

Financing SMEs.

① CHAPTER 5

Small and Medium enterprises act as catalysts in the economic development of the developed and developing countries. Developing countries like Nigeria that require sustained economic growth in their economies must pay attention to the SMEs sector and harness the great potential to generate employment, improved local technology, output integration with large-scale industries that can be provided by the sector.

Small and Medium Enterprises are very critical to the development of any economy.

The important role of SMEs to the development of the economy of any nation is even more evident when the economies of developing nations are considered.

The SMEs have played very important roles in the development of many Asian countries and indeed the Asian giants.

The economic boom in some of these Asian countries which is not unconnected to SMEs have lifted hundreds of millions of people out of poverty and created tens of millions of new middle-class consumers. SMEs are responsible for driving innovation and competition in many economies.

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The major questions to be asked about SMEs in Nigeria are; what has been the role of the SMEs to the economic development of Nigeria? and what is the contribution of the SMEs to the manufacturing output and total export in Nigeria?

Evidence has shown that SMEs in Nigeria have underperformed and have not made significant contribution to the nation's economic growth and development.

⇒ The key issues affecting the SMEs in Nigeria can be grouped into four namely; unfriendly business environment, poor funding, low managerial skills and lack of access to modern technology, lack of access to modern technology and low skills (which may be due to lack of funds to acquire relevant technology) hire skilled staff.

⇒ SMEs is any organisation that has fewer than 250 employees and a turnover of less than £50 million or a balance sheet total less than £43 million.

⇒ Nigeria is home to over 36.9 million MSMEs, comprising 96.7% of all businesses in Nigeria. 67% of these businesses are youth-owned.

SME FINANCE

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SME finance is the funding of small and medium size enterprises, and represents a major function of the general business finance market - in which capital for different types of firms are supplied, acquired, and costed or priced.

* What is the financing gap for SME in Nig.

The financing gap for Nigeria's micro, small and medium enterprises has reached \$158.1 billion, according to The Guardian Nigeria newspaper. Access to capital is one of the most significant barriers to MSMEs' growth, said Small and Medium Enterprises Development Agency

* What is the most common types of financing for small to medium sized businesses?

Term loans

Term loans are one of the most common types of small business loans and are a lump sum of cash that you repay over a fixed term. The monthly payments will typically be fixed and include interest on top of the principal balance.

* What are different types of SMEs loans?

TYPES OF SME LOANS

- Initial capital in the form of cash or "demand loan"

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- Working Capital in the form of cash credit, overdrafts etc.
- Overdrafts based on Bill of purchase.
- Export credit facilities.
- Bank Guarantees.
- Foreign or Inland letter of credit.

* What are the five examples of SMEs?

- Hair and beauty salons.

- Dental practices

→ Medical Centres

- Bars

- Cafes and

- Restaurants.

* What is SMEs and examples?

① SME (Small-to-medium enterprise) is a convenient term for segmenting businesses and other organizations that are somewhere between the "small office-home office" (SOHO) size and the larger enterprise.

The European Union has defined an SME as a legally independent company with no more than 500 employees.

⇒ Common types of SMEs (7) (5)

Examples of SMEs.

- Agriculture, forestry, fishing and hunting Example: Orange grove.
- Mining, quarrying and oil and gas extraction Example: Industrial Sand mining.
- Utilities; Example: Wind electric power generation
- Construction.
- Manufacturing.
- Wholesale trade.
- Transportation and warehousing.

⇒ The four most common types of Small businesses.

- Sole proprietorship
- Partnership
- Corporation, and
- Limited liability company.

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⇒ The major Components of SMEs .

SMEs incorporate all of the small and medium sized enterprises such as

— Industrial

— Service

— Commercial and

— Agricultural ones .

and are divided into

Micro, Small and Medium enterprises based on factors such as employed number of human resources .