancing the Contributions of SMEs in a Global and Digitalised Economy. In: *Meeting of the OECD Council at Ministerial Level*. [online]. Paris, 7-8 June 2017. Available at: <https://www.oecd.org/mcm/documents/C-MIN-2017-8-EN.pdf>. [Accessed 5 June 2018].
- [6] Etuk, R., Etuk, G. and Baghebo, M. Small and Medium Scale Enterprises (SMEs) And Nigeria's Economic Development. *Mediterranean Journal of Social Sciences*, 5 (7), 2014, 656-662.
- [7] Ezeali, B. and Uwadi, M. Nigerian Industrial Sector: Challenges and Path to Economic Industrialization in the Year 2035. Paper presented in International Conference on *Managing a Recessed Economy: Options for Nigeria*. Awka: Unizik, 2017, 205-210.
- [8] Ohachosim, C., Onwuchekwa, F. and Ifeanyi, T. Financial Challenges of Small and Medium-Sized Enterprises (SMEs) in Nigeria: The Relevance of Accounting Information. *Review of Public Administration & Management*, 1 (2), 2015, 248-271.
- [9] Opafunso, Z. and Adepoju, O. The Impact of Small and Medium Scale Enterprises on Economic Development of Ekiti State, Nigeria. *Journal of Economics and Sustainable Development*, 5 (16), 2014.
- [10] Oyelaran-Oyeyinka, B. SME: Issues, Challenges and Prospects. In: *FSS 2020 International Conference*, 2018, [online] Available at: [https://www.cbn.gov.ng/.../SME\\_Issues,%20Challenges%20and%20Prospects\\_Oyeyin](https://www.cbn.gov.ng/.../SME_Issues,%20Challenges%20and%20Prospects_Oyeyin). [Accessed 26 May 2018].
- [11]Eniola, A. The Role of SME firm performance in Nigeria. *Arabian Journal of Business and Management Review (OMAN Chapter)*, 3 (12), 2014, 33-47.
- [12] Debitoor. Accounting system - What is an accounting system? [online]. Available at: <https://debitoor.com/dictionary/accounting-system> [Accessed 5 Jun. 2018].

[13] Okoli, B. Evaluation of the Accounting Systems Used by Small Scale Enterprises in Nigeria: The Case of Enugu-South East Nigeria. *Asian Journal of Business Management*, 3(4), 2011, 235–240.

[14] Maseko, N. and Manyani, O. Accounting practices of SMEs in Zimbabwe: An investigative study of record keeping for performance measurement (A case study of Bindura). *Journal of Accounting and Taxation*, 3(8), 2011, 171-181.

[15] Complete Controller, America's Bookkeeping Experts. What are the Biggest Bookkeeping Challenges Small Businesses face? <https://www.completecontroller.com>. [Accessed 3 June 2019].

[16] Zotorvie, J. A study of Financial Accounting Practices of Small and Medium Scale Enterprises (SMEs) in Ho Municipality, Ghana. *International Journal of Academic Research in Business and Social Sciences*, 7 (7), 2017.

[17] Innocent, N. D. Contributions, challenges and Solutions of Small and Medium Enterprises (SMEs) in Nigerian Economy, *International Journal Publication*, 2018, *Afribary.com*: Retrieved June 3, 2019, from <https://afribary.com/works/contributions-challenges-and-solutions-of-small-and-medium-enterprises-smes-in-nigeria-economy>.

[18] Elebeke, E. SMEs Contribute Half of Nigeria's GDP. [online]. Available at: [https://www.vanguardngr.com/2012/12/smes-contribute-half-of-nigerias-gdp/Dec. 14, 2012](https://www.vanguardngr.com/2012/12/smes-contribute-half-of-nigerias-gdp/Dec.14.2012). [Accessed 26 May 2018].

[19] Chartered Management Institute (2003). In: *Dictionary of Business and Management*. London: Bloomsbury Publishing Plc., 2003, 178.

[20] Ojo, M. The Challenges of SMEs in Nigeria, 2018, [thenationonlineng.net](http://thenationonlineng.net) [Accessed 5 June 2019].

[21] Abeh, O. The Problems and Prospects of Small and Medium Scale Enterprises (SMEs) Growth and Development in Nigeria: A Study of Selected SMEs in Delta State. *International Journal of Scientific Research in Education*, 10(3), 2017, 278-294. [Accessed 16 June 2019]. <http://www.ij sre.com>

[22] Leftwich, A. "Bringing Politics Back in: Towards a Model of the Developmental State". *Journal of Development Studies*, 31(3), 1995, 400-427. Available at: [en.m.wikipedia.org](http://en.m.wikipedia.org) [Accessed 22 May 2018].