

Impact of Small and Medium Enterprises (SMEs) on Economic Revitalisation in Nigeria

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Abstract

This study investigated the impact of small and medium enterprises (SMEs) on economic revitalisation in Nigeria from 1992 to 2022, using an ex-post facto research design and secondary data. The autoregressive distributed lag (ARDL) model was employed to assess the long-run relationship between SMEs and economic revitalisation, revealing a significant positive association. Several key determinants of economic revitalisation were identified, including investment, domestic credit to the private sector, inflation, labour, capital, and technology. Investment and domestic credit support business expansion and sustainability, while effective inflation management is crucial for maintaining economic stability. A skilled labour force, sufficient capital, and technological adoption are vital for economic progress. The findings indicate that SMEs play a critical role in driving Nigeria's economic growth, while inflation and exchange rates have negative effects on economic revitalisation. The study concludes that investment, domestic credit, labour, capital, and technology are significant drivers of economic revitalisation, and the positive long-run relationship between SMEs and economic revitalisation underscores their importance. To enhance SME productivity and performance, the government should provide single-digit interest rates for domestic credit, enabling plant expansion and job creation. Furthermore, policies should ensure the accessibility of key economic factors, including investment, labour, technology, and capital, to practitioners. Robust monetary policies should be implemented to control inflation and exchange rates, which otherwise hinder SME growth and their contribution to economic revitalisation. In summary, the government should prioritise SME development as a core strategy for driving sustainable economic growth and stability in Nigeria.

Keywords: Capital, Economic, Investment, Labour, Revitalisation, SMEs, Technology

Introduction

In developing economies, particularly Nigeria, small and medium-sized enterprises (SMEs) are viewed as the backbone and propellers of employment, innovation, exports, and growth. According to a World Bank report, this segment

represents approximately 90 percent of all businesses and over 50 percent of employment worldwide (Ufua et al., 2020). SMEs contribute approximately 40–45 percent to the GDP of

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emerging economies and are responsible for creating significant numbers of new jobs. For instance, in the United States, 30 million SMEs account for nearly two-thirds of private sector jobs, while in the United Kingdom, 5.6 million SMEs represented over 99.9 percent of all businesses in 2021. Additionally, in South Africa, SMEs account for 91 percent of businesses, 60 percent of employment, and 52 percent of GDP. McKinsey, a global consulting firm, describes the sector as the lifeblood of South Africa's economy, promoting innovation, export diversification, industrialisation, and technological acquisition (Obi, 2015). Despite these contributions, SMEs in Nigeria face significant challenges, including multiple taxes, inadequate infrastructure, unstable power supply, high machinery procurement costs, and logistical issues at ports. Political instability and insecurity exacerbate these challenges. The National Bureau of Statistics (2022) reported that SMEs contributed about 48 percent to GDP over the last five years, accounting for 50 percent of industrial jobs, with the manufacturing sector housing the largest number of enterprises. However, the COVID-19 pandemic severely impacted the sector, leading to a decline from 41 million SMEs in 2017 to 39 million in 2021. This study investigates the impact of SMEs on Nigeria's economic development from 2012 to 2022, motivated by a recent SMEDAN report indicating a significant collapse of SMEs within five years, underscoring the need for revitalisation of this critical sector. The research objective is to examine the contributions of SMEs to Nigeria's GDP, identify key challenges faced by SMEs, assess their role in job creation and employment, and propose strategies for the revitalisation and growth of SMEs in Nigeria. The study hypothesises that SMEs have significantly

contributed to Nigeria's GDP, that key challenges negatively impact their sustainability, that SMEs play a crucial role in job creation and employment, and that implementing targeted strategies can effectively revitalise and promote the growth of SMEs in Nigeria.

Literature Review

Concept of SMEs

The concept of small and medium enterprises (SMEs) differs from country to country. Still, generally, it refers to businesses that operate below specific limits in terms of revenue, assets, or employee count. The Central Bank of Nigeria defines SMEs as enterprises with an annual turnover not exceeding five hundred thousand naira (CBN, 2022). In Nigeria, SMEs typically have a maximum asset base of 500 million Naira, excluding land and working capital and employ a workforce ranging from 10 to 300 employees. They operate under legal frameworks that regulate their activities (Akanbi, 2016; Kusa, 2019; Chimucheka, 2015; Aparicio et al., 2016). Limiting factors for SMEs in Nigeria include difficulty accessing funds, high credit costs, collateral requirements, inconsistent government policies, multiple taxes, and inadequate infrastructure (Ogonu et al., 2018; Adeosun & Shittu, 2022; Anyebe, 2017; Bushe, 2019; Kumar, 2017; Massaro et al., 2016). There is no universally accepted classification for small and medium-scale enterprises (SMEs), as definitions vary across countries due to differing socio-economic factors (as explained by Etuk et al., 2014). For example, the Nigerian Small and Medium Industries Equity Investment Scheme (SMIEIS) of 1998 defines SMEs as enterprises with a total capital outlay between ₦1.5 million and ₦200 million, including working

capital but excluding the cost of land. Additionally, Nigeria's National Council on Industry considers an SME to be an enterprise that employs at least ten and at most 300 employees (Lyndon, 2021). Oladimeji and Adewale (2022) conducted an in-depth examination of the impact of small and medium-sized enterprises (SMEs) on economic development in Nigeria over the period from 1991 to 2020. Their study identified a long-run relationship between the presence and performance of SMEs and overall economic growth. This relationship underscores the critical role that SMEs play in fostering economic stability and expansion within Nigeria. By employing robust analytical methods, the study demonstrated how SMEs contribute significantly to economic indicators such as GDP growth, employment generation, and technological advancement. Based on their findings, they strongly recommended that the government provide substantial assistance to entrepreneurs. This assistance should focus on improving access to finance and creating more business opportunities for SMEs. They argued that such support would enable SMEs to overcome financial barriers and enhance their capacity to contribute to economic development. The study emphasised the importance of policy interventions that facilitate easier access to credit, as well as the need for programs that foster entrepreneurial skills and innovation among SME operators.

Characteristics of SMEs

Small and medium-sized enterprises (SMEs) possess several distinct characteristics that set them apart from larger corporations. Firstly, SMEs typically require lower levels of managerial skills, making them accessible to a broader range of individuals

with varying levels of experience and expertise. Secondly, they often demand a relatively low initial capital investment, which makes starting and running an SME more feasible for many entrepreneurs. Additionally, SMEs generally have lower educational requirements for their workforce, allowing them to tap into a diverse labour pool. The owners of SMEs are usually deeply involved in the day-to-day management of their businesses, ensuring hands-on oversight and a personal touch in decision-making. Lastly, SMEs enjoy a high degree of independence in their managerial decisions, granting them the flexibility to adapt quickly to changing market conditions and to innovate in ways that larger companies may find challenging (Nagaya, 2017).

This empirical review by Mohammed (2022) investigates the pivotal role of small and medium-sized enterprises (SMEs) in driving economic growth through entrepreneurship, focusing on developing economies with a specific emphasis on Bahrain. SMEs significantly impact economic development across several dimensions, including competitive market orientation, employment generation, capacity building, and technological innovation. The review systematically collects and analyses data from eight peer-reviewed journals published between 2018 and 2022, using database tools such as EDS, Scopus, and Web of Science. Keywords, authorship, citations, titles, journal lists, and prominent enterprises are utilised as search criteria. The empirical findings highlight the essential contributions of SMEs to economic development. Capacity development by SMEs plays a crucial role in building the skills and abilities necessary for economic progress. Technological innovation driven by SMEs fosters advancements and efficiencies within various industries. Furthermore, SMEs are instrumental in

employment creation, providing numerous job opportunities and thereby reducing unemployment rates. Their competitive market orientation stimulates competition, encouraging higher standards and better services. This review underscores that SMEs are vital in fostering economic development through multiple channels, making them an indispensable component of the economic landscape in developing economies like Bahrain.

Role of SMEs in Economic Development

Small and medium-sized enterprises (SMEs) play a crucial role in economic development, especially in Nigeria, where they are key drivers of growth and progress. SMEs contribute significantly to the development of rural areas by providing local employment opportunities and fostering the growth of indigenous industries. They make efficient use of idle resources, turning them into productive assets that stimulate local economies. Additionally, SMEs help reduce unemployment by creating numerous job opportunities, which, in turn, enhance the overall quality of life and reduce poverty levels. Moreover, SMEs are instrumental in the mobilisation of savings, as they encourage individuals to invest their resources into entrepreneurial ventures (Adeosun & Shittu, 2021; Varga & Szántó, 2021). This accumulation of capital is essential for funding new businesses and expanding existing ones. SMEs also play a pivotal role in supplying raw materials to the manufacturing sector, ensuring a steady flow of inputs that sustain industrial production. The promotion of technical innovation is another significant contribution of SMEs. By adopting new technologies and innovative practices, SMEs enhance productivity and competitiveness, leading to overall economic growth. Furthermore, SMEs help

discourage importation by producing goods locally, thereby reducing the country's reliance on foreign products and saving valuable foreign exchange. UNCTAD (2021)

SMEs generate substantial revenue for the government through taxes, which are levied based on the size and nature of the business. This revenue is vital for funding public services and infrastructure projects that benefit the entire population. Additionally, the success of SMEs often leads to the creation of larger enterprises, fostering a dynamic and diversified economy. In summary, SMEs are indispensable to Nigeria's economic development. They contribute to rural development, the growth of indigenous industries, the utilisation of idle resources, the reduction of unemployment, the mobilisation of savings, and the provision of raw materials for the manufacturing sector. By promoting technical innovation and reducing import dependence, SMEs help create a more self-sufficient and resilient economy, generating significant tax revenue and fostering overall national progress (Ogonu & Okejim, 2018).

The study by Lyndon (2021) assessed the impact of small and medium enterprises (SMEs) development on economic growth in Nigeria. The study used aggregate asset base and aggregate capitalisation of SMEs as the independent variables, while gross domestic product (GDP) was espoused as the dependent variable. Secondary time series data were collected from the Central Bank of Nigeria Statistical Bulletin 2018, National Bureau of Statistics 2018, and National Survey of Micro, Small, and Medium Enterprises (MSMEs) 2013 & 2017 conducted by the Small & Medium Enterprise Development Agency of Nigeria (SMEDAN) for the period 2000 to 2018.

Descriptive statistics and multiple regression analysis grounded on the OLS approach (with the aid of SPSS version 19) were employed as approaches for data analysis. The findings show that the aggregate asset base and aggregate capitalisation of SMEs have little or no significant effect on the GDP. It was also discovered that there exists a long-run relationship among the variables even though the overall regression model was not statistically significant at 5%. It was recommended, among other things, that further efforts should be put in place by the government to gather enough information on SMEs through the responsible entities. The Federal and State Ministries of Industry, in collaboration with SMEDAN, should work out strategies for reporting the operations of SMEs in Nigeria, emphasising the asset base and aggregate capitalisation of the sector and implementing programs to resuscitate the sector.

Constraints on SMEs in Nigeria

SMEs in Nigeria encounter a multitude of constraints that hinder their growth and sustainability. One of the most significant challenges is financial limitations. Many entrepreneurs rely heavily on personal savings and informal borrowing from friends and family to finance their operations. This lack of access to formal financial services often restricts their ability to expand, invest in new technologies, or hire skilled labour. Managerial skill deficiencies also pose a considerable challenge for SMEs. Many SME owners have limited educational backgrounds and lack essential managerial skills, which can impede effective business planning, decision-making, and overall management. This skill gap often results in inefficiencies and hampers the competitive edge of these enterprises. Poor record-keeping practices further exacerbate the difficulties faced by SMEs. Inadequate financial and operational records can lead

to poor financial management, making it challenging to track performance, secure loans, or attract investors. Accurate record-keeping is crucial for understanding business health and making informed decisions, and its absence can severely restrict growth prospects. Inadequate organization and resources compound these challenges. Many SMEs operate with limited infrastructure and resources, which can affect their productivity and ability to scale. (Ogunmuyiwa & Okunneye, 2019)

Jibril and Hamisu (2020) conducted an extensive investigation into the impact of SME financing on economic development in Nigeria, spanning the period from 1985 to 2019. Their research revealed that contrary to expectations, SME financing had no significant impact on economic development within the country during the study period. This surprising finding suggests that the current mechanisms and strategies for financing SMEs may be inadequate or inefficient, thereby failing to translate financial support into tangible economic growth. Consequently, the study emphasised the necessity for deliberate and well-formulated policies aimed at ensuring effective and efficient funding and assessment of SMEs. By doing so, the government and financial institutions can better understand the needs and challenges of SMEs and thus tailor their support mechanisms to foster a more conducive environment for SME growth and development. The study highlighted the importance of continuous monitoring and evaluation of SME financing policies to ensure they are meeting their objectives and contributing positively to the broader economic landscape of Nigeria.

This includes insufficient access to modern equipment, technology, and skilled labour, all of

which are critical for sustaining competitive advantage and driving innovation. Additionally, SMEs often struggle with regulatory and bureaucratic hurdles. Navigating complex and sometimes inconsistent regulatory environments can drain valuable time and resources. These administrative burdens can also deter potential entrepreneurs from starting new ventures, stifling innovation and economic diversification. SMEs in Nigeria face a range of constraints, including financial challenges, managerial skill deficiencies, poor record-keeping and inadequate organisation and resources. Addressing these issues requires targeted interventions to improve access to finance, enhance managerial skills, promote efficient record-keeping practices, and provide the necessary infrastructure and resources to support SME growth and development (Ogonu et al., 2018).

Overview of Nigeria's Economy

In the detailed report by the National Bureau of Statistics (2023), Nigeria's gross domestic product (GDP) exhibited a modest growth rate of 2.31% in the first quarter of 2023, marking a decline compared to the previous year. The services sector emerged as the primary driver of this growth, contributing significantly with 57.29% to the overall GDP. Meanwhile, the agriculture sector experienced a downturn, reflecting challenges in production and distribution. On the other hand, the industry sector showed slight improvement, indicating some resilience amidst economic fluctuations. Despite challenges in the broader economy, while contributing only 6.21% to the total real GDP in Q1 2023, the oil sector saw some growth compared to the previous year. This sector's performance underscores its continued importance in Nigeria's economic landscape, albeit with fluctuations

influenced by global oil market dynamics. In contrast, the non-oil sector demonstrated robust performance, contributing 93.79% to the nation's GDP during the same period. Key drivers within the non-oil sector included telecommunications, financial institutions, trade, manufacturing, construction, and transportation, highlighting their crucial role in driving economic diversification and resilience against oil price volatility.

Theoretical Review

This study adopts the Keynesian economic theory propounded by John Maynard Keynes in 1936, with the publication of his seminal work, 'The General Theory of Employment, Interest, and Money' which asserts that government intervention is necessary to help economies recover from recessions. Developed by British economist John Maynard Keynes, this theory highlights the role of government in maintaining economic stability through financial disbursements to small businesses. Effective resource allocation, market regulation, and policy stability are essential for supporting small-scale enterprises (Olagunju, Olakanmi & Osakede, 2023).

Methodology

This study uses annual time series data over a 30-year period (1992–2022), extracted from secondary sources such as the Central Bank of Nigeria and the National Bureau of Statistics. The autoregressive distributed lag (ARDL) model was adopted to examine the long-run relationship between SMEs and economic revitalisation, with economic growth proxied by GDP.

Discussion of Results

The results of the descriptive statistics obtained for the variables of the study are presented in Table 1.

Table 1: Descriptive Statistics Result

Descriptive Statistics	LOGGDP	SMEs	INV	DCPS	INF	EXR	LAB	CAP	TECH
Mean	256.3719	2398806.	90329.69	229046.8	451218.0	19.05392	141.0393	3.830000	2680.326
Median	275.6300	221600.0	42802.70	78943.67	231456.0	15.11819	96.88000	4.000000	1937.000
Maximum	546.6800	13654321	786543.9	866689.0	4321112.	59.46155	450.5600	4.000000	7231.030
Minimum	33.83000	7260.800	3746.900	12274.80	12134.67	8.726837	2.960000	3.000000	105.6000
Std. Dev.	175.5980	4574523.	199435.5	276672.0	823062.9	11.71206	138.5446	0.297546	2500.569
Skewness	0.073573	1.654711	3.144293	1.217199	4.055181	2.072915	1.459090	-1.639130	0.540323
Kurtosis	1.447462	3.843054	11.15617	2.988883	19.55799	7.083658	3.578805	4.708775	1.840353
Jarque-Bera	2.736029	0.126790	1.326782	2.667223	3.434380	38.09719	2.957133	2.111271	2.826647
Probability	0.254612	0.886745	0.546320	0.264320	0.123450	0.000000	0.243214	0.302420	0.243333
Sum	6922.040	64767763	2438902.	6184264.	12182885	514.4560	3808.060	61.28000	72368.80
Sum Sq. Dev.	801701.4	5.44E+14	1.03E+12	1.99E+12	1.76E+13	3566.481	499059.9	1.328000	1.63E+08
Observations	27	27	27	27	27	27	27	16	27

Source: Author's Computation, 2023

Table 1 presents the descriptive statistics for the study's variables, showing that SMEs and other exogenous variables could significantly influence economic growth in Nigeria. This conclusion is based on the Jarque-Bera statistics' p-values, which are less than the critical value of 5%, except for the exchange rate, which also has a significant p-value of 0.0000. This indicates that SMEs and other variables in the model could either harm or help revitalise Nigeria's economy. For example, accelerated SME growth could enhance economic growth and boost employment

generation. Additionally, domestic investment in critical economic sectors could improve SME performance, thereby contributing more effectively to Nigeria's economic revitalisation.

Pre-Estimation Result

The study used copious secondary data that was subjected to inherent human and machine errors. As a result of this, the data needed to be freed from these errors. This section discussed the result of the unit root test used to ensure that the variables of the study were stationary.

Table 2: Unit Root Result

Variable	Level		1 st Difference		Order of Integration
	ADF Stat.	P-value	ADF Stat.	P-value	
GDP	-0.825673	0.7949	-3.953668	0.0230	I(1)
SMEs	-0.792926	0.8045	-5.099436	0.0004	I(1)
INV	2.918931	1.0000	-6.411563	0.0000	I(1)
DCP	-1.753000	0.3942	-3.899829	0.0067	I(1)
INF	3.784418	1.0000	-6.672877	0.0000	I(1)
EXR	-2.532668	0.1192	-7.350503	0.0000	I(1)
LAB	-0.447252	0.9812	-3.494515	0.0168	I(1)
CAP	-4.847998	0.0053	-	-	I(0)
TECH	-1.005298	0.9952	-4.84799	0.0053	I(1)

Source: Author's computation, 2023 (E-view 10)

Table 3: Philip- Perron Unit Root Test

Variable	Level		1 st Difference		Order of Integration
	PP Stat.	P-value	PP Stat.	P-value	
GDP	-0.895274	0.7734	-3.362471	0.0225	I(1)
SMEs	-0.720159	0.8245	-5.224961	0.0003	I(1)
INV	-3.150385	0.0350	-	-	I(0)
DCPS	-1.839296	0.3542	-3.901850	0.0056	I(1)
INF	-0.958816	0.7524	-3.836792	0.0375	I(1)
EXR	-2.490518	0.1291	-7.350503	0.0000	I(1)
LAB	-0.447252	0.9812	-3.479323	0.0174	I(1)
CAP	-2.944020	0.0637	-5.814552	0.0004	I(1)
TECH	-2.565285	0.0654	-5.014244	0.0005	I(1)
Test critical values:	1% level		-3.724070		
	5% level		-2.986225		
	10% level		-2.632604		

Source: Author's Computation, 2023 (E-view 10)

Tables 2 and 3 present the results of the augmented Dickey-Fuller (ADF) and Phillips-Perron (PP) tests, respectively, used to test for unit roots in the study's variables. The ADF test results in Table 2 show that economic growth, SMEs, DCPS, INV, INF, EXR, LAB, and TECH have unit roots at the level, with p-values greater than the critical value of 5%. This indicates that these variables are non-stationary

at the level but become stationary at the first difference, implying they are integrated of order I(1). The exception is capital, which is stationary at the level, indicating it is integrated of order I(0). To confirm these results, the PP test results in Table 3 show that SMEs, GDP, DCPS, EXR, INF, LAB, CAP, and TECH are non-stationary at the level but become stationary at the first difference, confirming

they are integrated into order I(1). Investment, however, is stationary at this level, confirming it is of order I(0). These findings indicate that the autoregressive distributed lag (ARDL) model is appropriate for investigating the long-

run relationship between the variables in this study.

VAR Lag Order Selection

In using the Auto-Regressive Distribution Lag, the order of lag selection must be determined.

Table 4: VAR Lag Order Selection Criteria

Model	LogL	AIC*	BIC	HQ	Adj. R-sq	Specification
1	-70.675838	10.084480*	10.567348*	10.109207	0.894529	ARDL(1, 0, 0, 0, 0, 0, 0, 0)

Source: Author's Computation, 2023 (E-view 10)

* indicates lag order selected by the criterion

LR: sequential modified LR test statistic (each test at 5% level)

FPE: Final prediction error

AIC: Akaike information criterion

SC: Schwarz information criterion

HQ: Hannan-Quinn information criterion

The desired level of lag length of the variables included in the ARDL model with a critical band of 5% significance level was selected based on the AIC, BIC, and HQ, which indicated an optimal lag length of one (1) as presented in Table 4 with an ADL specification of (1, 0, 0, 0, 0, 0, 0, 0).

The long-run relationship between SMEs and economic revitalisation

In investigating the objective of a long-run relationship between SMEs and economic revitalisation, or simply economic growth, there was a need to check for the existence of the long-run relationship through the autoregressive distribution lag bound test, otherwise called the ARDL Cointegration Bound Test. Table 5 presents the result of the ARDL bound test.

Table 5: ARDL Co-integrating Bound Test

Test statistics	Value	Lag	Critical level	Bound Critical Values	
				Lower Bound I(0)	Upper Bound I(1)
			10%	1.95	3.06
F-statistics	4.814787	1	5%	2.22	3.39
			2.5%	2.48	3.7
			1%	2.79	4.1

Source: Author's Computation, 2023 (E-view 10)

Table 5 presents the results of the long-run test between the dependent variable, economic growth (economic revitalisation), and the independent variables: SMEs, INV, DCPS, EXR, INF, LAB, CAP, and TECH. The test aimed to determine if there was a long-run relationship between economic growth and SMEs. The F-statistic for the test was 4.814787, which is greater than the critical values at the 5% significance level (lower bound: 2.48, upper bound: 3.70). Therefore, the null hypothesis of

no long-run relationship was rejected, indicating a dynamic long-run relationship between the variables. Consequently, a long-term ARDL analysis is required to confirm the long-run relationship between SMEs and economic revitalisation, with a preliminary test for the significance of the short-run relationship being essential.

Short Run Auto-Regressive Distribution Lag (ARDL) Coefficient

Table 6: Short-Run ARDL Result (Dependent Variable = Economic Growth (Proxy as GDP))

Variable	Coefficient	Standard Error	T-calculated	P-value
C	135.7469	214.6735	0.632341	0.5505
GDP(-1)	0.862134	0.263214	3.275415	0.0169
SMEs	9.500206	1.180205	8.049624	0.0000

INV	8.490605	0.519455	16.34422	0.0000
DCPS	0.908905	6.313005	0.143973	0.9740
LAB	7.203405	1.521205	4.735328	0.0000
INF	-6.591716	0.594119	-11.09494	0.0000
EXR	-0.103341	0.561947	-0.183898	0.8602
CAP	-0.856610	0.073100	-0.014213	0.9891
TECH	0.411111	0.022133	18.57457	0.0000
	OTHER	TEST	STATISTICS	
R-squared	0.957812		Mean dependent var	384.0294
Adjusted R-squared	0.894529		S.D. dependent var	100.8241
S.E. of regression	32.74388		Akaike info criterion	10.08448
Sum squared resid	6432.969		Schwarz criterion	10.56735
Log likelihood	-70.67584		Hannan-Quinn criter.	10.10921
F-statistic	95.13552		Durbin-Watson stat	1.780321
Prob(F-statistic)	0.000000			

Source: Author's Computation, 2023 (E-view 10). *Selected Model: ARDL (1, 0, 0, 0, 0, 0, 0, 0, 0)*

Table 6 presents the results of the short-run ARDL analysis, indicating a significant short-run relationship between SMEs and economic

growth in Nigeria. The coefficient of determination (R^2) of 0.96 suggests that 96% of

economic growth and revitalisation are explained by SMEs and other exogenous variables. This demonstrates the positive contribution of SMEs to economic revitalisation through increased employment, improved infrastructure, and added government revenue from taxes. The p-value of the F-statistic (0.00000) is less than the critical value of 5%, and the F-statistic value of 95.14 is significant, leading to the rejection of the null hypothesis of no significant short-run relationship. This confirms a significant short-

run relationship between SMEs and economic growth. The information criterion suggests that SMEs provide reliable information on economic growth, and the Durbin-Watson statistic of 1.780321 indicates no serial correlation among the variables. These results underscore the importance of verifying the long-term dynamic relationship between SMEs and economic growth.

Long Run Relationship between SMEs and Economic Growth

Table 7: ARDL Long Run Coefficients of ARDL Result (Dependent variable = Economic Growth Proxy as GDP)

Variable	Coefficients	Standard Error	T-calculated	P-Value
C	0.632374	0.730293	0.521872	0.6205
SMEs	0.003069	0.000182	16.86264	0.0000
INV	0.006616	0.001376	4.808140	0.0000
DCPS	0.001138	0.000529	2.151229	0.0434
CAP	0.004387	0.001198	3.661937	0.0021
INF	-0.812646	0.080835	-10.05315	0.0000
EXR	-0.749577	5.036780	-0.148821	0.8866
LAB	0.213372	0.055903	3.816826	0.0012
TECH	0.280596	0.061037	4.597146	0.0002

Source: Author's Computation, 2023 (E-view 10)

Table 7 presents the results of the long-run ARDL analysis, showing a significant positive relationship between SMEs and economic growth in Nigeria. The regression coefficient for SMEs is 0.003, with a significant t-statistic value of 16.86 and a p-value of 0.0000, indicating that a 1% increase in SMEs might lead to a 0.003% increase in economic revitalisation. SMEs contribute positively by generating employment, fostering industrial growth, and increasing the output of goods and services, thereby enhancing entrepreneurial skills, reducing poverty, and lowering living costs. Domestic investment also significantly impacts economic revitalisation, with a regression coefficient of 0.007, a t-statistic value of 4.81, and a p-value of 0.0006. A 1% increase in domestic investment might result in a 0.007% improvement in economic revitalisation. Investments in sectors like agriculture, infrastructure, mining, manufacturing, and services can significantly boost economic growth by increasing employment, production, and food security. Similarly, domestic credit to the private sector (DCPS) has a positive and significant relationship with economic revitalisation, as indicated by a regression coefficient of 0.0011, a t-statistic value of 2.15, and a p-value of 0.0434. Enhanced credit access for SMEs can lead to increased plant capacity, employment, and production, reducing poverty and crime rates. Capital also plays a significant role in economic revitalisation, with a regression coefficient of 0.004, a t-statistic value of 3.66, and a p-value of 0.0021, suggesting that a 1% increase in capital

might lead to a 0.004% increase in economic revitalisation. Increased capital allows SMEs to reinvest profits, expand plants, and boost productivity, leading to more employment opportunities. Conversely, inflation negatively impacts economic revitalisation, as shown by a regression coefficient of -0.81 and a significant t-statistic value of -10.05. A 1% increase in the inflation rate might cause a 0.81% decrease in economic revitalisation, as high inflation impedes SMEs' ability to expand and create jobs due to higher raw material costs.

The relationship between the exchange rate and economic revitalisation is negative but insignificant, with a regression coefficient of -0.75 and a non-significant t-statistic value of -0.15, suggesting that the floating exchange rate increases material costs for SMEs relying on foreign intermediate goods, hindering economic growth. However, labour force development significantly impacts economic revitalisation, with a regression coefficient of 0.21, a t-statistic value of 3.82, and a p-value of 0.0012, indicating that a well-developed labour force enhances productivity and benefits SMEs. Lastly, technology significantly impacts economic revitalisation, with a regression coefficient of 0.28, a t-statistic value of 4.60, and a p-value of 0.0002, highlighting its crucial role in improving SME production capacity and overall performance, driving economic growth and revitalisation.

Conclusion

The study concluded that small and medium enterprises (SMEs) are a crucial driver of economic growth in Nigeria. Investment, domestic credit to the private sector, labour, capital, and technology significantly enhances economic revitalisation. Conversely, inflation and exchange rates negatively impact economic revitalisation. There is a significant positive long-run relationship between SMEs and economic revitalisation in Nigeria. SMEs, investment, domestic credit, labour, capital, technology, and the inflation rate are key determinants of economic revitalisation in the country.

Recommendations

Since SMEs and economic revitalisation are positively related in the long run, the government should provide single-digit domestic credit interest rates to enhance SME productivity and performance. This long-term credit could lead to plant expansion and increased employment opportunities, driving economic revitalisation in Nigeria.

The government should improve and make accessible all favourable determinants of economic revitalisation, such as SMEs, investment (INV), domestic credit to the private sector (DCPS), labour (LAB), technology (TECH), and capital (CAP), to practitioners.

Inflation and exchange rates that hinder SME growth and their contribution to economic

revitalisation should be controlled through robust monetary policies focused on SME development.

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