

## Government can help small biz thrive in recession

LAGOS, Nigeria - With the Nigerian economy in recession, support for small and medium businesses could be one of the key ingredients to carrying the country through these tough times. Assisting them should become a priority for big business and government.



Magnus Nmonwu

That's according to Magnus Nmonwu, regional director for [Sage in West Africa](#), who says that small and medium businesses in Nigeria face challenging times, even as the economy slides. In addition to the country entering a recession – defined as a decline in GDP over two consecutive quarters – the upcoming Communication Service Tax Bill could also affect Nigerian businesses.

Yet Nigerian businesses and entrepreneurs are creative and resilient – and might play an instrumental role in lifting the economy out of recession, given the right support and business environment. “Nigerian entrepreneurs and business owners are the engines that drive the country’s economy,” says Nmonwu.

“During recessions, big companies are able to adjust by downsizing and cutting costs. Small businesses, however, keep going and carry the losses. They need our support, as they can contribute to turning the economy around, far more quickly.

“It is important that government and other stakeholders listen to entrepreneurs’ concerns as they seek to grow and contribute to the economy. We have embraced the responsibility of helping to amplify the voice of small business, because we also started small and understand the challenges entrepreneurs of small businesses face in such times.”

With the recession biting, small and medium businesses face the reality that consumers won’t have as much money to spend and that investors and business partners will taper down investment. Given that Nigeria has an estimated 37 million micro, small, and medium-size enterprises making a significant contribution to GDP and employment, this sector should be treated as an economic priority, Nmonwu says.

### **Communication Service Tax**

Another concern on the horizon is the looming Communication Service Tax Bill 2015, which is currently with the National Assembly. If passed into law, the law will require that consumers of voice, data, SMS, MMS and pay TV services pay a 9% tax on their tariffs for using these services.

This is in addition to other taxes people already pay for mobile and Internet access – 5% VAT, 12% import duties on ICT devices, and 20% tax levied on SIM cards, amongst the series of taxes. The Alliance for Affordable Internet, Nigeria Coalition, estimates that the tax could prevent more than 50 million Nigerians from affording a basic broadband connection.

“Nigerian entrepreneurs depend on their mobile phones and the internet to run their businesses,” says Nmonwu. “The tax could potentially raise the cost of doing business and hold back Nigeria’s integration into the global digital economy by excluding people from broadband access.”

Nmonwu says that it is understandable that the government needs to raise new tax revenues in the wake of falling commodity prices. However, this should ideally be done in a way that nurtures the growth of the small and medium business, technology and services sectors – especially at a time Nigeria needs to diversify its economy beyond oil.

Emphasis should be placed on creating new tax revenues. For example, a conditional tax amnesty could encourage smaller businesses who have not complied with tax laws to fall into the tax net. By making short-term sacrifice of potential tax revenues, government could bring more businesses into the formal economy and help them grow into enterprises able to employ more people, approach banks for financing and pay taxes.

### **Financing small businesses**

“In this regard, we are encouraged to see some of the moves that government, multilateral financing institutions and other stakeholders are making to support entrepreneurs,” Nmonwu adds. In particular, he welcomes the Central Bank’s launch in May 2016 of a modern online collateral registry, supported by the World Bank. The registry will enable low-income earners and micro-entrepreneurs to secure loans against movable assets such as machinery, livestock, and inventory.

Other bodies providing small businesses with financial support include:

- Bank of Industry, which supports new or existing companies, seeking expansion, modernisation or diversification.
- The National Economic Reconstruction Fund (NERFUND), which provides medium-to-long-term financing for viable small and medium enterprise.
- Bank of Agriculture (BoA), which provides financial support for all agricultural in addition to rural micro enterprises.

“Funding is one of the major challenges entrepreneurs face in Nigeria, so these are great initiatives,” Nmonwu says. “We

would welcome similarly innovative interventions to address some of the other challenges small businesses face such as complex tax and remove regulations and general business red-tape.”

The Nigerian government is also to be commended for establishing a range of organisations and initiatives to support small and medium businesses. For example, the Small and Medium Enterprise Development Agency of Nigeria (SMEDAN), identifies Nigerians who are interested in entrepreneurship and provides them with training in entrepreneurship and vocational skills. Entrepreneurs meet regularly to share ideas about growing their businesses under the umbrella of SMEDAN.

Nmonwu says: “Entrepreneurs make life-sacrifices. They are dreamers and innovators. They take risks to pursue their passions and, on this, Nigeria’s prosperity can or should be built/developed. They deserve a bigger voice and we will always work hard to champion this noble cause.”

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