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Research Article

Effect of Structural Adjustment Programme on the Performance of Small and Medium Scale Enterprises in Nigeria

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Abstract :
The examined the effect of structural adjustment programme on the performance of small and medium scale enterprises in Nigeria. The research design adopted for the study is ex-post facto and the population of this is all the small and medium scale enterprises in Nigeria. The population of the study is 72838 and was used as the sample size. Structural adjustment programme was measured by import substitution policy and export promotion policy and small and medium scale enterprise performance was measured by SMEs output. The study covered a period of 32 years from 1986-2017. The statistical tools adopted in this study were descriptive statistics, correlation analysis, unit root test and Regression. The analysis was conducted using e-view statistical software and the finding indicates that there was a negative and significant effect relationship between structural adjustment programme and performance of Small and medium scale enterprises in Nigeria. The study also found that LIM has a positive and significant effect on LSMEOPT in Nigeria. Also, LEX has a negative and significant effect on LSMEOPT in Nigeria. The study suggested that Government in Nigeria should reduced the adoption of SAP in Nigeria but should only embark on import substitution since before the adoption of SAP, Nigerian introduced indigenization policy in 1977. Government of Nigeria should designed policy that discourage the people of Nigeria to purchase SMEs manufactured products from the richer countries. They should only sell their primary products on the world market, but their foreign exchange reserves should not be used to purchase the manufactures products from abroad.

Key Words: structural adjustment programme, import substitution policy, export promotion, SMEs and Output

Introduction

SAP was introduced in Nigeria to reduce the preponderance of unproductive investments in SMEs sectors in order to increase the output of the sector; to achieve viable balance of payment from SMEs transaction (Export and import); to reduce dependence on oil by venturing to other sectors such SMEs printing, SMEs manufacturing, SMEs farming, SMEs trading etc and on imports by restructuring and diversifying the productive base of the economy.
The International Monetary Fund prescribed the means by which adoption SAP bring about appropriate pricing policies in all sectors of SMEs in Nigeria with greater reliance on trade liberalization (Import and export) and the idea of reliance on liberalization was to make the economic environment attractive for foreign investors and local investors to transact business (Havyrlyshyn, 1990). In Nigeria, the Small and Medium Scale Enterprises (SMEs) is the driving force and establish an important mainstay of the Nigerian economy. A few years ago SME represent about 90 percent of the industrial sector in terms of the number of enterprises (NIPC, 2002). This sector economically, holds the key to sustainable development of the country and its importance can be put in proper aspect in relation to the structure of the Nigerian economy with many performance contributions as the source of technology innovation and new products (Jocumsen 2004).
Over the years, structural adjustment programme have been adopted in Nigeria in order to allowed export and import of SMEs products and services to across the borders by ensuring that SMEs output in Nigeria is increasing. Yet, the SMEs performance in terms of output is very low and this result to SMEs in Nigeria deteriorating and dying every year.
From the extant literatures, studies such as Shepherd (2016) and Mohamed, Paul and Robert (2017) studied export experience and SMEs performance but were not addressed it to import and export policy (SAP) and SMEs performance. However, this study filled the research gap by studying the effect of structural adjustment policy and SMEs performance in Nigeria using SMEs sector.
The objective of this study is to examine the effect of SAP on SMEs performance in Nigeria while the specific objectives are to: determine the effect of import on SMEs performance in Nigeria and evaluate the effect of export on SMEs performance in Nigeria.
The scope of this study is restricted to the effect of SAP on SMEs performance in Nigeria covering a period of 1986 to 2017 which 32 years. The reason for using this period is that it is a time when Nigeria fully adopted the policy of SAP.

The Hypotheses are stated below:
H_{01}: Import does not affect SMEs performance in Nigeria
H_0: Export does not affect SMEs performance in Nigeria

Concept of Structural Adjustment Programme

Structural Adjustment Programme (SAP) was aimed at opening up economies to increased international trade by either

reducing or eliminating protection for domestic industries (Jubilee Australia,2006). In addition, the policy is often implemented along with the devaluation of currency in order to make the exports of the devaluing country's export cheaper in the international market (Agbeyegbe, Stotsky &WoldeMariam, 2006; Obadan, 2006). The ultimate aim is to remove taxes on exports, restrictions on imports and the reduction of import tariffs.Goff (2003) sees a structural adjustment policy as one which seeks to enhance the role of markets so as to promote development. Goff observed that loans from the IMF and World Bank are now almost invariably made conditional on the implementation of such policies, particularly following the Latin American debt crisis in the early 1980s. Nigeria has been groping with problems of internal and external imbalances in the economy starting around the early 1970s. The phasing in of structural adjustment policies in Nigeria in the 1980s and the fiscal restructuring reforms in the mid 1990s had its thrust in changing the structure of the economy from reliance on only Oil to a transitional diversified tradable agricultural base and subsequently a robust industrial sector.

The Structural Adjustment Period (1986- date)

There was a significant shift in trade policy direction towards greater liberalization as of 1986. This shift in policy is directly attributable to the adoption of the structural adjustment programmes. The Customs, Excise, Tariff etc (Consolidation) Decree, enacted in 1988, was based on a new Customs goods classification, the Harmonized System of Customs Goods Classification Code (HS). It provided for a seven-year (1988 - 1994) tariff regime, with the objective of achieving transparency and predictability of tariff rates. Imports under the regime thus attracted ad-valorem rates applied on the Most Favoured Nation (MFN) basis. A new seven-year (1995 - 2001) tariff regime, established by Decree No. 4 of 1995 succeeded the previous (1988 – 1994) regime (Akinyemi, Ebiefie, Adekojo & Ibiyemi, 2014). The tariff structure over the period 1988 - 2001 increased import duties on raw materials, and on intermediate and capital goods, while tariffs on consumer goods were slightly reduced. This was aimed at reducing distortions in resource allocation and combating smuggling. Both the 1988 and 1995 tariff schedules had provisions for reviews and amendments. However, they maintained the familiar mixed trends in tariff regimes. Three types of changes Trade Liberalization and Employment Generation in Nigeria were subsequently common, namely, reduction in rates; increase in rates and/or removal from or addition to the import prohibition list (Akinyemi, Ebiefie, Adekojo & Ibiyemi, 2014).

Export Promotion Strategy

The introduction of Structural Adjustment Programme (SAP) in Nigeria in July, 1986, and eventually a shift in Nigerias industrial policy thrust from impot substitution strategy approach to export promotion industrialization (henceforth EPI). According to Bamidele (2005) and Banjoko et al (2012), SAP was meant to reverse the downward trends in the economy, widen industrial base, provides stimuli for increased exports and incentives for the SMEs sector to enlarge its value-added and contribution to GDP. Export promotion industrialization (EPI) strategy, otherwise described as outward oriented industrialization, involves domestic production of manufactured SMEs goods for export. It is government's deliberate efforts to expand the volume of a country's exports through export incentives and other means in order to generate more foreign exchange and improve the current account of the balance of payment (Torado & Smith, 2003; Obioma & Ozughalu, 2005).

Import Substitution Industrialization Policy

Udah (2010) notes that import substitution industrialization policy was the first industrial strategy embarked upon by the Nigerian Government immediately after attaining independence. The objectives of this policy among others include to lessen overdependence on foreign trade and to save foreign exchange by producing those items that were formerly imported like detergents, household appliances, to mention but a few. In 1972, the Nigerian indigenization policy was adopted following the perceived failure of the import substitution industrialization strategy. The major objective of this policy was to strengthen the ownership and control of the Nigeria economy by Nigerians. In 1972, the Act that resulted in the indigenization policy was amended and eventually replaced with the Nigerian Enterprise Promotion Act in 1977. The 1972 Act contained 11 schedules while the 1977 Act contained 111 schedules.

The second indigenization decree, the Nigerian Enterprises Promotion Decree of 1977, tightened restrictions on FDI entry in three ways: (a) by expanding the list of activities exclusively reserved to Nigerian investors (e.g. bus services, travel agencies, the wholesaling of home products, film distribution, newspapers, radio and television and hairdressing); (b) by lowering permitted foreign participation in the FDI -restricted activities from 60 to 40 per cent and adding new activities restricted to 40 per cent foreign ownership such as fish-trawling and processing, plastic and chemicals manufacturing, banking and insurance; and (c) by creating a second list of activities were permitted foreign investment was reduced from 100 to 60 per cent ownership, including manufacturing of drugs, some metals, glass, hotels and oil services companies. Relaxation of these restrictions began in 1989. The NEPD was amended so as to leave a single group of 40 business activities in which foreign participation was completely prohibited unless the value of the enterprise exceeded N20 million ($2.7 million in 1989). In addition, foreign investors could hold only a share of up to 40 per cent in insurance, banking, oil production and mining.

Concept of Performance

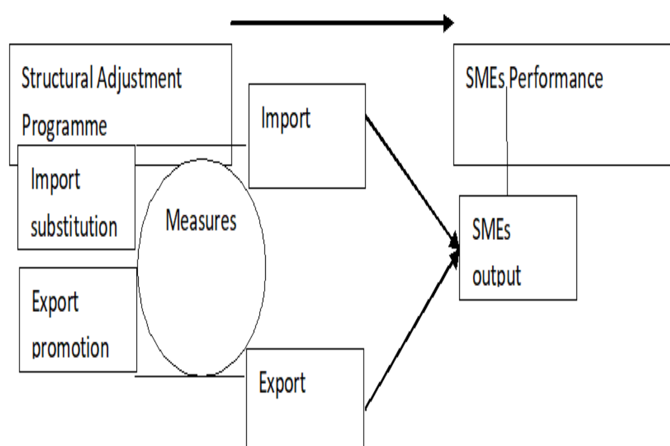
Performance, according to Hornby (2000) is described as an action or achievement consideredin relation to how successful it is. Performances are variously measured and the perspective are tied together and consistently monitored from the organization context (Jamil & Moharned 2012). It can be concluded that performance is synonymous to success. What

connotes performance varies from one organization to another. Prior to the 1980s, financial indicators were the sole measurement rod of performance such as profit, return on investment, sales per employees and productivity. This include Just in-time delivery (JITD) total quality management (TQM), communication, trust, stakeholder satisfaction, competitive position and quality of product also categorized performance measurement into four, namely:(I) Profit which include return on assets, return on investment and return on sales, (2) Growth in term of sales, market share and wealth creation(3) Stakeholder satisfaction which include customer satisfaction and employee satisfaction, and (4) Competitive position which include overall competitive position and success rate in launching new products. According to Komppula (2004), performance of small and medium enterprises was viewed as their ability to contribute to job and wealth creation through enterprises start-up, survival, increase in output and growth.

Concept of Small and Medium Scale Enterprises

Alaye-Ogani, (2012) defined small and medium enterprises as companies with capital base between twenty thousand naira and thirty million naira (equivalent of $125 to $193,500). According to Alaye-Ogani, business is considered small if it is independently owned, operated and financed, has fewer than 100 employees; and has relatively little impact on its industry. Also, the Federal Ministry of Commerce and Industry of Nigeria define small-scale business as a business with capital investment that is not over seven hundred and fifty thousand naira (N750, 000), Alaye-Ogani, while the Central Bank of Nigeria (CBN) (2014) defined small and medium enterprise as business with asset base of between five and five-hundred million naira, and staff strength of between 11-300 people. Hatten (2012) averred that small and medium enterprise includes business activities of the stay-at-home parent who provides day care for children whose parents are not around.

Conceptual Framework



Researchers Model, 2019

Empirical Studies

Mohamed, Paul and Robert (2017) investigated the network promotion role of export promotion programmes in driving small and medium enterprises' (SMEs) export performance. Drawing on a dual institutional and network-based approaches to internationalisation, the study tests an integrative model that explores the mediating role of SMEs' relationships in the link between government export promotion programmes (both informational and experiential forms) and export performance. The model was tested using a sample of 160 UK small and medium exporter firms. The data were analysed through a structural equation modelling technique. The study finds that whilst both informational and experiential export promotion programmes improved all forms of SMEs' relationships, only experiential forms had an indirect effect on export performance. Further, only relationships with foreign buyers had a positive impact on export performance.

Shepherd (2016) illustrated that export experience of small and medium enterprises (SMEs) has a statistically significant effect on financial performance. This may seem obvious, but similar studies done elsewhere have shown conflicting results. The study's findings also show conflicting results in the three single-item performance measures used, namely, sales, profits and savings. Data from a sample of 144 exporting SMEs were collected using a structured questionnaire. Export experience is measured by years exporting, and financial performance covers a period of three years. A Chi-square test was used to measure the effect of experience on performance. Results show that export experience had a statistically significant effect on sales and profitability, but not on savings. They also show that performance in sales and profitability increased with export experience

Dependency Theory

Dependency theory was developed in the late 1950s under the guidance of the Director of the United Nations Economic Commission for Latin America, Raul Prebisch. Prebisch and his colleagues were troubled by the fact that economic growth in the advanced industrialized countries did not necessarily lead to growth in the poorer countries. Indeed, their studies suggested that economic activity in the richer countries often led to serious economic problems in the poorer countries. Such a possibility was not predicted by neoclassical theory, which had assumed that economic growth was beneficial to all (Pareto optimal) even if the benefits were not always equally shared.

Prebisch's initial explanation for the phenomenon was very straightforward: poor countries exported primary commodities to the rich countries who then manufactured products out of those commodities and sold them back to the poorer countries. The "Value Added" by manufacturing a usable product always cost more than the primary products used to create those products. Therefore, poorer countries would never be earning enough from their export earnings to pay for their imports.

Prebisch's solution was similarly straightforward: poorer countries should embark on programmes of import substitution so that they need not purchase the manufactured products from the richer countries. The poorer countries would still sell their primary products on the world market, but their foreign exchange reserves would not be used to purchase their manufactures from abroad.

Three issues made this policy difficult to follow. The first is that the internal markets of the poorer countries were not large enough to support the economies of scale used by the richer countries to keep their prices low. The second issue concerned the political will of the poorer countries as to whether a transformation from being primary products producers was possible or desirable. The final issue revolved around the extent to which the poorer countries actually had control of their primary products, particularly in the area of selling those products abroad. These obstacles to the import substitution policy led others to think a little more creatively and historically at the relationship between rich and poor countries. At this point dependency theory was viewed as a possible way of explaining the persistent poverty of the poorer countries. The traditional neoclassical approach said virtually nothing on this question except to assert that the poorer countries were late in coming to solid economic practices and that as soon as they learned the techniques of modern economics, then the poverty would begin to subside. However, Marxists theorists viewed the persistent poverty as a consequence of capitalist exploitation. And a new body of thought, called the *world systems approach*, argued that the poverty was a direct consequence of the evolution of the international political economy into a fairly rigid division of labor which favored the rich and penalized the poor.

According to Aremu (2005), dependency theory maintains that, the poorness of developing countries is due to: imperial neglect; overdependence upon primary products as exports to developed countries; foreign investors‛ malpractices, particularly through transfer of price mechanics; foreign firm control of key economic sectors with crowding-out effect of domestic firms; implantation of inappropriate technology in developing countries; introduction of international division of labour to the disadvantage of developing counties; prevention of independent development strategy fashioned around domestic technology and indigenous investors; distortion of the domestic labour force through discriminatory remuneration; and reliance on foreign capital in form of aid that usually aggravated corruption.

Methodology

The study used ex-post facto research design and this is because the study tried to find out the cause and effect relationship between the variables. The population of this study comprises of SMEs in Nigeria. According to Smedan and national bureau of statistics collaborative survey (2013), the population is 72838 SMEs in Nigeria. The study collected data Central Bank of Nigeria statistical bulletin. The report of CBN statistical bulletin is unique because it reflected the position SMEs. The study used export and import as measures of SAP while SMEs performance is measured by SMEs output. The study used descriptive statistics, correlation, unit root test and regression to analysis the data with the help of statistical software package of e-view 9.00. The study adopted correlation to evaluate degree of the relationship between the variables and the correlation Model

$$r = \frac{n\sum xy - \sum x\sum y}{\sqrt{\{(n\sum x^2) - (\sum x)^2 \ (n\sum y^2) - (\sum y)^2)\}}} \quad \text{…………………equation 1}$$

Where:
r = Correlation Coefficient
x = proxies for independent variable
y = proxies for dependent Variable
n = number of observations

Multiple regressions are employed to determine the effect of SAP on SMEs performance in Nigeria. The multiple regression estimation is shown in Equation (1).

$$SMEsopt = a + \beta IM + \beta EX + \pi \quad \text{………………………………………………..1}$$

Where SMEsopt = small and medium scale enterprise output in Nigeria
IM= import
EX= Export
β= coefficient
a= constant
π= error terms

Data analysis and Discussion

	SMESOPT	IM	EX
Mean	2249354.	6415296.	11202977
Median	137196.8	938115.5	7988385.
Maximum	9764836.	78937393	78373939
Minimum	12322.40	87209.00	789393.0
Std. Dev.	3146131.	13833122	17880385
Skewness	1.072279	4.683118	3.424065
Kurtosis	2.765847	25.17376	13.25643
Jarque-Bera	6.205275	772.5361	202.7883
Probability	0.044931	0.000000	0.000000
Sum	71979338	2.05E+08	3.58E+08
Sum Sq. Dev.	3.07E+14	5.93E+15	9.91E+15
Observations	32	32	32

The mean value of SMEsopt is 2249354 and the median value is 137196.8. Also, the mean value of IM is 6415296 and the median value is 938115.5 while the mean value of EX is 11202977 and the median value is 7988385. These showed that the presence of an outlier as can be confirmed in the difference between minimum values and maximum values of the variables. The table also indicate the IM and EX were not normally distributed and the researchers logged the data to returned the variables to normal distributions.

Table 2: Correlation Analysis

	SMESOPT	IM	EX
SMSOPT	1.000000	0.105887	0.081498
IM	0.105887	1.000000	-0.177351
EX	0.081498	-0.177351	1.000000

Table 4.2 revealed that import (IM), has weak positive correlation (0.10) with SMEs output (SMEsopt) in Nigeria while export (EX), has weak positive correlation (0.08) with SMEs output (SMEsopt) in Nigeria. These correlations showed that the indicants were appropriately selected. Thus, there was absent of multicollinearity or there was no problem of multicollinearity.

Table 4:3 Unit Root Test on the Variables

Variables	Level of stationarity	ADF-statistic	Significant values 1%, 5%, 10%	Order of Integration	Prob.(5%)
LSMEsopt	constant (exogenous): Trend	5.02	-4.28 -3.56, -3.21	1(1)	0.0000*
LIM	constant (exogenous)	3.03	-3.66, -2.96,-2.61	1(0)	0.04*
LEX	constant (exogenous)	5.012	-3.67, -2.96,-2.62	1(0)	0.0003*

Source: Author's Computation using E-view 9.00

Probability values are indicated by *

Table 4.3 showed that LSMEsoput, LIM and LEX were not second difference but stationary at stationary at level and first difference due to the fact that the values of its ADF test statistics at first differences were greater than their corresponding critical values at 5% level of significance. Thus, the variables were integrated of order one 1(1) and 1()) which signify that regression and T- test as well as F-test were appropriately and adequately needed in this study.

Regression Result

Dependent Variable: LSMESOPT

Method: Least Squares

Date: 05/22/19 Time: 08:15

Sample: 1986 2017

Included observations: 32

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.295982	8.587218	0.034468	0.0007
LIM	0.619122	0.264106	2.344216	0.0261
LEX	-0.216224	0.397400	0.544098	0.0025

R-squared	0.665781	Mean dependent var	12.62994
Adjusted R-squared	0.508248	S.D. dependent var	2.389076
S.E. of regression	2.256067	Akaike info criterion	4.554183
Sum squared resid	147.6053	Schwarz criterion	4.691596
Log likelihood	-69.86693	Hannan-Quinn criter.	4.599731
F-statistic	2.881518	Durbin-Watson stat	1.720655
Prob(F-statistic)	0.002205		

Source: E-view, version 9.00

Decision rule: 5%

The regression result shows that the model is fit for the study since the f-statistics is significant at 5% level of significant. The result also shows that LIM has positive effect on LSMEOPT in Nigeria while LEX also has negative effect on LSMEOPT in Nigeria. These effects are significant since the P-values are less than 5%. Thus, we can reject the null hypotheses and concluded that LIM has a positive and significant effect on LSMEOPT in Nigeria. Also, LEX has a negative and significant effect on LSMEOPT in Nigeria. The $R^2 = 0.66$ indicates that only 66% of variation on SAP (import and export) can be used to explain by Small and medium scale enterprises performance in terms of output but 34% can explained by other factors not noted in the regression model which is refer to as error term.

Discussion of Findings

The study found out that there was a negative and significant effect relationship between structural adjustment programme and performance of Small and medium scale enterprises in Nigeria. The study also found that LIM has a positive and significant effect on LSMEOPT in Nigeria. Also, LEX has a negative and significant effect on LSMEOPT in Nigeria. The study is in line with no similar finding in the empirical studies

but found opposite finding with the finding of Mohamed, Paul and Robert (2017). The study is also in line with Prebisch's initial explanation for the phenomenon was very straightforward: poor countries exported primary commodities to the rich countries, who then manufactured the products out of those commodities and sold them back to the poorer countries. The "Value Added" by manufacturing a usable product always cost more than the primary products used to create those products. Therefore, poorer countries would never be earning enough from their export earnings to pay for their imports. The government of Nigeria should discourage exportation of SMEs products since its affect the growth of SMEs output in Nigeria. Foreign SMEs goods should completely ban in Nigeria to allow the domestic output to grow in Nigeria.

Conclusion and Recommendations

The study concluded that there was a negative and significant effect relationship between structural adjustment programme and performance of Small and medium scale enterprises in Nigeria. The study also found that LIM has a positive and significant effect on LSMEOPT in Nigeria. Also, LEX has a negative and significant effect on LSMEOPT in Nigeria. The study suggested that Government in Nigeria should reduced the adoption of SAP in Nigeria but should only embark on import substitution since before the adoption of SAP, Nigerian introduced indigenization policy in 1977. Government of Nigeria should designed policy that discourage the people of Nigeria to purchase SMEs manufactured products from the richer countries. They should only sell their primary products on the world market, but their foreign exchange reserves should not be used to purchase the manufactures products from abroad.

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