

8 ways MSMEs can thrive in Nigeria



the number of employees they employ⁹. Micro Enterprises employ up to 10 employees, Small Enterprises comprise of fewer than 50 employees, while Medium Enterprises employ fewer than 250 employees.¹⁰

In Sub-Saharan Africa there are approximately 44 million formal MSMEs.¹¹ MSME's play a crucial role in providing innovative solutions and meeting the needs of Africa's burgeoning population. But what does it take to be a successful MSME?

What are the general pitfalls to be avoided and the recommended steps that can be followed to ensure the sustainability and successful growth of a MSME that is just starting out?

Below are 8 steps for MSME's to thrive:

1. Exploit Governmental Initiatives aimed at MSMEs

MSMEs should take advantage of governmental efforts and initiatives aimed at creating a more conducive and simplified business climate. Nigeria recognizes the importance of encouraging the growth and success of MSMEs. This is reiterated by the actions of Nigeria's bicameral legislature – the National Assembly, which recently passed THE COMPANIES AND ALLIED MATTERS (REPEAL & RE-ENACTMENT) BILL 2018, a modernization of Nigeria's most important legislation on business and corporations. Most saliently, in the event this bill is signed into law, it would allow MSMEs to thrive by introducing One Person Companies (OPC) & Single Directorships, which would permit a lone individual to set up a limited liability company. It also eliminates the Company Secretary requirement for certain companies in an effort to help MSMEs reduce costs of operation and management. Although the law is yet to be in force, pending the assent of the President, it is a marked step in the right direction.

Nigeria is Africa's most populous nation with a population of about 198 million people¹ of which, over 90 million are youths.² The unemployment rate in Nigeria has soared to 23.1%³ of the populace, the equivalent of 20.9 million people⁴, and the youth unemployment/underemployment rate is currently at 55.4%.⁵ These statistics indicate that there is a massive percentage of the labour force unable to find gainful employment.

This gap can be ameliorated by Micro, Small, and Medium Enterprises (MSMEs), which are growing as the largest employers of labour in the Africa⁶. MSMEs play an invaluable role in emerging economies⁷. In sub-Saharan Africa, 38% of its GDP is attributed to MSMEs⁸ by way of their contribution to exports, production, and employment. MSMEs are typically categorized based on

1. National Population Commission <http://population.gov.ng/nigerias-population-hit-198m-people-npopc-chairman/> (Last visited Feb. 8, 2019).
2. United Nations Conference on Trade and Development (UNCTAD) and International Chamber of Commerce (ICC) Investment Guides The iGuide Nigeria. A guide to doing Business in Nigeria <https://theiguide.org/public-docs/guides/nigeria> (Last visited Feb. 8, 2019).
3. James Emejo, NBS: Unemployment Rate Rises to 23.1%, 20.9m Nigerians Jobless., This Day, <https://www.thisdaylive.com/index.php/2018/12/20/nbs-unemployment-rate-rises-to-23-1-20-9m-nigerians-jobless/> (Last visited Feb. 8, 2019).
4. James Emejo, NBS: Unemployment Rate Rises to 23.1%, 20.9m Nigerians Jobless., This Day, <https://www.thisdaylive.com/index.php/2018/12/20/nbs-unemployment-rate-rises-to-23-1-20-9m-nigerians-jobless/> (Last visited Feb. 8, 2019).
5. Nigerian Bureau of Statistics <https://nigerianstat.gov.ng> (Last visited Feb. 8, 2019).
6. Partners To Solve Africa's \$331 Billion SME Finance Gap., New Business Ethiopia, <https://newbusinessethiopia.com/partners-to-solve-africas-331-billion-sme-finance-gap/> (Last visited Feb. 8, 2019).
7. SMALL AND MEDIUM ENTERPRISES (SMES) FINANCE., The World Bank, <https://www.worldbank.org/en/topic/sme/finance> (Last visited Feb. 8, 2019).
8. Closing Africa's MSME finance gap., Times of News, <https://africa.timesofnews.com/closing-africas-msme-finance-gap.html> (Last visited Feb. 8, 2019).
9. Will Kenton, Small and Mid-size Enterprise (SME), Investopedia, <https://www.investopedia.com/terms/s/smallandmidsizeenterprises.asp> (Last visited Feb. 8, 2019).
10. Will Kenton, Small and Mid-size Enterprise (SME), Investopedia, <https://www.investopedia.com/terms/s/smallandmidsizeenterprises.asp> (Last visited Feb. 8, 2019).
11. Partners To Solve Africa's \$331 Billion SME Finance Gap., New Business Ethiopia, <https://newbusinessethiopia.com/partners-to-solve-africas-331-billion-sme-finance-gap/> (Last visited Feb. 8, 2019).



Furthermore, in line with the governmental push to simplify doing business in Nigeria, the Corporate Affairs Commission — a government agency that regulates all things corporate and business related, recently rolled out an initiative aimed at encouraging micro, small and medium enterprises to register their business names at a 50% discount for a limited period of time¹². The purpose of this incentive strategy is to encourage MSMEs to formalize their businesses, which in turn would allow them to have access to external financing and loans. The scheme was so successful that it was further extended by an additional three months to ensure all who desired to register their business name would be able to¹³. The popularity of this initiative highlights MSMEs desire for a simplified and more conducive business environment.

2. Collaborative Workspaces

The cost of maintaining an affordable office space has reduced tremendously with the advent of shared work spaces. MSMEs can minimise their overhead costs by utilizing a shared work space/ co-working space. Savvy micro and small entrepreneurs can circumvent the cost of singularly renting an office space, paying for internet access, electricity, backup power, and the associated maintenance. Co-working spaces have gained popularity both in Nigeria and worldwide. They allow MSME's to rent daily, weekly, monthly or annually for a corporate space either by office or desk, and provide access to full amenities, printing, copying, internet service, fax, computers, a conference room, and in some cases a shared receptionist. Many of these spaces also provide business development trainings as a part of the package.

3. Utilize Social Media

Instagram, Facebook, Twitter, Facebook and LinkedIn are great ways to craft a brand and grow a dedicated following, which can be converted to paying customers. Social media platforms allow direct access to prospective clients and customers and permit organic growth of your MSME. Each social media platform has its own unique attributes and advantages, and some even have integrated targeted marketing features that can be fine-tuned to your specific and desired demographic. Social media platforms can be an incredibly valuable marketing tool, as it is an effective and efficient method to promote your products and services to potential customers.

Utilizing websites and e-stores are a more cost effective shift from traditional brick and mortar business model, especially for micro and small enterprises. Online businesses and e-stores make client interfacing incredibly seamless, while simultaneously cutting down on operational costs.

4. Don't Reinvent the Wheel

There are other companies that specialize in providing solutions to MSMEs' operational headaches. Outsource those problematic areas and focus on your core service or product. For instance, some logistic companies have created special packages to cater to MSMEs. For an affordable amount MSMEs can get a dedicated set of logistics teams, which allow for efficient and effective service delivery.

5. Hire Millennials

Utilize the abundance of millennial eager to work and make a mark and engage them in problem solving and product/service improvement. Their unique outlook allows them to think critically and outside the box. Some business owners may myopically focus on millennials perceived shortcomings, however MSMEs should instead be focused on their strengths, and tailor the business to accommodate the way millennials work and operate. A millennial friendly and conducive environment allows your MSME to tap into, and maximize millennial ideas and non-traditional approach to innovation, work and business.

6. Draw Up A Detailed And Feasible Business Plan

"Before anything else, preparation is the key to success."

Alexander Graham Bell

Business plans are crucial, and ensure that your MSME is effectively and efficiently solving the problem that it came into existence to solve.



12. REDUCTION OF COST OF BUSINESS NAMES REGISTRATION BY 50%, Corporate Affairs Commission <http://new.cac.gov.ng/home/reduction-cost-business-names-registration-50/> (Last visited Feb. 8, 2019).

13. CAC extends cost reduction of business registration till March 31, The Punch, <https://punchng.com/cac-extends-cost-reduction-of-business-registration-till-march-31/> (Last visited Feb. 8, 2019).



A solid business plan makes an idea more concrete, and makes it easier for investors or financial institutions to access the feasibility, marketability and profitability of the business. This allows necessary parties, whether venture capitalists, angel investors or even private equity firms to take your business seriously and allow for an optimum outcome. (It is important to highlight that in vulnerable financial situations such as these, it is crucial to seek legal advice to make sure your MSME is neither being taken advantage of, nor leaving money on the table.) A solid business plan ensures that the enterprise is following a previously delineated guidepost for growth, relevance and continued success. Additionally, it ascertains that essential structures such as book keeping, legal representation, human resource and talent management are put into place.

7. Seek Out Sector Specific Grants, Subsidies And Assistance Programs

Many relevant sectors such as agriculture, environmental/sustainability and manufacturing sectors have dedicated grants and programs from the national government and other developmental and financial agencies. Take advantage by tapping into the opportunities for financial assistance especially those that do not require repayment. Legal professionals are indispensable in ensuring that the business is adequately protected and not taking any unnecessary or unanticipated risks.

8. Utilize Legal Practitioners To Help Grow Your Business

The value of a legal professional cannot be over stated in a business. From commercial conception to day to day operations, MSMEs need lawyers to give necessary legal and business advice, and to also to ensure compliance. It is essential to the structure and the proper functioning of a business to engage the services of legal professionals to draw up essential contracts and agreements, such as non-disclosure agreements, employment contracts, and co-founders agreements. Seeking the advice of a legal professional is a must in regards to procuring financing and other forms of external investment. Lawyers can make doing business easier for MSMEs by ensuring an adherence to Know Your Customer, Anti-Money Laundering, and other financial and regulatory policies.

Legal practitioners' can also help MSMEs protect their intellectual property in terms of business names, products, and brand names, industrial design, algorithms, software and the like.

Other key areas that legal practitioners are invaluable are in regards to regulatory and tax compliance, service terms and privacy policies and by ensuring compliance with relevant licensing and permits.

As a final point, the greatest arsenal in a micro, small, medium enterprise's possession will always be this: having the foresight to ensure the enterprise has a powerful advocate in its corner, one that is willing to fight for its rights, and protect its interest at every turn.



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