

MICRO, SMALL, AND MEDIUM ENTERPRISES (MSME) NATIONAL SURVEY 2017 REPORT

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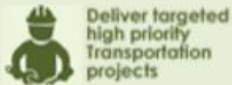
Stabilize the macroeconomic environment



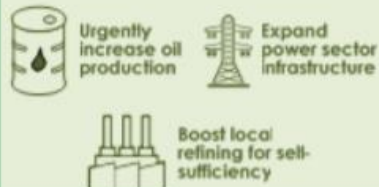
Achieve agriculture and food security



Improve transportation infrastructure



Ensure energy sufficiency in power & petroleum products



Drive industrialization focusing on SMEs



“MSMEs are the bedrock of Nigeria’s industrialization and inclusive economic development; and the most important component of industrialization as set out in the Economic Recovery and Growth Plan”
-H.E. Prof. Yemi Osinbajo

OUTLINE

1

MSMEs and Economic Growth

2

Survey Background and Methodology

3

Key Findings - Overview

4

Labour Market

5

Finances

6

Challenges

7

Policy Recommendations

MSMES – CRITICAL FOR ECONOMIC GROWTH

Micro, Small, and Medium Enterprises (MSMEs) play a significant role as the engine for economic transformation and industrialization for both developed and developing countries.

Key benefits include:

- Improved income re-distribution (low level capital required)
- Increased job creation & skills development (particularly for youth, women, elderly)
- Increased adoption of technology & innovation (competitiveness)
- Industrial diversification
- Stimulates local economy (demand down the value chain)

Challenges:

- Vulnerable to economic shocks
- Stable and supportive policy environment
- Excessive regulation, complex & cumbersome tax process,
- Skills acquisition for youth population



BACKGROUND OF SURVEY

2003



Small & Medium Enterprises Development Agency Of Nigeria

- Established in 2003 to facilitate promotion & development of MSMEs

2010 – First Edition

Highlighted need for accurate and reliable data

2013 – 2nd Edition

2010



Small & Medium Enterprises Development Agency Of Nigeria

- Strategic partnership with NBS – apex agency for socio-economic statistics

2017 – Third Edition

Main Objectives of the Survey

- To establish a credible and reliable database for the MSMEs sub-sector in Nigeria and their contribution to jobs and wealth creation.
- Memorandum of Understanding mandates review every three years, ensuring continuity & trackability

DEFINING MSMEs

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

Source of Definitions:

- Based on the SMEDAN National Policy on MSMEs definitions
- Adopts dual-criteria class limits: employment and assets (excl. land and buildings)
- It is possible under this criteria that a conflict of classification might arise. In such cases, the employment based classifications takes precedence.
 - e.g. if an enterprise has assets worth seven million naira (N7 million) but only employs 6 persons, that enterprise shall be classified as micro.

SAMPLING METHODOLOGY

The survey was conducted in all 36 states of the federation, including the Federal Capital Territory (FCT), Abuja. Both urban and rural enumeration areas (EAs) were covered.

Micro Enterprises

- Canvassed through the National Integrated Survey of Households (NISH) module
- Frame of EAs determined by National Population Commission. Housing & Population Census used for household component
- Household Listing Exercise used to update frame & determine households for survey.

Sample: 22,200 households
600 households with enterprises interviewed per state
15 households selected per EA

Small & Medium Enterprises

- Canvassed through the National Integrated Survey of Establishment (NISE) module
- Frame for Small & Medium Enterprises used for establishment component.
- Probability Proportional to Size (PPS) used to allocate number of establishments to be covered in state, and within each sub-sector (within state)

4,000 SMEs visited across all states, including FCT.

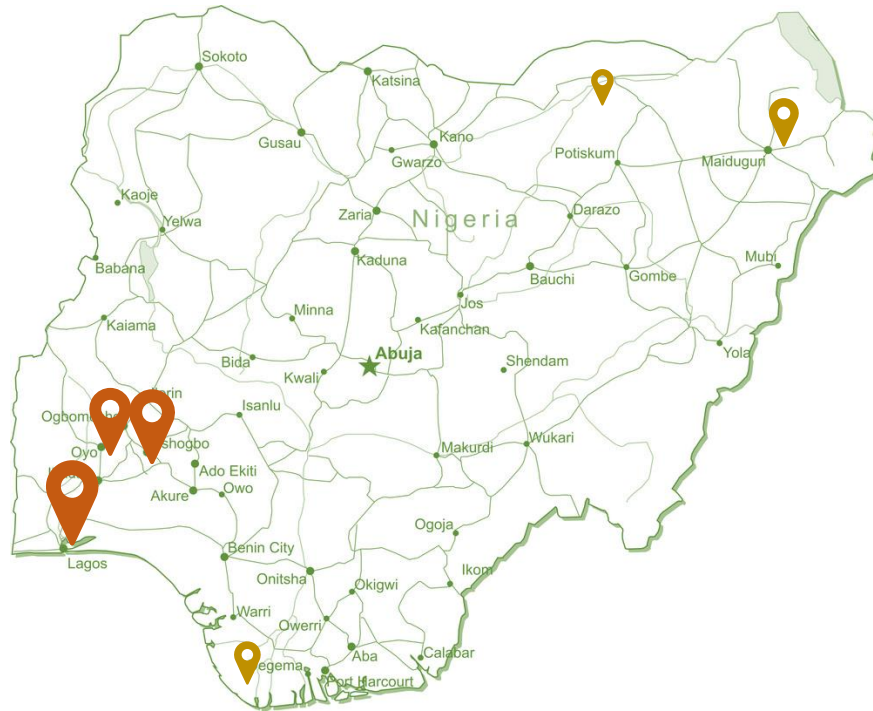
Subject Areas

Ownership Status
Employment Information
Educational Qualification
Operating Cost
Capacity Utilization
Market Channel & Export Revenue
Establishment Growth
Technical Support Services

OUTLINE



OVERVIEW OF FINDINGS



Total Number of Enterprises: 41,543,028

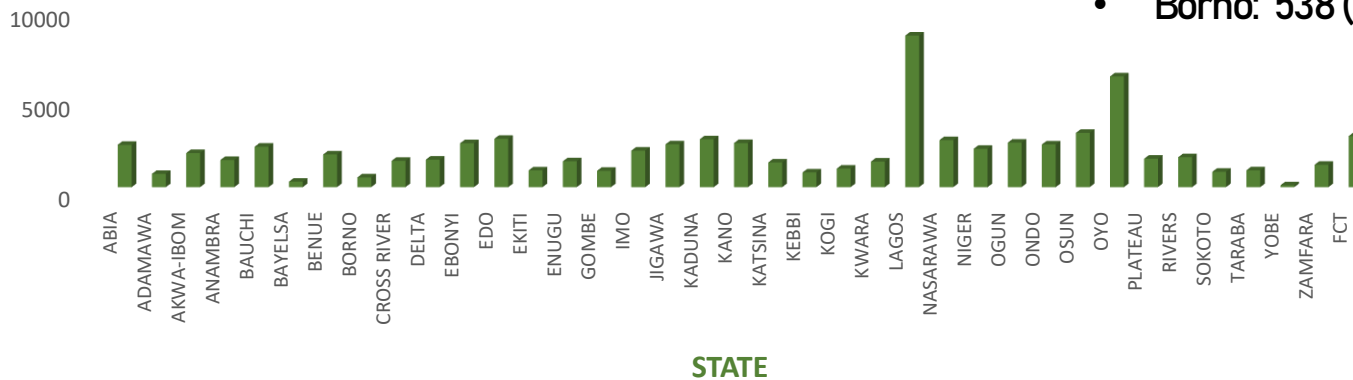
- Micro: 41,469,947 (99.8%)
- Small: 71,288 (0.17%)
- Medium: 1,793 (0.004%)

Top SME States:

- Lagos: 8,395 (11.5%)
- Oyo: 6,131 (8.4%)
- Osun: 3,007 (4.1%)

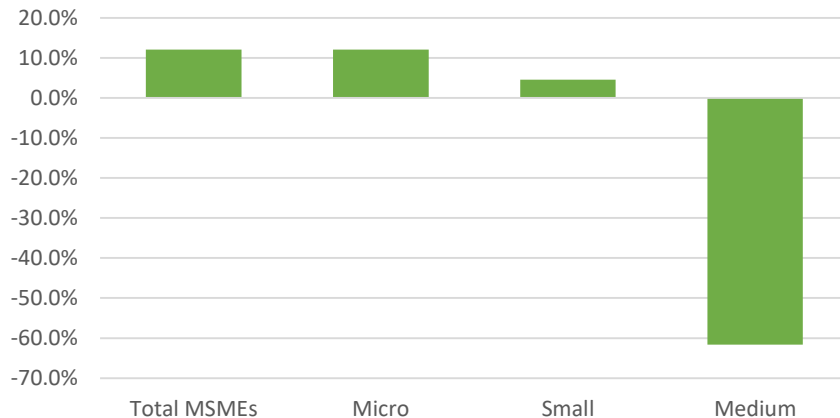
Fewest SME States:

- Yobe: 102 (0.1%)
- Bayelsa: 300 (0.4%)
- Borno: 538 (0.7%)



OVERVIEW OF FINDINGS - TRENDS

Growth: 2013 to 2017



Key growth trends:

- Micro enterprises, being 99% of MSMEs drives the trend for the entire category
- Compared with 2013, both Total MSMEs and Micro enterprises grew by 12.1%
- Small enterprises, grew 4.6% from 2013
- The number of medium-sized enterprises decreased significantly from 4,670 in 2013 to 1,793 in 2017 (61% drop)

Highest Gaining - States (SMEs):



- Kwara (526.5%)
- Nasarawa (132.5%)
- Jigawa (116%)

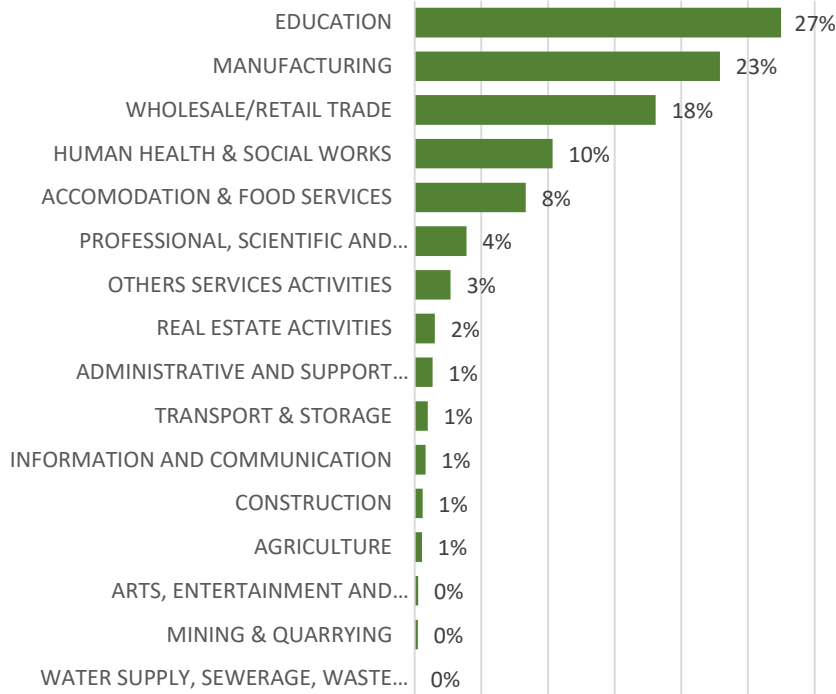
Biggest Decline - States (SMEs):



- Kano (-70.5%)
- Rivers (-45.1%)
- Plateau (-27.8%)

COMPOSITION OF MSMEs – BY BUSINESS TYPE

Small Enterprises



Medium Enterprises

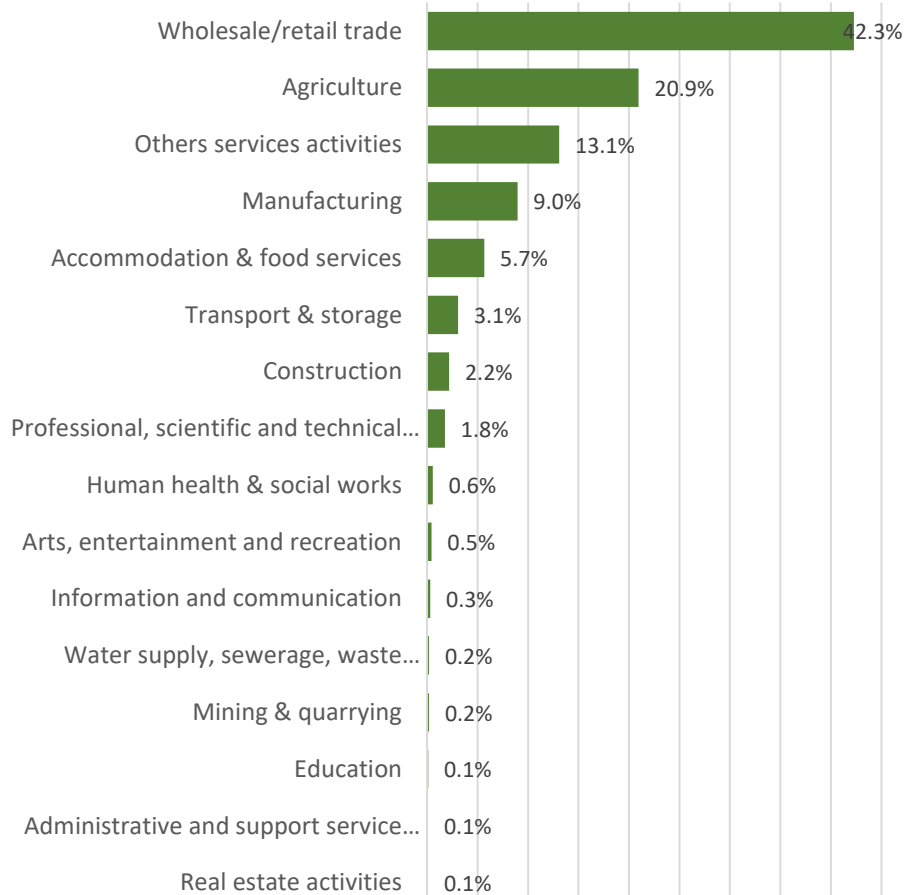


Key Observations:

- Composition of sectors is different for each business type classification, primarily due to staff requirements of more formal establishments. E.g. Education & Construction are low for small business but top 5 for medium-scale enterprises.
- Education, Manufacturing, and Wholesale/Retail Trade make up 68% of small enterprises.
- Manufacturing, Wholesale/Retail Trade, and Human Health & Social Works make up 68% of medium enterprises.

COMPOSITION OF MSMEs – BY BUSINESS TYPE

Micro Enterprises

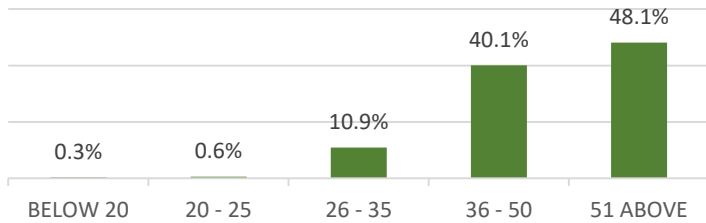
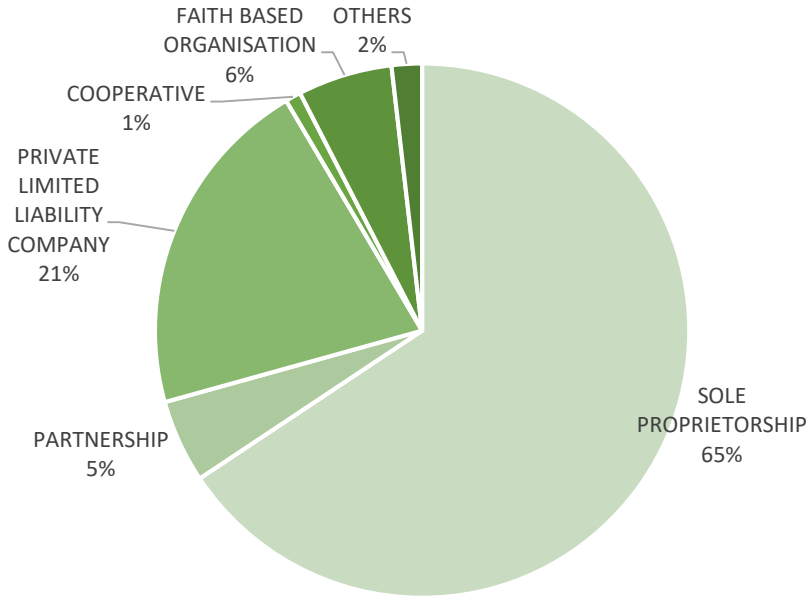


Key Observations:

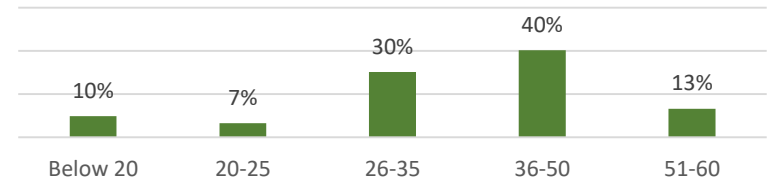
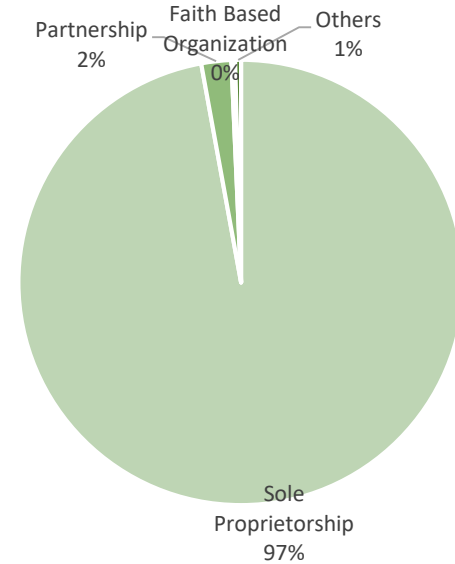
- Wholesale/Retail Trade, Agriculture, and other services activities make up 76.3% of Micro enterprises.
- Sectors requiring high numbers of employers or skilled labour – education, human health & social works, info. & communications have very low numbers of micro enterprises
- Accommodation & Food services is a preferred sector (top 5) across all business classification types.

OWNERSHIP STRUCTURE

Small & Medium Enterprises



Micro Enterprises



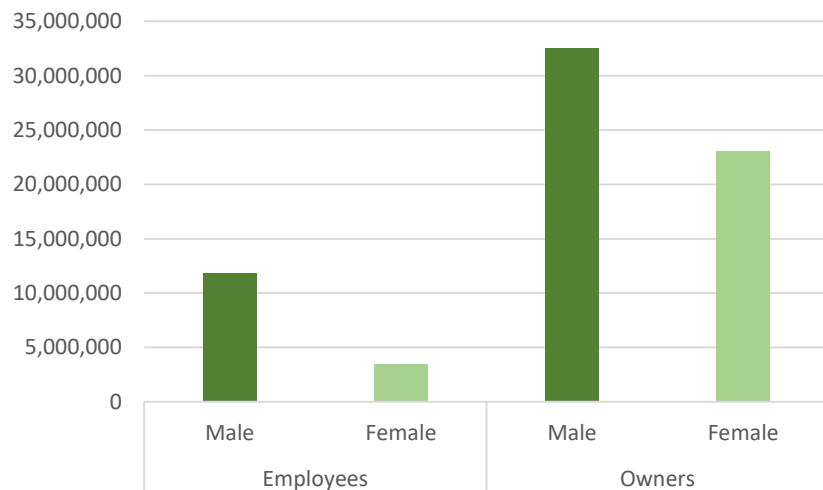
- Unsurprisingly, a large majority of micro businesses are sole proprietorships, SMEs however are more distributed with 65% sole proprietorship, 21% private limited liability, 6% faith based, and 5% partnerships.
- Micro businesses are mostly younger people 26-50y.o., while SMEs skew older – 88% are over 36 y.o.

OUTLINE



EMPLOYMENT – BY GENDER/STATE/SECTOR

Employment by Gender - Micro Enterprises



Key gender trends:

- MSMEs generated 59,647,954 jobs as of December 2017, 5% or 2,889,715 of those jobs were created by SMEs.
- Males accounted for 57% of jobs created by SMEs, compared to 43% for women
- More males are employed in total in both Micro and Small/Medium enterprises. There is greater disparity amongst employees, and within SMEs.
- Notably, Education sector is the only sector with gender parity in jobs (53% women). Manufacturing employs 3 times more males than females.

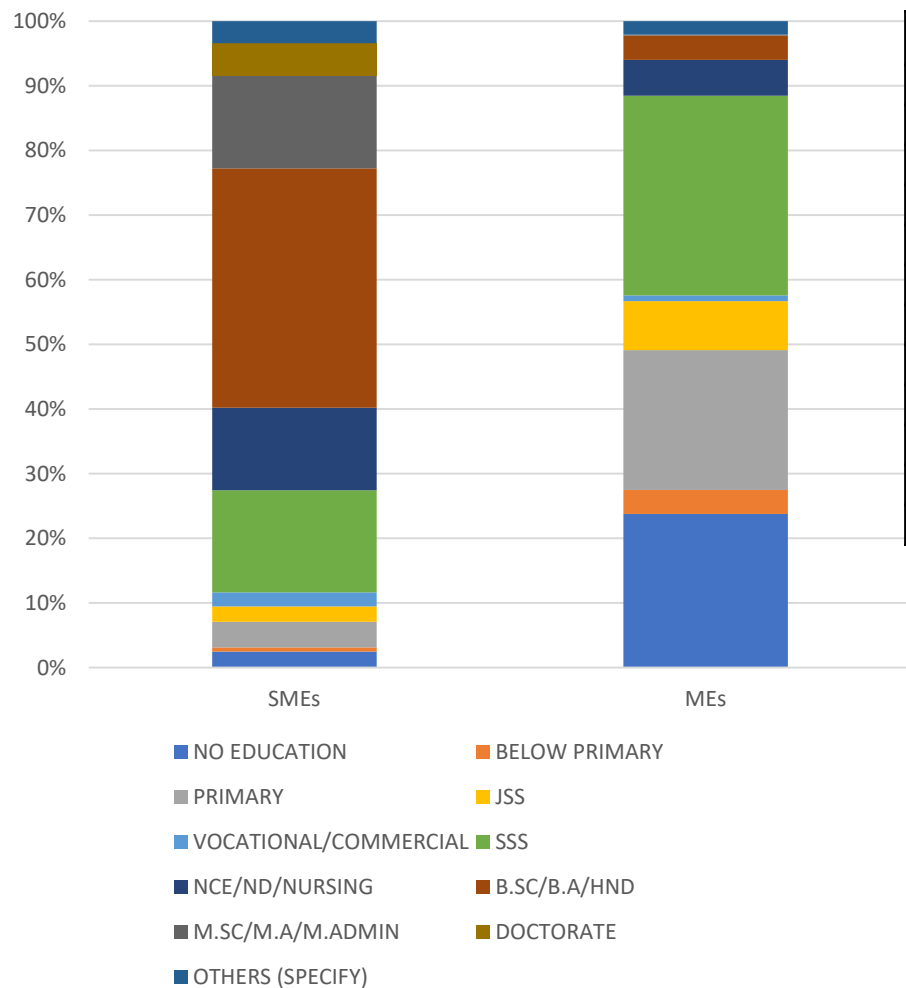
Sectors with highest number of employment:

- **Education (1,065,755)**
- **Human Health & Social Works (612,622)**
- **Manufacturing (607,498)**

States with highest number of jobs created:

- **Lagos (11.5%)**
- **Oyo (8.4%)**
- **Kano (5.2%)**

EDUCATION OF OWNERS



HIGHEST EDUCATIONAL LEVEL	SMEs	MEs
NO EDUCATION	2.5%	23.8%
BELOW PRIMARY	0.6%	3.7%
PRIMARY	4.0%	21.7%
JSS	2.4%	7.5%
VOCATIONAL/COMMERCIAL	2.2%	0.9%
SSS	15.8%	30.9%
NCE/ND/NURSING	12.8%	5.5%
B.SC/B.A/HND	37.0%	3.8%
M.SC/M.A/M.ADMIN	14.3%	0.2%
DOCTORATE	5.1%	0.0%
OTHERS (SPECIFY)	3.4%	2.1%
TOTAL	100%	100%

Key Observations:

- Owners of Micro enterprises are less educated – 76.4% have SSS certification or less.
- By contrast, 51% of SME owners have attained either a Bachelors or Masters degree.
- Similarly, 78.2% of employees of Micro enterprises have SSS certification or less.

EMPLOYMENT SKILLS GAP

Only 34% of Micro enterprises said they could find ready availability of qualified personnel. In comparison 77.1% of Small and Medium enterprises say there is a ready availability of qualified personnel

Micro Enterprises – Highest Skills Shortage	SMEs – Highest Skills Shortage
Information & communication: 72.8%	Other Services Activities: 36.2%
Accommodation & Food Services : 71.1%	Agriculture: 35%
Wholesale/Retail Trade: 67.8%	Arts, Entertainment & Recreation: 33.3%
Other Services Activities: 67.3%	Water Supply, Sewerage, Waste Management: 33%
Manufacturing: 66.9%	Accommodation & Food Services: 32.6%

Key Observations:

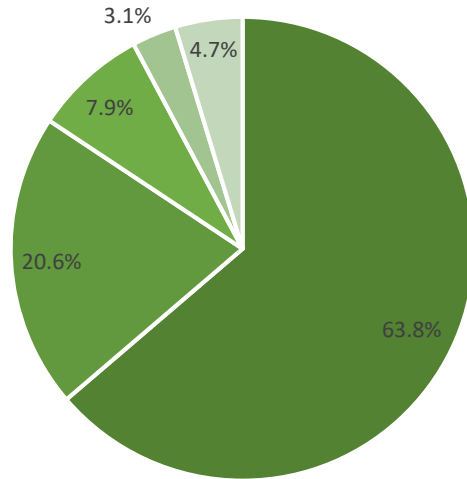
- For small and medium enterprises, sectors that require specialized skills and technical know-how suffer from high skills shortage
- Micro enterprises find the highest skills shortage in sectors that are consumer facing, with the exception of Manufacturing which also requires specialized skills.
- Accommodation & Food Services are both severely short skilled for both business classifications..

OUTLINE



STARTUP CAPITAL

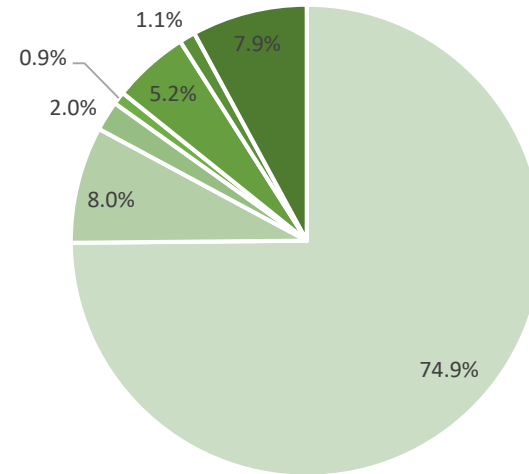
Micro Enterprises



■ Below 50k ■ 50-100k ■ 101-200k ■ 201-300k ■ Over 300k

- Majority of Micro businesses started with less than N50,000 in initial startup costs. Only 4.7% start with more than N300,000.
- Wholesale/Retail Trade, Transport & Storage, and Agriculture are the most capital intensive for micro enterprises

Small & Medium Enterprises

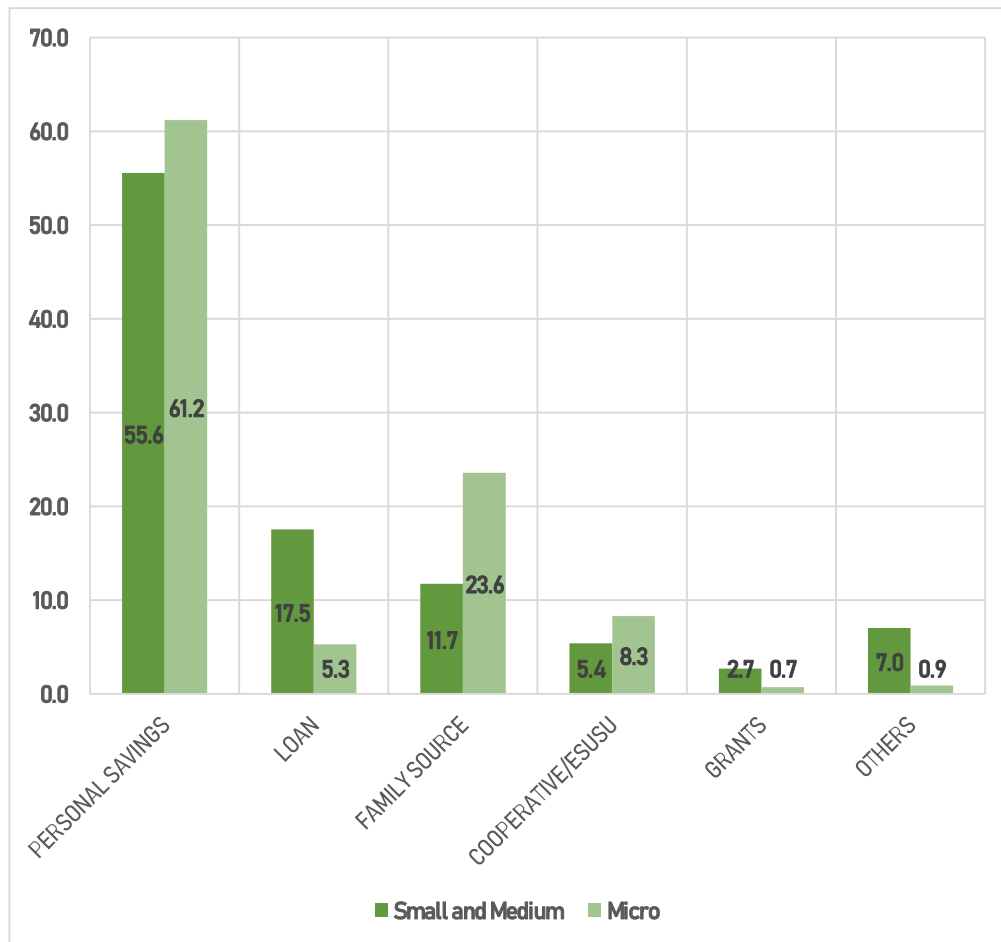


■ Below 10 ■ 10 to 20 ■ 21 - 30 ■ 31 - 40 ■ 41 - 50 ■ Above 50 ■ Not Stated

- Similarly, 75% of SMEs start up with less than N10 million in capital. 6% of MSMEs however start with over N40m in capital.

SOURCE OF CAPITAL

For the majority of enterprises – both Micro and SMEs – personal savings was the most common source of capital. Nationally, only 49.5% of SMEs (that are sole proprietorships) reported having access to bank credit,



Key Observations:

- Personal Savings is most common source of capital – 61.2% of MEs and 55.6% of SMEs
- Loans (17.5%) and Family (11.7%) round out sources of capital for SMEs
- Family (23.6%) and Cooperative/Esusu round out sources of capital for Micro Enterprises.
- For SMEs who had access to bank credit, commercial banks were the main source of these funds (91.9%), while 4.7% accessed credit from Micro-Finance Institutions, and 1% from Development Institutions.
- SMEs in Oyo, Jigawa, Lagos, Kano, and FCT reported having the most access to bank credit.

FINANCIAL & SUPPORT SERVICES

There's a widespread lack of capital and poor integration into the financial markets, which may be due to low business planning incidence and low formalization. Most enterprises are operating without legal & financial protection.

Business Plan:

- Micro: 75.6% have no business plan
- SME: 65% have no business plan.

Lack of planning in MSME contribute to high rate of failure as well as a reluctance from investors in providing capital.

Business Registration:

- Micro: 97.8% not registered

Unregistered businesses are hard to track for development and policy planning, regulation, and revenue generation purposes.

Business Registration:

- Micro: 96.61% uninsured
- SMEs: 63.9% uninsured

MSMEs are particularly vulnerable to business shocks, lack of integration into financial markets increase risks.



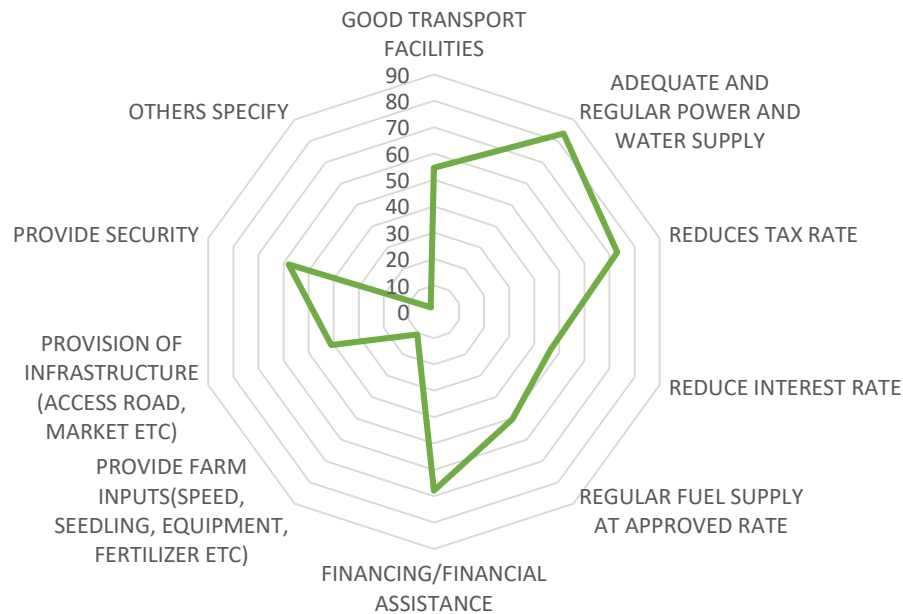
OUTLINE



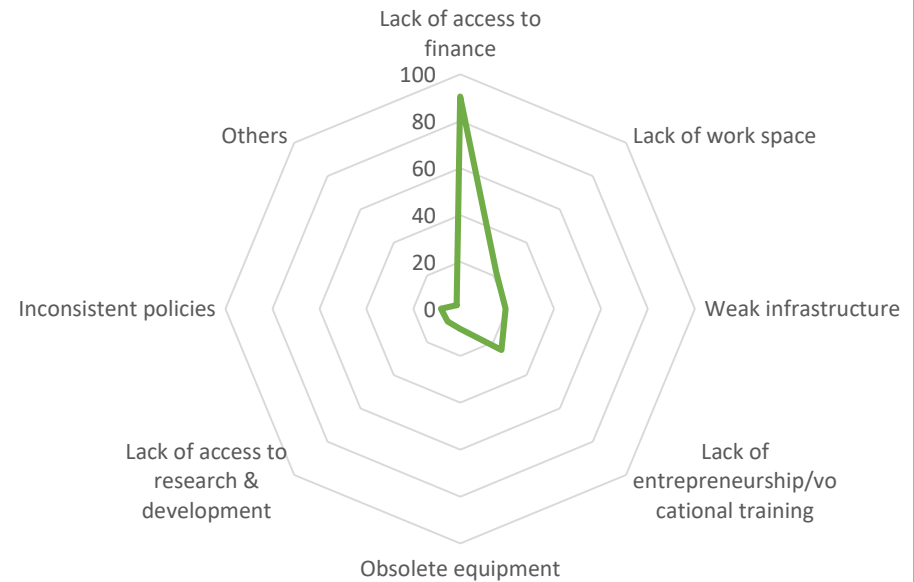
PRIORITY AREAS FOR ASSISTANCE

Access to Finance is are top priority area for assistance for both SMEs (67.9%%) and MEs (90.5%) alike. For SMEs, the priority the most pressing area for assistance is in power & water supply (83.5%), as well as tax rate reduction (73.1%).

Small & Medium Enterprises

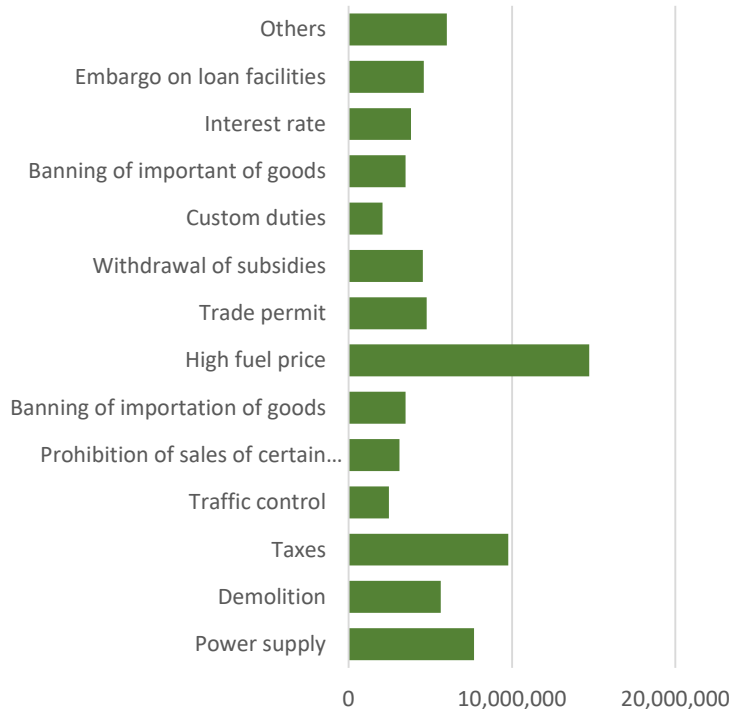


Micro Enterprises

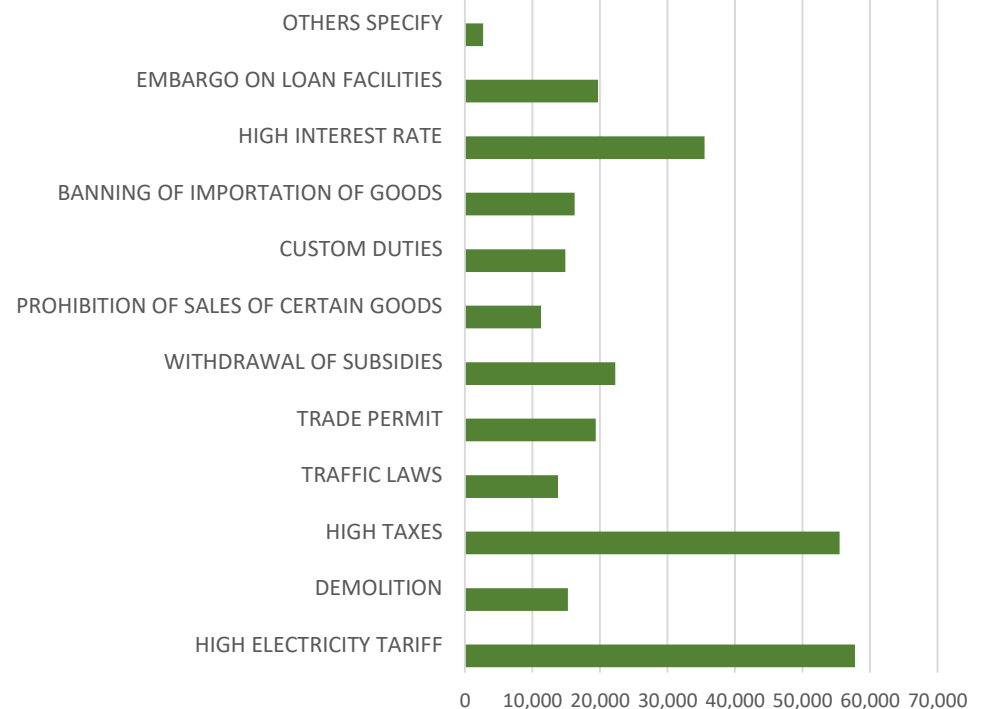


UNFAVOURABLE GOVERNMENT POLICIES - IMPACT

Micro Enterprises



Small and Medium Enterprises



Key Observations:

- High fuel price, taxes, and power supply are the top unfavourable policies for Micro enterprises. These reflect challenging operating environment for MEs and importance of policies that mitigate these challenges.
- High electricity tariff, high taxes, and high interest rate are top unfavourable policies for SMEs. These reflect the challenges of formalization, including access to the financial markets, and the importance of financial market initiatives in mitigating these challenges for SMEs.

OUTLINE



Policy Recommendations

Main policy recommendations proposed are a review of the system of classification of business – particularly from the MSME National Policy; and targeted policy implementation for each classification to address strengths and challenges of each business type.

Re-classification:

- Micro enterprises are the majority of businesses in Nigeria, however this large sub-sector can still be further broken down based on pro-establishment behaviour (registration, turnover, etc.)
- Introduction of “one-man business”/freelancers whose main objective is self-sustenance.
- Introduction of additional criterion in classification: employment, assets, and formal registration.

Targeted policies by business type:

- Micro businesses face challenges related to day-to-day running costs – fuel, electricity, working capital
- SMEs face a more complex set of challenges related to access to capital and industrial utilities.
- Policies aimed at both business types should not be generic or lumped together.





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