**THE NAIRA DEVALUATION: A CONSIDERABLE IMPACT ON GROWTH OF SMALL AND MEDIUM SCALE ENTERPRISES IN NIGERIA.**

**BY**

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**Abstract**

*The study examines the considerable impact of naira devaluation on growth of small and medium scale enterprises in Nigeria. The study has the following objectives; to assess the dependency level of SMEs on foreign goods and services, to examine the effectiveness of the naira devaluation in encouraging the growth of indigenous small and medium scale business in Nigeria .Methodology, this study focused on the effect of the naira devaluation on small and medium scale enterprises growth in Nigeria; hence, two hundred (200)respondents were drawn from business managers and small business owners .The research involved the convenient sampling method. Based on the findings; data for this study was gathered through the use of primary data (questionnaire) and the secondary data. The questionnaire is the major instrument of data collection in this study; the study is recommended to the government and the general public that, Value creation should be the trademark of Small and Medium Scale enterprises in Nigeria. To earn foreign exchange and encourage high export rates of our local products, Business operators must think outside the box in such that goods and services that can attract foreigners should be produced to reduce the effect of the naira devaluation; the government should take diversification of the economy seriously. Policies should be designed and implemented to fast track the diversification of the Nigerian economy. An enabling environment for business to strive should be created. Small and medium scale enterprises should be encouraged to grow and survive rather than starving it to death through under financing.*

**Key words:** *Devaluation, Naira, Small and Medium Scale enterprises, foreign exchange.*

**INTRODUCTION**

**Background to the Study**

Nigeria is abundantly blessed with great endowments of many natural resources like crude oil, coal, plantations etc. Her wide resources in commercial measures have made her attain high status among oil producing nations in the world. The oil industrial sector described as the nation’s financial lifeline widely, has helped Nigeria gain such enviable position. The oil sector accrues a greater percentage of exports. The CBN statistical record (2015) shows that oil exports accounts to 80 percent of the nation’s export earnings.

Of recent, reverse has been the case as drop in the oil price has left the country in a dire economic situation. This is as a result of the nations over dependence on oil profit thereby running an undiversified economy. Government’s continuous dependence on foreign exchange reserves generated from crude oil has exceedingly brought about tremendous implications for foreign exchange earnings. Decrease in level of foreign exchange reserves induces free movement of exchange rate. Issues are also on the rise of the demand side. There has been an increase in demand for foreign exchange as a result of factors like; heavy dependence on the importation of finished products, the industrial sector’s dependence on imported raw materials with other inputs, reversal of capital flow by investors and high speculative demand which has caused uncertainty in the foreign exchange market (CBN report, August 2013).

Ostensibly, devaluation refers to a sharp fall in country’s currency within a fixed exchange rate. The post-independence which showed that agriculture used to be the life engine of the nations’ economic growth, showed greater diminution. This resulted from the discovery of crude oil in 1970’s with its value to the economy of the whole world. The revenue from crude oil looks to have boosted the Nigerian economy with impact towards social and economic development than agriculture also with subsequent laxity and disregard for agricultural activities.

Currency devaluation as a micro-economic fiscal policy dwells on deliberate reduction in the value of local currency with the purpose of increasing gains in tradable items. The cost of goods and services are cheaper in a nation where there is no currency devaluation. Reduction in the prices of goods and services can help stimulate or facilitate trading activities in a country with the purpose of enhancing economic growth and development to help alleviate poverty.

Campbell (2004), in his work stated currency devaluation as a deliberate downward adjustment in the official exchange rate established by a government against specified standard lowering importation of goods and services, for the achievement of balanced growth, with the aim of alleviating poverty.

**Statement of the Problem:**

Nigeria as a third world nation is still dependent on importation of materials. Her high dependency on products from foreign countries may likely bring about more negative impacts than positive impacts as a result of devaluing the naira.

Hitherto, some financial and economic analysts have praised the Monetary Policy Committee (MPC) of the Central Bank of Nigeria for taking a bold step to devalue the naira late 2014, which was not accomplished as result of its resultant dilapidating impact to small scale enterprise.

Meanwhile, devaluation if properly managed can be used as a fiscal policy tool to discourage imports, achieve balance of payment as well as encourage and promote enterprise activities, but Nigeria is not there yet as most Small and Medium Scale Enterprises (SMEs) still depend on products from other countries to still survive in business. The implication of the devaluation of naira is that imports will become more expensive. An import dependent economy like Nigeria cannot afford to devalue her currency because the country is not producing a product that would attract buyers from other countries and SMEs are not well equipped by the government to engage into production of such products.

The over dependence of SMEs in Nigeria to foreign products is suicidal as a drop in the value of naira will bring about higher cost of sales, and other operational costs. As well excessive spending of SMEs in purchase of products and materials from other countries will lead to inflation, low patronage of goods and services and resultant collapse on small and medium businesses.

**Objectives of the Study**

The main objective of the study is to add to the existing literature of examining the considerable effect of the naira devaluation on small and medium enterprises (SMEs) growth in Nigeria. Specific objectives of the study are;

1. To access the dependency level of SMEs on foreign goods and services.
2. To examine the effectiveness of the naira devaluation in encouraging the growth of indigenous small and medium scale enterprises in Nigeria.

**Research Question**

In order to achieve the objectives of the study and guide the study accordingly, the following research questions were formulated;

1. How dependent are SMEs in Nigeria on foreign goods and services?
2. What is the effect of naira devaluation in encouraging the growth of indigenous small and medium scale enterprises in Nigeria?

**Research Hypothesis**

**Ho:** There is no significant relationship between the naira devaluation and import volume SMEs in Nigeria.

**Hi:** There is a significant relationship between the naira devaluation and import volume of SMEs in Nigeria.

**Ho:** The devaluation of naira has not been effective in encouraging the growth of indigenous small and medium scale businesses in Nigeria.

**Hi:** The devaluation of naira has been effective in encouraging the growth of indigenous small and medium scale businesses in Nigeria.

**Significance of the Study**

The study is effectively significant as it adds to existing literatures of impact of naira devaluation to SMEs in Nigeria. For reviews, study guide and further studies to researchers, students and policy makers.

**CONCEPTUAL ISSUES**

**Small and Medium Scale Enterprises**

The National Development Plan (1970-1980) refers small business as “the manufacturing establishment employing less than ten people on whose investment in machinery and equipment do not exceed N600000 (six hundred thousand naira)”. In the same vein, Central Bank of Nigeria (CBN) in its credit guidelines (2013) defined small business as those businesses with annual turnover of less than N500000 (five hundred thousand naira).

The federal ministry of industries in 2005 opined a small business enterprise as “all manufacturing unit with a total capital investment of up to N60000 (sixty thousand naira) and paid employment of up to 50(fifty) people”.

**Features of Small and Medium Scale Enterprises in Nigeria**

1. Small and medium scale enterprises are mainly in the form of sole proprietorship and partnership. However, some are incorporated as limited liability companies.
2. Most SMEs have labor intensive production processes and centralized management.
3. SMEs have limited access to long and short term capital.
4. There is no separation of ownership from control. Management structure is simple, making for ease in decision making.
5. SMEs are common in many lines of economic activities manufacturing, transportation, and communication etc.

**The Contribution of Small Scale Businesses to the Economic Growth of Nigeria**

There are various reasons for stressing conscious planning and development of small scale business industries in Nigeria, some will be enumerated in this project as found out in the course of the research that small scale business have dot to contribute to the changing of a depressed Nigerian economy. Such contributions include the following;

* Small scale industries create employment to the Nigeria citizens which will reduce dependence on government to provide job for everybody and also to a large extent reduce government expenditure in a way of contributing to a balanced budget for the economy.
* They act as catalyst for technological development. In most cases SMEs use less complex information that can help to promote needed technology and leads to innovation.
* Employment opportunities. SMEs have a higher capacity for generating employment as their modes of operation are more labor intensive. They are found in virtually all areas of economic activities and every where even in rural areas.
* They provide training ground for the establishment and management of the large firm. Over time some of these firms grow in size by expansion or by merging with other firms. As these enterprises grow in size, the managers learn on the job.
* They encourage and promote private sector initiatives and development. All SMEs are privately owned and managed; their continued existence improves the level of private sector participation in economic development.
* SMEs help to fill the gap left and sub-serviced by the large firms.
* SMEs help to tap the relatively ignored and other unexploited resources and areas of production.
* They are major sources of domestic’s capital formation through their mobilization of private savings and channeling of such into productive investments.

Yue and Ma (2008) studied issues pertinent to the sustainable development of technological innovation in small and medium enterprises (SMEs). At the end of their study, they argued that sustainable development of technological innovation in SMEs is a systematic engineering, which involves a number of issues such as technical level, capabilities of key research and develop personnel, availability of fund for research development and business development. SMEs need to develop and implement strategy based on their own characteristics and strive to realize sustainable growth in the long run which cannot be resolved in a short time.

Oluba (2009) in his work, summarized the contribution of SMEs to an economy, especially developing ones; greater utilization of raw materials, employment generation, encouragement of rural development, development of entrepreneurship, mobilization of local savings, linkages with bigger industries, provision of regional balance by spreading investments more evenly, provision of avenue for self-employment and provision of opportunity for training managers and semi-skilled workers.

**The Concept of Currency Devaluation**

Devaluation originally refers to a sharp fall at currency within a fixed exchange rate. Currency devaluation is a micro-economic fiscal policy which dwells on deliberate reduction in the value of local currency with the purpose of increasing gain in tradable items. Cost of goods and services are cheaper in a nation where currency is devalued compared to another where there is no currency devaluation. Reduction in the prices of goods and services can help stimulate trading activities in a country with overall purpose of enhancing economic growth and development to help alleviate poverty. The Babangida led administration’s currency devaluation became popular in Nigeria when in 1986 he came up with the Structural Adjustment Program (SAP). This came as a policy designed to help achieve a realistic exchange rate for the naira that was overvalued then. This posed an unhealthy threat to the economic growth and development of our nation, Nigeria because overvalued currency further worsens balance of payment problems (Todaro, 2010). On this basis, the nation was encouraged to embrace the devaluation policy as pre-requisite for economic recovery.

Iyoha (2013), in his empirical study of local government and rural development ascertained that the IMF and World Bank call for the eradication of poverty by way of given the poor greater access to services and infrastructure which was a contradiction in relation to the terms given by SAP that stipulates currency devaluation. His study revealed that devaluation of currency in Nigeria created tremendous inflationary pressures on the economy; a situation in which local authorities were limited in discharging their statutory functions. He further emphasized that devaluation of currency reduced local authorities’ purchasing power resulting in their inability to supply basic infrastructural services for the grass root populace. The aggregate result of his finding is that devaluation of currency reduces poverty.

Voir (2011), in his study analyzed the impact of devaluation on small scale enterprises in Burkina Faso, using the cost of production and profitability of the small scale enterprises. He found that the rate of turn-over in business activities reduced by 22% and imported inputs also increased in prices. According to Voir, there was profit made in areas of building contractors which could be seen in the growth of these activities which small scale business owners like; restaurant owners, provincial retailers, blacksmiths, carpenters and mechanics e.t.c. suffers the scourge of devaluation. However, devaluation has weakened many small enterprises which are not producing export products, because of the depression of urban markets with the fall of purchasing power of the households.

In the same vein, Egedegbe (2009) argues that devaluation of the naira has negative impacts on all Nigerians. That is, companies and individuals particularly the poor. Devaluation made the companies to be operating at a lost due to high cost of imported inputs which made their major part of net profits go up in smoke, while on the part of the masses the price of electronics, car and even rice a staple food in Nigeria has gone up astronomically which negatively affected the poor ( Egedegbe, 2009).

The works of Abayomi (2007), in assessing the impact of devaluation of naira, opines that Nigeria a dependent economy, devaluation can only make goods and services expensive. In addition to the falling naira exchange rate according to Adebayo is the crippling effect of inflation in Nigeria (Adebayo, 2009). The devaluation of the naira has made the rich richer through importation of rice which is a stable food in urban areas but difficult for the poor to purchase due to its high price. In general terms, devaluation induces inflation which hurt the poor particularly hard.

**METHODOLOGY**

The study focused on the impact of the naira devaluation in the growth of SMEs in Nigeria. The convenience sampling method was employed of which there was 200 population of the sampling size consisting of business owners and managers. The instrument of study was a structured questionnaire distributed to the selected population. It comprised of the research questions. The study employed simple percentage table and chi-square statistical tool for its data analysis.

A modified Likert scale was employed in analyzing the data that emanated from the study, where numerical values were assigned to: Strongly agreed =5, Agreed=4, Indifferent= 3, Disagreed =2 and strongly disagreed =1.

**Analysis**

In the study chi-square was used to analyze the data that emanated from the study. The results of each table were also interpreted.

1. **Analysis of data in line with Research Question 1:** How dependent are SMEs in Nigeria on foreign goods and services?

**Table 1: Do you Import?**

|  |  |  |
| --- | --- | --- |
|  | **Frequency** | **Percent** |
| Yes | 200 | 100.0 |

**Source:** Field Survey, 2017

Table 1 shows responses gotten from the respondents when asked if they import goods and services. All 200 respondents representing 100% agreed that they are into the importation business. This shows that the respondents are into importation business, and hence they are the right people for the study, as the study seeks to examine the effect of the naira devaluation on the performance of small and medium scale enterprises in Nigeria.

**Table 2: If 'Yes' what type of Product do you import?**

|  |  |  |
| --- | --- | --- |
|  | **Frequency** | **Percent** |
| Computer Wares | 37 | 18.5 |
| Clothes | 19 | 9.5 |
| Food and Health products | 10 | 5.0 |
| Home Appliances and Gadgets | 121 | 60.5 |
| Automobile Parts | 13 | 6.5 |
| **Total** | **200** | **100.0** |

**Source:** Field Survey, 2017

Table 2 highlights the type of products the respondents import. 37 respondents representing 18.5% import computer wares, 121 respondents representing 60.5% import gadgets, and 10 respondents representing 5% import food and health products, 19 respondents representing 9.5 % import cloths, while the remaining 13 respondents representing 6.5% import automobile parts.

This clearly shows that majority of the respondent selected for the study import home appliances from other countries for sales.

**Table 3: I depend largely on other countries for supply of the above products mentioned**

|  |  |  |
| --- | --- | --- |
|  | **Frequency** | **Percent** |
| Strongly Agree | 101 | 50.5 |
| Agree | 87 | 43.5 |
| Indifferent | 8 | 4.0 |
| Disagree | 3 | 1.5 |
| Strongly Disagree | 1 | .5 |
| **Total** | **200** | **100.0** |

**Source:** Field Survey, 2017

Table 3 shows the dependency of the respondents on foreign products. 101 respondents representing 50.5% strongly agree that they rely on other countries for their products, 87 respondents representing 43.5% Agree, 8 respondents representing 4% were indifferent, 3 respondents representing 1.5% disagreed, while the remaining 1 respondent representing 0.5% strongly disagree. This clearly shows that majority of the respondents strongly agreed and agreed that small and medium scale enterprises in Nigeria largely depend on foreign products for survival. This to a large extent entails that SMEs in Nigeria depend on imports for sales as majority of the respondents asserted to this.

**Table 4: I outsource other stages of production to Foreign Contractors/firms**

|  |  |  |
| --- | --- | --- |
|  | **Frequency** | **Percent** |
| Strongly Agree | 30 | 15.0 |
| Agree | 47 | 23.5 |
| Indifferent | 92 | 46.0 |
| Disagree | 29 | 14.5 |
| Strongly Disagree | 2 | 1.0 |
| **Total** | **200** | **100.0** |

**Source:** Field Survey, 2017

Table 4 shows the level or degree in which SMEs outsource other stages of production such as fabrication, services, branding, marketing etc to foreign firms and contractors. 30 respondents representing 15% strongly agree 47 respondents representing 23.5% agree, 92 respondents representing 46% were indifferent, 29 respondents representing 14.5% disagree, while the remaining 2 respondents representing 1% strongly disagree. This means that outsourcing of other stages of production is not really ascertained by the respondents as majorities were indifferent when answering the question. However, majority of the respondents on the hand strongly agreed or agreed that other stages of production are usually outsourced to foreign firms and contractors.

**Table 5: SMEs in Nigeria depend on foreign goods/services for their growth and survival**

|  |  |  |
| --- | --- | --- |
|  | **Frequency** | **Percent** |
| Strongly Agree | 167 | 83.5 |
| Agree | 27 | 13.5 |
| Indifferent | 3 | 1.5 |
| Disagree | 2 | 1.0 |
| Strongly Disagree | 1 | .5 |
| **Total** | **200** | **100.0** |

**Source:** Field Survey, 2017

Table 5 shows level on dependence of SMEs on Foreign Products for their growth and survival. 167 respondents representing 83.5% strongly agree, 27 respondents representing 13.5% agree, 3 respondents representing 1.5% were indifferent, 2 respondents representing 1% disagree, while the remaining 1 respondent representing 0.5% strongly disagree. This clearly shows that SMEs rely largely on foreign goods and services for their growth and survival as majority of the respondents asserted to this.

**Table 6: What Factors account for the dependence of SMEs on Foreign products?**

|  |  |  |
| --- | --- | --- |
|  | **Frequency** | **Percent** |
| Price | 104 | 52.0 |
| Quality | 7 | 3.5 |
| Lack of Local Substitutes | 6 | 3.0 |
| Easy to Import | 83 | 41.5 |
| **Total** | **200** | **100.0** |

**Source:** Field Survey, 2017

Table 6 highlights the various factors that account for dependence of SMEs on foreign products. Among the listed factors from the survey, Price was the major factor as most of the respondents asserted that foreign goods were cheaper than indigenous products. 104 respondents representing 52% asserted to this fact. 7 respondents representing 3.5% indicated quality, 6 respondents representing 3% indicated lack of substitute products, while the remaining 83 respondents representing 41.5% indicated that foreign products were easy to import. This clearly shows that price is a major determinant of dependency of SMEs on foreign products. This makes sense as majority of products imported from China seems to be cheaper and favorable for SMEs whose ultimate goal is to maximize profit and minimize cost of sales and production

**Table 7: Naira Devaluation has forced me to reduce the volume of Import**

|  |  |  |
| --- | --- | --- |
|  | **Frequency** | **Percent** |
| Strongly Agree | 125 | 62.5 |
| Agree | 63 | 31.5 |
| Indifferent | 10 | 5.0 |
| Disagree | 2 | 1.0 |
| **Total** | **200** | **100.0** |

**Source:** Field Survey, 2017

Table 9 shows the effect of the naira devaluation on volume of imports. 125 respondents representing 62.5% strongly agree that the naira devaluation has reduced their import volume, 63 respondents representing 31.5% agree, 10 respondents representing 5% were indifferent, while 2 respondents representing 1% disagreed. This clearly shows that the naira devaluation has reduced import volume of SMES as majority of the respondents asserted to this. Since it is more expensive to import goods and services from other countries against the weak naira, most SMEs have reduced quantities they buy from other countries, in-order to reduce cost of sales and minimize losses.

1. **Analysis of data in line with Research Question 2:** What is the effect of naira devaluation in encouraging the growth of indigenous small and medium scale enterprises in Nigeria?

**Table 8: Are you of the view that the Naira Devaluation can encourage indigenous Products and impact positively on the Overall economy?**

|  |  |  |
| --- | --- | --- |
|  | **Frequency** | **Percent** |
| Strongly Agree | 83 | 41.5 |
| Agree | 51 | 25.5 |
| Indifferent | 3 | 1.5 |
| Disagree | 29 | 14.5 |
| Strongly Disagree | 34 | 17.0 |
| **Total** | **200** | **100.0** |

**Source:** Field Survey, 2017

Table 7 shows awareness of the respondents on the benefits or positive impact of the naira devaluation on the economy of Nigeria. 83 respondents representing 41.5% strongly agree 51 respondents representing 25.5% agree, 3 respondents representing 1.5% were indifferent, 29 respondents representing 14.5% disagree, while the remaining 34 respondents representing 17% strongly disagree.

**Table 9: As a result of the Naira Devaluation am now buying Nigerian made substitute materials to what I Import**

|  |  |  |
| --- | --- | --- |
|  | **Frequency** | **Percent** |
| Strongly Agree | 109 | 54.5 |
| Agree | 41 | 20.5 |
| Indifferent | 18 | 9.0 |
| Disagree | 27 | 13.5 |
| Strongly Disagree | 5 | 2.5 |
| **Total** | **200** | **100.0** |

**Source:** Field Survey, 2017

Table 22 shows the effectiveness of the naira devaluation in encouraging local made products in Nigeria. 109 respondents representing 54.5% strongly agree that they are buying local made products as a result of the naira devaluation, 41 respondents representing 20.5% agree, 18 respondents representing 9% were indifferent, 27 respondents representing 13.5% disagree, 5 respondents representing 2.5% strongly disagree. This implies that the naira devaluation got some positive impact on the Nigerian economy, as local products are being patronized as a result of expensive imports from other countries. This in turn will increase Gross Domestic Product of the Economy as well as encourage the growth and survival of indigenous business that may not be able to compete favorably with foreign businesses and their products.

**Test of Hypothesis**

Having given a careful analysis of the responses, the hypothesis earlier formulated ab initio for the study are approached by the use of chi-square at 0.05 (5%) level of significance.

**Hypothesis One**

**Ho**: There is no significant relationship between the naira devaluation and import volume of SMEs in Nigeria.

**H1**: There is a significant relationship between the naira devaluation and import volume of SMEs in Nigeria.

**Question 7:**  **Naira Devaluation has forced me to reduce the volume of Import**

|  | **Observed N** | **Expected N** | **Residual** |
| --- | --- | --- | --- |
| Strongly Agree | 125 | 50.0 | 75.0 |
| Agree | 63 | 50.0 | 13.0 |
| Indifferent | 10 | 50.0 | -40.0 |
| Disagree | 2 | 50.0 | -48.0 |
| **Total** | **200** |  |  |

**Source:** Field Survey, 2017

**Test Statistics**

|  | I depend largely on other countries for supply of the above products mentioned | The Naira Devaluation has forced me to reduce the volume of Import |
| --- | --- | --- |
| Chi-Square | 246.100a | 193.960b |
| Difference | 4 | 3 |
| Significance | .000 | .000 |
| 1. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 40.0. | | | |
| 1. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 50.0. | | | |

From the value, X2C= 246.1, X2T at 0.05 with df=4 is 9.49

**Decision Rule**

Since the test statistics X2C=246.1 is greater than the actual value X2T = 9.49, the null hypothesis (H0) is rejected and the alternative hypothesis (H1) is accepted which states There is a significant relationship between the naira devaluation and import volume of SMEs in Nigeria.

**Hypothesis Two**

**Ho**: The devaluation of the naira has not been effective in encouraging the growth of indigenous small and medium scale businesses in Nigeria.

**H1**: The devaluation of the naira has been effective in encouraging the growth of indigenous small and medium scale businesses in Nigeria.

**Question 8: Are you of the View that the Naira devaluation will encourage indigenous products?**

|  | **Observed N** | **Expected N** | **Residual** |
| --- | --- | --- | --- |
| Strongly Agree | 83 | 40.0 | 43.0 |
| Agree | 51 | 40.0 | 11.0 |
| Indifferent | 3 | 40.0 | -37.0 |
| Disagree | 29 | 40.0 | -11.0 |
| Strongly Disagree | 34 | 40.0 | -6.0 |
| **Total** | **200** |  |  |

**Test Statistics**

|  | Are you of the view that the Naira Devaluation can encourage indigenous Products and impact positively on the Overall economy |
| --- | --- |
| Chi-Square | 87.400a |
| Difference | 4 |
| Significance | .000 |
| a. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 40.0.  From the value, X2C= 87.4, X2T at 0.05 with df=4 is 9.49 | |

**Decision Rule**

Since the test statistics X2C=87.4 is greater than the actual value X2T = 9.49, the null hypothesis (H0) is rejected and the alternative hypothesis (H1) is accepted which states the devaluation of the naira has been effective in encouraging the growth of indigenous small and medium scale businesses in Nigeria.

**Discussion and Implication of Findings**

The first specific objective of the study was to assess the dependency level of Small and Medium Scale Enterprises on Foreign Products and imports. Findings from the study revealed that SMEs are totally dependent on importation of goods and services (see table 3). There is a high dependency of SMEs on foreign importation. SMEs rely largely on foreign countries for goods and services they sell in Nigeria. This has strong implications to the economy of Nigeria. As a developing country and an import dependent nation this implies that inflation and further weakening of the naira may arise. As imports gets more expensive and our indigenous goods gets cheaper for foreigners, prices of goods and services may sky rocket since almost every factor and stage of productive activity business carry out is imported or outsourced to foreign firms.

More so, the last objective was to examine the effectiveness of the naira devaluation in encouraging locally produced goods and services. Findings from the study revealed that, the naira devaluation has actually encouraged some of the business men and women to start looking at Nigerian made goods, since it is now expensive to import. This will yield more revenue to the government through taxes and royalties, and strengthen the purchasing power of the naira.

**SUMMARY OF FINDINGS**

The paper tends to examinethe naira devaluation: a considerable impact on growth of small and medium scale enterprises in Nigeria. Findings from the study revealed that the naira devaluation has both negative and positive effects on businesses and the economy of Nigeria as a whole. Based on the data analysis, the following were discovered,

* Naira devaluation has reduced the import volume of SMEs in Nigeria.
* Naira devaluation has encouraged SMEs in Nigeria to start creating local products.
* SMEs in Nigeria largely depend on foreign product for growth.
* SMEs in Nigeria outsource stages of production to foreign firms and contractors.

**CONCLUSION**

Devaluation of the naira affects small and medium scale enterprises in Nigeria as it pose a negative impact due to over dependence of our SMEs on Imports and over dependence of the government on Oil revenue. This ripple effect has brought about losses to many business owners and hardship to many citizens who bear the high cost in the market.

Analyzing the naira devaluation Under the Babangida administration, the devaluation of Naira gingered stagnation, increased unemployment and hike in prices of basic foods. It forced many infant industries to fold up as they were unable to import essential materials needed for production. Furthermore, the inflationary spiral engendered by the devaluation of the Naira lowered the purchasing power of the income workforce. It also resulted in the low pricing and purchase of agricultural products.

**RECOMMENDATIONS**

* Value Creation should be the trademark of Small and Medium Scale enterprises in Nigeria. To earn foreign exchange and encourage high export rates of our local products, business operators must think outside the box. Goods and services that can attract foreigners should be produced to reduce the effect of the naira devaluation and substitute import.
* The government should take diversification of the economy seriously. Policies should be designed and implemented to fast track the diversification of the Nigerian economy. Oil prices should not be allowed to be the prime determinant of the value of the naira. Other areas such as agriculture, tourism, education should be explored to attract more foreign exchanges and revenue.
* Enabling environment for business to strive should be created. Small and medium scale enterprises should be encouraged to grow and survive rather than starving it to death through under financing.

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