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## SME-Led Non-Oil Export Sector in the Southwest Nigeria: Issues and Challenges

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### **Abstract:**

*This paper explored literary information on the issues and challenges of the SME-led non-oil export sector in the Southwest Nigeria, and provided empirical and descriptive account of the sector as a more viable alternative to the oil-dominated Nigerian international trade. The paper showed literary evidence that the poor performance and the weak positioning of the SME-led non-oil sector in the export market are pertinent issues that require urgent attention; while the challenges of the sector's uneasy access to finance, infrastructural deficits, entrepreneurial incapability, unstable export trade policy, over-dependence on foreign technology, official corruption and the global economic crisis, demand proper understanding and proactive actions. Through an organised field-survey of 300 sampled SME owners/managers, the paper revealed empirically that in spite of the noted SMEs' challenges, about 49% of the firms in the Southwest Nigeria were actively engaging in non-oil product exporting with 78.7% contents of their exports being intermediate and finished products. The mode of entry of these firms into the foreign market were found to be mainly, joint venture and direct exporting through step by step, risk averse, slow, and cautious marketing strategies; while uneasy access to the foreign markets and customers, fear of export risks, difficulties in making profits and stringent export regulations, were the major export barriers against the SMEs. The paper therefore, recommends that there should be a more intensified focus on SME-led non-oil export support promotions in the Southwest Nigeria for better performance.*

**Keywords:** Challenges, Internationalization, Non-oil export, southwest

### **1. Introduction**

The Nigeria's economy is largely monolithic and heavily dependent on oil revenue. This is the result of the large-scale industrialization policy which had placed greater emphasis on import substitution and control of balance of payment problems since independence (Ayozie, 2011). The situation has inadvertently, led to overt neglect of the non-oil sector of the economy. Even though the discovery of crude oil and the subsequent oil boom in the early '70s had led to increased growth in the GDP, the cosmetic affluence of the Nigerian state in the '70s and early '80 had never been translated into real and visible economic development that is capable of raising the standard of living of Nigerian people through eradication of unemployment and the prevalent poverty in the land (Ezeudu, 2014). The crude-oil dominated economy has failed to provide the needed linkage with other sectors of the economy in terms of employment and income generation for the populace. This is in spite of all efforts made through the various policy alternatives in the national development plans to grow the economy after independence (Babajide, 2011). This has created a great concern for moves towards a new industrial policy re-orientation with emphasis on the Small and Medium-scale Enterprises (SMEs) in the non-oil sector, as a more viable industrial and export-trade redirection. The growing interest in the SME sector as the vanguard for the non-oil export-led growth alternative in Nigeria is also, largely due to the rising profile and the increasing awareness of the roles of the sector, in the global economic transformation process.

The non-oil product sector of the economy has a great role and potentials for boosting export earnings as well as providing the needed diversification for the country's export structure. When effectively and adequately promoted, the non-oil exports can contribute immensely to curbing the present deficiency in the supply of foreign exchange in the country. Secondly, non-oil exports can serve as a strong compliment to oil exports and thereby, contribute to improving the balance of payment position of the country, assist in resolving the acute debt burden, while improving the stock of our foreign exchange balances. Thirdly and more importantly, non-oil exports have direct and major linkages with other sectors of the domestic economy. Possible expansion in non-oil exports therefore, has a great potential for stimulating the general economic growth and production, increase in domestic demand and improving capacity utilization in industries. In a nutshell, while oil export still continues to provide the main source of foreign exchange to Nigeria, it is no gain-saying that for a meaningful and balanced structural development of the economy, there is urgent need for increasing transformation of the economy from its over-reliance on oil revenue to a well-diversified economy, led by manufactured exports.

The non-oil sector of the economy includes: all those economic activities that are different from those in the oil and gas sector. These activities include: agriculture, agro-businesses, manufacturing, mining-related, professional services like banking, insurance, accounting, legal, educational, information and communication technology (ICT), tourism, health

services, research and development (R&D) activities, to mention but few (Riti, Gubak, & Madina, 2016). With the aid of effective export-trade strategy and incentive support policies therefore, exports from the noted ventures and activities can bring about increase in national output for domestic and export markets through economies of scale. The increased revenue generated through exports can lead to improvement in purchasing power of firms' owners, their managers and employees with consequent expansion of domestic market through direct foreign investment (FDI), aggregate demand, general economic welfare and prosperity (Usman & Salami, 2008). There is therefore, an urgent need for conscientious assessment and reappraisal of the issues and challenges concerning the success of SMEs' non-oil export promotion and economic diversification process in Nigeria. To this end, the specific objectives of the present study will include:

- To explore literarily, the issues and challenges facing the SMEs in the non-oil export sector.
- To examine empirically, the nature of SMEs' internationalization process and its barriers in the Southwest Nigeria.

The results from this study will serve the governments and the organised private sector with valuable insights on the issues and challenges that need urgent attention in the transformation process of Nigeria's economy into a non-oil export producing nation, structurally and industrially.

## 2. Literature Review

### 2.1. Importance of SME-Led Non-Oil Export Sector to the Economy

Study into the efficacy of the SME sector in Nigerian economy has intensified in the last 30 years or there about, since the large-scale industrial policy preference of the government and the over-dependence of the economy on export of crude oil have evidently, failed to combat the increasing unemployment and income inequality among the populace. This underlines the importance and significance accorded the sector all over the world. The positive impacts of the SMEs in the development and continuous growth of the world economies have given more credence to the recognition of the vital contributions of sub-sector. This is why the sector has been described by Pahuja & Sanjeev (2015) as the "engine of growth" and a key factor in promoting private sector development and partnership (Current Scenario of Entrepreneurship in India, para. 2). SMEDAN & NBS (2013) has enumerated the relevance of this all important sector to the economy as including: creation of potential entrepreneurs, employment generation, production of intermediate products for use by large-scale companies, mobilization of local resources, adaptation of new technology, creation of new industries, acting as a reliable platform for balanced industrialization, wealth, income and export generation, poverty alleviation, as well as ensuring sound competition in the economy.

Research experts (Lucas, 1988; Grossman & Helpman, 1991; Sachs and Warner, 1997) have stated that the policy of SME-led export diversification alternative is the most suitable option for the long-run economic growth in developing economies especially, those with high dependence on export of natural resources like the crude-oil, agricultural and other mineral resources. These products are vulnerable to price fluctuations in international market and produce conflicting effects on economic planning and development. The Small and Medium-scale Enterprises (SMEs) sector has therefore, been widely recognized as a growth-led agent in domestic production and gainful exports because of the reasons of low capital requirement for the enterprises and their higher labor-intensive mode of operations, which guarantees employment opportunities for a large number of persons. Therefore, the growing preference for SME export-led growth alternative in the non-oil sector in Nigeria, can be explained by the success story of SMEs in other countries such as Malaysia, Indonesia and India, given the sector's encouraging performance in those economies as the seed beds for entrepreneurial development and a substantial contributor to the gross domestic products and exports (Ayozie, 2013).

### 2.2. Issues of SME-Led Non-Oil Export Growth

Export trade permits economic and financial interdependence among different countries, thereby complimenting the domestic capacity of the trading nations and contributing immensely through different trade benefits accruing to them from abroad (Gianni De et al., 2003, cited in Sanjo & Ibrahim, 2017). Thus, in addition to solving problems of unemployment, poverty, disease, rural-urban migration, etc., most of the fast-developing countries like Malaysia, India and Indonesia heavily, rely on the vibrancy of their SMEs in increasing export contributions. The trajectory of SMEs' non-oil export performance in Nigeria currently leaves much to be considered. The contribution of the non-oil exports to total exports remains very low and changes only very little with less than 1% increase over a five-year period from 7.27% in 2013 to 7.70% in 2017 (SMEDAN & NBS, 2013; CBN, 2017). This compares very poorly with the average performance of the sector in OECD and non-OECD countries (see Table 1).

Country	SMEs' Contribution to Total Exports (%)
Australia	57
Belgium	54
France	52
Italy	58
Poland	47
Germany	37
Czech Republic	43
Spain	58
Portugal	65
USA	34
Turkey	55

Table 1: Share of Value Added in Total Exports by SMEs in 2009

Source: OECD and World Bank Group (2015)

Although SMEs' contributions to exports are generally under-represented in OECD and non-OECD countries with lower trade turnover, compared to the larger firms especially, when the focus is on SMEs' direct engagement with their neighboring countries' economies. However, the contributions of the SMEs to total exports is more than 50% on the average in most OECD countries especially, when their roles in global value-added chain (GVCs) as suppliers to exporting national and Multi-National companies are considered (OECD and World Bank Group, 2015). The negative trend observed in some of the developing nations including Nigeria is therefore, a clear aberration of the available statistics. A well-articulated understanding and effort is therefore, urgently needed in this direction.

Another issue of significant importance without which, proper examination of the competitiveness of SME-led non-oil export concern cannot be robust and adequate enough is SMEs' product positioning strategy in the global market. Product or market positioning according to Ries and Trout (1981), is the act of creating and communicating a company's image or product brand in such a way as to entrench the organization's core competitive advantage in the minds of its current and potential customers. This, by implication means that positioning is about an organization's appeal to the sub-conscious minds of its target market by communicating its offerings and product benefits in the best possible way to its audience. A business entity does this in order to earn itself a unique place in the minds of its customers against the competitors' offerings by fostering positive perceptions and first-hand recall process of its core competitive advantages in their minds, when they make their purchase decisions. According to On The Mark (2005), product or brand positioning is a vital marketing or selling strategy which no business that seeks to be successful, must trivialize. Positioning concept is about what readily comes to mind of the target consumers when a product or service is mentioned. It is a useful and inevitable tool used by well-organised businesses to influence the purchase decisions of its target market. The objectives of product positioning are always to express and effectively communicate the uniqueness of a company's products to its target customers; reflect and outline in the best possible ways, the customer needs which the product or brand seeks to satisfy; while specifying a company's competitive advantage that is connoted in the benefits and distinguishing features of the company's product or brand relative to that of its competitors (On The Mark, 2005). All these are strategic marketing game plans designed to enable a company's product or brand become more readily preferable to the target market instead of the competitors' offerings while making the purchase or repeat purchase decisions. Ketels (2016) posited that positioning can be regarded as a decision-making process regarding identification and representation of a country's or organization's core competitive advantages in its market relative to its most relevant competitors. Hlatshwayo (2015) in a study berated the poor application of the marketing concepts and brand positioning strategy in policies on growth and sustainability of SMEs' operations in domestic and international markets by SME owners in developing countries. The researcher thus, identified four vital elements of product or brand positioning on which SMEs need to strategize as including:

- Corporate identity, by getting recognized in their respective markets with easily remembered brand names that should be internalized by their employees and be made to portray their mission, vision, and objectives domestically and internationally;
- Target users, by focusing on well-defined market segments with appealing and convincing marketing concepts and communications;
- Product features and attributes, by devising a cost-effective approach of communicating their product or brand features and benefits to their target customers;
- And firms competitive advantage, by not only knowing who their competitors are, but also striving to have clear understanding of competitors' marketing strategies and be proactive in neutralizing their game plans.

Chowdhury (2013) also, identified some of the key strategies which exporting firms need to work on when trying to position their products or brands in the marketplace to include the use of: product features and attributes the specific needs the product seeks to address and competitors' characteristics as the main approaches for positioning. All these will enable SME firms to intensify and appraise their efforts in profitably utilizing the opportunities available to them, improve on their strength, manage their weaknesses and avoid threats from their competitors in their markets. Proper positioning is thus, inevitable to competitiveness and success of the SMEs both in the domestic and international marketing environment.

### 2.3 Challenges facing the SME-Led Non-Oil Export Campaign in Nigeria

There is no gainsaying that Nigeria's SME sector is under-performing and not living up to expectation. In a time-series study undertaken to discover empirically, the level of influence of SME non-oil exports on Nigeria's level of economic growth, Onodugo, Ikpe, & Anowor (2013) berated the insignificant impact of the non-oil export in the study. Finding solutions to the mirage of problems impeding the performance of this all-important sector in the international market is thus, a challenge facing the efforts towards boosting the sector's foreign exchange earning capability in Nigeria. In this direction, research analysts (Osotimehin et al., 2012; Gbandi, & Amisshah, 2014) have canvassed for dedicated efforts for growing and developing the SME non-oil export sector in order to open up the sector's great potentials in terms of innovation and creativity needed to create a truly private sector driven economy and ensure speedy economic diversification process for increased export performance. Some of the evidences from past studies on the significant challenges that have continued to undermine SMEs' domestic productivity and expected export performance internationally include:

- The twin constraints of finance inadequacy and infrastructural deficiency which impede SME production capacity domestically (Eigbiremolen & Igberaese, 2013);
- The high dependence of the nation on foreign technology and weak entrepreneurial foundation, and the lack of discernable pattern of export trade policy due to plethora of inconsistencies in the macroeconomic and business enabling environments (Ajayi, 2016; Chete, Adeoti, Adeyinka & Ogundele, 2016);
- Policy inconsistencies, coupled with official corruption (Riti, Gubak & Madina, 2016);
- The poor implementation of government export promotion strategies (Onodugo, Ikpe, & Anowor, 2013).
- The negative impacts of global economic recession, obstacles in global competition for scarce resources, production inefficiency, managerial incapability, poor access to modern management and technology, legal and institutional barriers in international trade, among others (Mohammad, Char, Yaso' & Hassan, 2010).

Therefore, when the global challenges are combined with domestic constraints facing the SME sector, the result cannot be otherwise than to slow down the pace of growth, contributions and competitiveness of the SMEs in the foreign markets. These are thus, the issues and challenges which according to Jaensson (2004), developing nations (including Nigeria) have to address most critically and be more pragmatic and strategic about, in making well-informed decisions concerning SMEs and export trading, if they are to make appreciable benefits from the global economic integration process.

In response to the challenges as stated above, the Federal Government of Nigeria has put in place, different incentive support programs for promotion of SMEs' non-oil products. Prominent among these programs are: the establishment of Small and Medium Enterprises Development Agency of Nigeria (SMEDAN); the N220 Billion Micro Small and Medium Enterprises Development Fund (MSMEDF); the Nigeria Export Processing Zones (NEPZ); the Nigeria Export Promotion Council (NEPC); the creation and empowerment of Nigerian Export-Import Bank (NEXIM); and the current Non-Oil Export Stimulation Facility (ESF) of the federal Government, among others. The government also, recognizes that for entrepreneurship in SME export to thrive well, the business acumen of the would-be exporting entrepreneurs needs to be developed. The government is therefore, promoting different action programs that are capable of enhancing innovation, creative ability and exporting experience of Nigerian entrepreneurs in programs such as: Zero Oil Plan Initiative (ZOPI), Women in Export Development, Capacity Building for Export, Cashew Processing for Export, the N-Power Programme, Strategic Partnership with Los Angeles University and CBI Technical Support for Promotion of Nigeria's Exports, and Campaign for Patronage of Made-in-Nigeria Products. In a recent report, Vanguard newspaper outlined a set of programme activities currently being embarked upon by Nigerian Export Promotion Council (NEPC). The purpose of these action programme is to boost the foreign exchange generation from the SME-led non-oil export sector, with a focus on the following 5 major areas:

- Encouraging made-in-Nigeria products through the launch of 'National Export Aggregator';
- Reinforcing and encouraging the functionality of Export Development Fund (EDF) Scheme;
- Stimulating the US\$30 billion wealth creation from 11 targeted strategic export products;
- Focusing attention on 22 new export markets in Nigerian export trade policy.
- Researching and discovering impactful role of 'competencies, comparative and competitive advantages of States and Zones through the One-State, One-Product programme'.

This program package is expected to stimulate the long-awaited increase in non-oil exports by raising SMEs' export contribution to 50% of the total export and generating 1.5 million employment opportunities in the SME sector by the year 2020 (Ibiyinka, September 3, 2017). However, while the feasibility of the program coming to fruition as anticipated within the specified time scope still appears far in sight, the intent of the program goes to show that Nigerian trade policy is now more focused at promoting economic diversification and steady growth in the manufacturing, agriculture, agro-businesses and the mining sectors in Nigeria for improved performance of the SMEs in the non-oil product sector, both in domestic and foreign markets.

### 3. Methodology

The approach used in this study is a combination of information search through in-depth review of the relevant literature on the topic and a field survey of 300 sampled SME owners/managers in Lagos State, organised to collect quantitative data for descriptive analysis of the current internationalization status of the SME sector in exporting the non-oil products. The processing of the data collected was made with the aid of PASW Statistics 18 (formally SPSS Statistics),

while the analysis was done, using simple descriptive statistics (frequency tables, percentages and cumulative percentages).

#### 4. Findings and Discussions

This paper has explored the literary evidence on the issues, challenges and weak positioning of the SME-led non-oil export sector. It also, acknowledged that based on research evidences, the relevance of the sector in the export market as an alternative option to Nigeria's over-dependence on crude oil, is incontestable. The big and worrisome issue around the concept however, was found to be the urgent need to create and sustain an effective SME-led export growth model in the non-oil sector of Nigerian economy. This is what many experts believe, will proffer solutions to most of the socio-economic problems confronting the country. Research experts (Eigbiremolen & Igberaese, 2013; Chete, et al, 2016; Riti, Gubak & Madina, 2016; Mohammad, et al, 2010; Onodugo, Ikpe, & Anowor, 2013; Ajayi, 2016, etc.), have maintained that SMEs' contemporary challenges that must be critically addressed in a structured and efficient manner in order to achieve the national goal of continuous increase in the non-oil exports for foreign exchange earnings include: firms' weak entrepreneurial competence, organizational incapability, poor competitive scope, low access to formal finance capital, poor application of modern management, high dependence on foreign technology, institutional barriers, susceptibility to global financial crisis, and low inflow of foreign direct investments. Others are policy inconsistency on SMEs, official highhandedness, administrative laxity, among others. Solution to these challenges according to experts will not only solve the unemployment problems, but lead to regeneration of entrepreneurial education, training and skill acquisition which will in turn create wealth and income redistribution that is capable of exterminating the perennial poverty and reposition the SMEs for increasing contributions to the domestic output, as well as appreciable growth in the non-oil exports for foreign exchange earnings. In addition, the important place of product positioning by SMEs in the foreign markets was also, acknowledged through the literature search. The study confirms that, exporting firms are to be well-equipped with information regarding competition in order to be able to design and package the need-satisfying offerings for the target customers in a well differentiated manner from that of the competitors. According to Chowdhury (2013) and Hlatshwayo (2015), successful positioning is a necessary ingredient that helps in sustaining firms' competitive advantage in the target market, as the practice facilitates and fosters long-lasting and dependable customer loyalty in the long-run. However, product positioning will not be complete without the business entity doing clear self-assessment in terms of the organization's strength, weaknesses, opportunities and threats in comparison with that of its equal rivals in the target marketplace.

Furthermore, a random and purposive field survey of three hundred (300) SMEs' owners & managers produced two hundred and seventy-nine (279) return or 93% response rate. The meticulous analysis of the empirical data obtained, provided interesting results which as shown in Table 2, reveals that, while 143 (51.3%) of the SME firms contacted in the study are yet to start participating in any international business activities, 136 (48.7%) were actively internationalizing. This level of international exposure of Nigerian SMEs is very promising and should be encouraged further. Table 2 also provides highlight on some of the reasons why Nigerian SMEs internationalize. According to 53 firms (39.0%) from among the 136 exporting SME owners, the most important reason for engaging in international business activities, is the need to earn increased profits. This is followed by 36 (26.5%) of the firms, citing market expansion as their main reason, while 34 (25.0%) firms state that exploiting foreign market opportunity accounted for their involvement in international business. Only 13 (9.5%) of the exporting SME respondents, indicated entrepreneur's motivation as their reason. Invariably, the result in Table 2 appears to show that internationalization process among Nigerian SMEs is more need-inclined, as the cumulative percentage of 90.5% of respondents in the study, indicated increased profitability, market expansion and foreign market opportunities as the main reasons for exporting to other countries.

On SMEs' mode of entry into the foreign market, only joint ventures by 76 firms (55.9%) and direct exporting to other countries by 60 firms (44.1%) of the exporting SMEs in our study sample were mentioned as the popular methods among the SMEs in the Southwest Nigeria. Other modes such as franchising and wholly owned manufacturing or subsidiary plants abroad are not yet popular among Nigeria SMEs.

Variable	Response Option	Freq.	Percent	Cum. Percent
Is company exporting to other countries?	No	143	51.3	51.3
	Yes	136	48.7	100.0
	Total	279	100.0	-
Reason for SMEs' Engagement in Exporting	Need for increased profitability	53	39.0	39.0
	Need for market expansion	36	26.5	65.5
	To exploit foreign market opportunities.	34	25.0	90.5
	Entrepreneur's motivation	13	9.5	100.0
	Total	136	100.0	-
Company's Mode of Entry into Exporting business	Direct exporting to other countries	60	44.1	44.1
	Joint venture with foreign companies'	76	55.9	100.0
	Total	136	100.0	-

Variable	Response Option	Freq.	Percent	Cum. Percent
Company's Time before the Start of Exporting activities	Within 2 years	60	44.1	44.1
	Between 3-5 years	58	42.7	86.8
	After 5 years & above.	18	13.2	100.0
	Total	136	100.0	-
Category of Company's exports	Semi-processed products (intermediate)	61	44.9	44.9
	Finished products	46	33.8	78.7
	Raw materials	29	21.3	100.0
	Total	136	100.0	-

*Table 2: Nature of SMEs' Internationalization Process*  
*Source: Researcher's Field Survey*

On the category and nature of export products of the SMEs studied, Table 2 above also, shows that 61 (44.9%) firms submitted that the bulk of their exports to other countries comprised of semi-processed products, 47 (33.8%) finished products and the rest 29 (21.3%) SME firms trading in raw materials. This composition of exports of Nigerian SMEs as revealed in the study, with semi-processed and finished products constituting 78.7% of the SMEs' exports to other nations, and just 21.3% being raw materials, is very encouraging. This is because a low raw material contents in the firms' exports is a reflection of an improved production methods, added-value creation and employment generation among the SMEs operating in the Southwest Nigeria.

Furthermore, Table 3 describes the methods of internationalization process among the SME firms in the Southwest Nigeria, as being that of step by step, risk averse, slow and cautious approach (57 firms, 22.1%). This method was mentioned as the most popular method of internationalization among the SMEs operating in the Southwest Nigeria. This is closely followed by 49 (36.0%) companies that claim to internationalize through international networks and contacts with foreign partners, while the rest, 30 (22.1%) SMEs indicated to be internationalizing through rapid exporting and expansion methods.

Method	Freq	%
Through rapid export expansion process	30	22.1
Through networks, contacts and partnership	49	36.0
Step by step, risk averse, slow and cautious approach	57	41.9
Total	136	100.0

*Table 3: Methods Used in Internationalization Processes*  
*Source: Researcher's Field Survey*

Our analysis further probed into reasons for none internationalization process by the 143 SME companies in the study sample that were not yet internationalizing. This was to identify and understand the barriers against the SMEs' involvement in internationalization process. Table 4 lists out the barriers impeding export engagements among these categories of firms. Difficulty in getting access to the foreign market and customers was the most cited reason by 39 (27.5%) of the SMEs owners/operators without international business involvement. In a study by United Nations Conference on Trade and Development (UNCTAD, 2005), access to international market was recognized as one of the critical factors determining success in firms' or country's export performance. Thus, in such areas and issues concerning the size of the market, transportation costs, the customs and other regulatory barriers, developing country's access to foreign market can be negatively affected. This result therefore, appears to indicate that more effort is needed in the nation's export campaign and trade diplomacy with foreign missions in order to reposition the Nigerian SMEs and the non-oil exports in the global markets through intensified trade networking and collaborative efforts with foreign investment partners.

Variable	Level	Freq.	Percent	Cum. Percent
Major reasons for company's non-internationalization	Lack of experience in foreign market operations.	38	26.6	26.6
	Cultural and language differences	3	2.1	28.7
	Difficulty in getting access to the foreign market and customers	39	27.3	56.0
	Fear of risks and uncertainty in profit making	35	24.5	80.5
	Frustrations involved in complying with govt. regulations	28	19.5	100.0
	Total	143	100.0	-
SMEs Interest in future internationalization	Yes	123	86.0	86.0
	No	-	-	-
	Can't say	20	14.0	100.0
	Total	143	100.0	-

Table 4: Reasons for SMEs Non-Internationalization

Source: Researcher's Field Survey

This could be achieved by rigorously promoting the made-in-Nigerian products & brand unique identity, features and need-satisfying attributes, to the target users and customers in the foreign markets, while capitalizing on firms' competitive advantages. The next reasons for non-internationalization of SMEs was the lack of experience in exporting business, as was given by 38 (26.6%) of respondents. This result as shown in Table 4 further supports the claim of Chete, et al (2016) and Ezeudu (2014) that weak entrepreneurial foundation and lack of the needed experience in exporting especially, on strategic marketing plans, sound resource commitments, foreign market need assessment, sourcing for export financing, etc., are some of the barriers militating against the SMEs in the international market. The Small and Medium-scale Enterprises in the Southwest Nigeria, contemplating on exporting the non-oil products therefore, have to properly evaluate their strength and weaknesses in terms of the firm's broad objectives, awareness and creativity of its promoters in the peculiar exporting business, its production, marketing and management capacity, as well as the technical and technological competence needed. This is to ensure that the organization is competent and capable of exporting the product before stepping up actions and commitment towards the exporting processes. This analysis of firm's capacity will also help in identifying exporting opportunities that may not be previously apparent. Of considerable importance was also the reason of fear of foreign business risks and uncertainties of profit making due to erratic intricacies of the foreign exchange and foreign business regulatory environment. This was the third reason mentioned by 35 (24.6%) of the respondents in this category for not partaking yet in internationalization process, while another 27 (19.0%) of the firms, cited the usual frustrations involved in complying with government regulations as their reason. Cultural and language differences are not much of a big concern for these companies as only 3 firms (2.1%) chose it as a reason. As to the enquiry about the possibility of these companies becoming internationalized in future, if the barriers impeding them currently are removed, Table 4 reveals that majority, 123 (86.6%) of these group of SME firms in the survey affirmed their interests in future participation in international business engagement. Only 19 (13.4%) of these firms remained undecided and could not make up their minds at the time of the study's field survey. Interestingly however, none of the enterprises contacted declined in willingness to become internationalized, given the opportunity.

Thus, in a drive to making Nigeria's non-oil export sector stronger and globally more competitive, the Federal Government has committed various policy efforts towards diversifying and upgrading the industrial enterprises over the recent past, by paying special attention to the SME sector in the process. The aim of these attempts was to address what Ketley, R. (2012) calls sound policy making and implementation programs that are capable of stimulating the supply side of the sector with regards to facilitating "enabling business environment, credit guarantee schemes, supply side capacity building, apexes and wholesale funding, state banks and development finance institutions" (p. 10). All that are needed is to intensify these commitments and ensure real transformation of the economy from its monolithic culture of over-dependence on crude-oil, to a more diversified non-oil based economy that will be strong enough to withstand the challenges of modern international trade relations.

## 5. Conclusion and Recommendations

The increasing number of literature all over the world on the relevance of the Small and Medium-scale Enterprises (SMEs) in the economy is explained by the growing importance of the sector in its contributions to the global economic growth and development. Literarily from the past studies, this paper has provided insights into why the drive for SMEs' growth alternative through the non-oil export, has continued to gain more attention from the federal, regional and state governments in Nigeria. It has also explored the rationale for economic diversification process, as well as the export promotion programme which are the policy actions directed at boosting the non-oil exports in Nigeria. The study also, highlighted the effects of global economic slowdown, intense competition for foreign direct investments, as well as institutional and legal requirements in cross-border businesses, among others, as challenges facing the SMEs in international market.

Also, from the result of the field survey conducted, the study discovered empirically that about 49% of the SMEs in the Southwest, Nigeria are actively engaging and participating in one form of international business activities or the other. Joint ventures and direct exporting to other countries were found to be most popular mode of entry into the foreign market among these firms; while franchising and wholly owned manufacturing plants abroad, are not yet popular in the Southwest, Nigeria. The most preferred marketing strategies of Nigerian exporting SMEs are: step by step, risk averse, slow, cautious approach, and creating trade networks and contacts with foreign partners. Also, while the bulk of the SMEs' exports from the Southwest Nigeria to other nations constitutes 78.7% semi-processed and finished products, only about 21.3% of the non-oil exports is in raw and unprocessed form. This indicates a high value-added component of the nation' non-oil export products, and this could mean an improved competitive edge. On the barriers to internationalization process among the SME firms in the Southwest Nigeria, the study findings established that difficulty in getting access to the foreign market accounts for 27.3% of the reasons; while 26.6% of firms mentioned lack of experience in exporting business. Business risks and difficulties in making profits due to the level of uncertainties characterizing foreign business operations was the reason given by 24.5% of firms; while frustrations usually involved in complying with government export regulations accounted for the reasons of 19.5% of the contacted firms. Cultural and language differences accounts for only 2.1% among the reasons noted for non-internationalization.

It can therefore, be concluded that the important role of SMEs in the value-added non-oil exports and foreign exchange generation, cannot be over-emphasized. On this point, both the claims in past researches as reviewed and the empirical findings from this study, are in agreement that despite the significance of the SME sector, its overriding importance is plagued with chains of issues and challenges. However, the common ground is that these challenges are not insurmountable. This paper therefore, recommends that policy for transforming the economy structurally through the SME-led non-oil exports products should focus on:

- Clear and objective assessment of the type of products in which SMEs in Nigeria have distinctive competence to produce with respect to the clear analysis of the strength and weakness(or the domestic challenges of the Nigerian SMEs), as well as the opportunities for, and threats against the exporting firms in the foreign markets. This will enable the operators to appreciate their limitations and areas of comparative advantage while exploiting the available opportunities and avoiding business threats both in the domestic and international market environment.
- Conscientious approach to SMEs' non-oil export policy making and proper implementation of its action programs designed for stimulating the supply side of the sector, as well as non-oil product positioning in the international markets.
- Giving adequate attention to the issue of technical and technological advancement of SMEs' production processes, as well as domestication of modern technology in Nigeria. This by implication will require that the technology acquisition process be made simple and integrating the contributions of the various research institutions in Nigeria, for it to be locally based and be domesticated without undue hindrances.
- Resolving the issues of SMEs access to finance particularly, in the capital market for long term, large scale, high risk investments.
- Effective collaboration of Nigerian SMEs with foreign partners in the areas of foreign direct investments, technical assistance, supply of raw materials and/or marketing of finished product in the foreign markets.

Thus, if the above issues are properly addressed, the SME sector in the Southwest and Nigeria to that extent, will be repositioned for improved global competitiveness and hence, better performance.

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