

MICRO, SMALL & MEDIUM ENTERPRISES DEVELOPMENT, E-COMMERCE & BRANDING IN NIGERIA

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PRESENTATION OUTLINE

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INTRODUCTION TO MSMEs IN NIGERIA

- ❖ Micro, Small, and Medium Enterprises (MSMEs) are the backbone of Nigeria's economy, contributing significantly to job creation, innovation, and economic growth. In fact, MSMEs account for over 80% of employment in Nigeria, making them critical to the country's development.
- ❖ However, despite their importance, MSMEs in Nigeria face numerous challenges such as limited access to finance, research and development, inadequate infrastructure, and a lack of skilled labor. Therefore, it is essential that we focus on developing these enterprises to ensure their continued success and growth.

❖ Nigeria's population is estimated at about 200 Million

❖ Total MSMEs 39.6 million (SMEDAN/NBS Survey, 2021)

❖ Nano/Micro Enterprises = **38,413,420 (96.9%)**

❖ Small & Medium Enterprises = **1,240,965 (3.1%)**

❖ Total Employment Generated = **61,954,073 (87.9%)**

❖ Sectors Contributions

❖ Agriculture = **38.4%**

❖ Wholesale/Retail = **33.3%**

❖ Services = 9.8%

❖ Marketing = 4.2%

❖ MSMEs responsible for 16,042,067 (61.1%) of informal employments in Agriculture.

❖ 7,489,586 (21.6%) Manufacturing

❖ MSMEs contribution to GDP = 46.31%

❖ MSMEs Contribution to export = 6.21%

❖ Nos of MSMEs pre Covid-19 = 41.5million

❖ Nos of MSMEs post Covid 19 = 39.6 Million

❖ % of Decrease in Numbers of MSMEs = 4.5%

Below are some key factors contributing to the growth of e-commerce in Nigeria:

- ❖ **E-commerce Platforms:** Latest industry report has revealed that the e-commerce sector of the Nigerian economy is expected to peak at \$9.02bn in 2023 with an annual growth rate of 11.74percent, resulting in a projected market volume of \$14.06bn by 2027. Konga, Jumia, Jiji.ng and several others lead this trend
- ❖ **Increased Internet Penetration:** 122.5million internet users in Nigeria as of January 2023; equivalent to 55.4 percent of the total population at the start of 2023. Growth of 2.9million (+2.4 percent) between 2022 and 2023 (Source: Kepios analysis)
- ❖ **Mobile Phone Usage:** 193.9million cellular mobile connections in Nigeria at the start of 2023; equivalent to 87.7 percent of the total population in January 2023 (Source: GSMA Intelligence)

❖ **Payment Solutions:** Payment transactions through digital platforms have been projected to reach \$14.25bn this year, with an annual growth rate of 13.69% resulting in a projected total amount of US\$23.81bn by 2027. (Source: Statista)

Other notable Factors are;

- ❖ **Increase in Logistics and Delivery Services**
- ❖ **Increased Trust and Security**
- ❖ **COVID-19 Pandemic**
- ❖ **Government Initiatives**
- ❖ **Consumer Behavior**

BRANDING FOR MSMEs

- ❖ Branding is essential for MSMEs in Nigeria to differentiate themselves from competitors and establish a unique identity in a crowded market.
- ❖ A strong brand can help build trust and loyalty among customers, increase brand recognition, and ultimately drive sales. However, branding goes beyond just creating a logo or tagline. It involves developing a comprehensive strategy that encompasses all aspects of the business, including product design, customer experience, and marketing communications.
- **To create an effective brand strategy;**
 - ❖ MSMEs should start by defining their target audience and understanding their needs and preferences.
 - ❖ They should also conduct a thorough analysis of their competitors to identify gaps in the market that they can fill.
 - ❖ From the above, they can develop a brand positioning statement that clearly communicates what makes them unique and how they add value to their customers. This should be reflected in all aspects of the business, from the visual identity to the tone of voice used in marketing materials.

AGE & SIZE OF MSMEs

- ❖ As at 2022, about 50% of enterprises were less than 5 years
- ❖ Enterprises less than 10 years account for 84%
- ❖ Nano enterprises were responsible for 41%
- ❖ Micro enterprises were responsible for 39% of total businesses;
- ❖ Most of the enterprises were essentially established as exits from several economic shocks occasioned by COVID 19
- ❖ It points to the fact that the creation of new businesses by entrepreneurs was for survival purposes and to address key social and economic problems

GENDER PERSPECTIVES

- ❖ The dominance of male-led businesses is consistent both at the national and sub-national levels
- ❖ Specifically, State on Entrepreneurship (published by FATE Institute) results showed that:
 - 61% of businesses were male-led
 - 39% are female-led.
 - The 39% of female-led enterprises in Nigeria is however relatively higher than the 29% in sub-Saharan Africa and
 - 34% global average, according to data from the World Bank.

AGE OF ENTREPRENEURS

- ❖ Most entrepreneurs in Nigeria fall within the age group of 30-39 years.
- ❖ Above age group account for 51% of total entrepreneurs surveyed in 2022;
- ❖ Age group of 15-29 years (29%) followed;
- ❖ The above figure is however lower than the 2021 survey report;
- ❖ Reasons could be due to the massive emigration of young Nigerians;
- ❖ Furthermore, 46% of the businesses that have been in existence for 1-5 years are run by individuals in the age group of 30-39 years.
- ❖ The second highest age group was 15-29 years with a share of 43%.
- ❖ It simply showed that younger people are better risk takers, more energetic and able to adopt technology in the course of running their businesses.

REGISTRATION STATUS

- ❖ 51% of enterprises are not registered.
- ❖ 76% are registered with the CAC;
- ❖ 23.1% are registered with SMEDAN;
- ❖ 62% of businesses are not associated with any business association or trade groups;
- ❖ Above suggests that many more businesses are operating in the informal economy and this may have negative implications for productivity, expansion and sustainability of businesses.

SECTORIAL PERFORMANCE

- ❖ Most enterprises are in the service sector
- ❖ The service sector accounted for 54% of GDP in 2021.
- ❖ 40% of businesses offer services;
- ❖ 25% sell goods.
- ❖ 35% sell both goods and services.
- ❖ Most businesses operate in the trade and fast-moving consumer goods segment (24%).
- ❖ Agriculture accounts for 10% of respondents;
- ❖ Manufacturing sector was 3%.

ENTERPRISE PERFORMANCE TREND

- ❖ 75% of entrepreneurs surveyed experienced growth
- ❖ More younger businesses experienced growth relative to older businesses;
- ❖ 34% of businesses that grew experienced revenue growth in the range of 6-10% while only 5% reported a growth rate of over 20%.
- ❖ For increase in the number of customers, majority of businesses experienced a much higher growth rate - 32% reported a growth rate of 11% - 15% and 10% grew by over 20%.

CHALLENGES OF MSMEs IN NIGERIA

According to the SMEDAN/NBS Survey the topmost challenges of MSMEs are:

- ❖ Lack of access to finance 27.8%
- ❖ Lack of entrepreneurship/vocational training 15.3%
- ❖ Weak infrastructure 14.2%
- ❖ Inconsistent policies 12.5%

Other notable challenges MSMEs in Nigeria face include: **Lack of Innovation, Inadequate Infrastructure for Research and Development, Access to Raw Materials, Insecurity, Access to Markets, Environmental Challenges, Unfair Competition**

❖ **National Enterprise Development Program (NEDEP)**, which provides training, financing, and business development services to MSMEs. NEDEP has helped over 350,000 MSMEs since its inception in 2013.

❖ Another initiative is the Bank of Industry (BOI) **Youth Entrepreneurship Support (YES) program**, which provides funding and capacity building for young entrepreneurs. The program has supported over 18,000 young entrepreneurs with a total disbursement of over 11 billion naira.

❖ Others are:

- **National Policy on MSMEs:** The Nigerian government established a National Policy on MSMEs to provide a strategic framework for the development of MSMEs in the country. This policy outlines various initiatives and support mechanisms for MSMEs, including access to finance, capacity building, and market access.

- **Tax Incentives**

- **Small and Medium Enterprises Development Agency of Nigeria (SMEDAN):** SMEDAN is a government

- **Nigerian Incentive-Based Risk Sharing System for Agricultural Lending (NIRSAL):** NIRSAL is a government initiative that provides risk-sharing mechanisms and guarantees to banks and financial institutions to encourage them to lend to MSMEs in the agricultural sector.
- **YouWin! (Youth Enterprise with Innovation in Nigeria):** This is a government program aimed at empowering young entrepreneurs by providing them with business training, funding, and mentorship.
- **Industrial Training Fund (ITF):** ITF offers various skill acquisition and entrepreneurship training programs to empower individuals, including MSME owners, with the necessary skills to start and manage their businesses effectively.
- **National Collateral Registry:** The Nigerian government established a National Collateral Registry to improve access to credit for MSMEs by allowing movable assets to be used as collateral for loans.

- The most recent of these programs is the current governments plans announced on 1st of August, 2023 by The President; His excellency Asiwaju Bola Ahmed Tinubu; whereby he stated that a combined total of 200 Billion NGN will be disbursed to MSME and Manufacturers to boost the economy and help cushion the effects of the recent removal of fuel subsidy and consolidation of exchange rates.

Quick take aways:

- ❖ With a population of well over 210 Million, Nigeria has a strong attraction for markets.
- ❖ MSMEs are the largest employers of labor in Nigeria as with many other countries around the world.
- ❖ The development of and support for MSMEs is critical for economic growth of the Nation.
- ❖ E-commerce and branding with regards to MSMEs are the pathways to the next strategically-successful level.
- ❖ Government policies and support is vital for the growth of MSMEs.

CONCLUSION

- In conclusion, we have discussed the importance of MICRO, SMALL, & MEDIUM ENTERPRISE DEVELOPMENT in Nigeria. We highlighted the current state of MSMEs in Nigeria and the challenges they face. We also explored the potential of e-commerce for MSMEs in Nigeria, including the benefits and challenges.
- Additionally, we discussed the significance of branding for MSMEs in Nigeria, providing tips and strategies for effective branding. Lastly, we explained the various government initiatives and policies aimed at supporting MSMEs in Nigeria.
- As stated by the CSIC (Centre for Strategic and Int'l Studies) in Washington DC in 2021 that Blended Finance (which is the strategic use of development finance and philanthropic funds to mobilize private capital flows to emerging and frontier markets) is a strategic and veritable way by which funding can be accessed by MSMEs, Nigeria should be at the top of the list of potential investors for such an initiative.
- It is clear that MSME development, e-commerce, and branding are crucial elements for the growth and success of businesses in Nigeria. As we move forward, it is important to continue to prioritize and support these areas in order to foster a thriving business environment. Therefore, we urge you all to take action and support MSMEs in any way possible, whether it be through investing, mentoring, or simply spreading awareness.