

## **Small and Medium Scale Enterprises (SMES) and Industrial Development of Onitsha Metropolis: A Cluster Lead Approach**

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### **Abstract**

*This study is designed to address SMEs agglomeration and industrial development in Nigeria (especially on the Small and Medium Enterprises (SMEs) sub-sector in Onitsha metropolis of Anambra State). The broad objective of the study is to examine the relationship between SMEs clusters and industrial development of Onitsha metropolis while the specific objective is to examine the relationship between government policies, support and institutional knowledge transfer to SMEs agglomeration and Industrial productivity and competitiveness in Onitsha metropolis and was anchored on the Porter's Diamond Model of Clusters Determinants. A descriptive survey design was adopted to verify and describe the situation under study and data for this study was gathered basically from primary source. The data were gathered with the instrument of questionnaire distributed to the sample population of the study. The 5 Likert-type (point) scale techniques were adopted for the questionnaire. The study administered 161 copies of questionnaire to the respondents at Osakwe Industrial Cluster, Awada and the New Motors Spare Part Business Cluster in Nkpor-Agu and the 154 questionnaires were correctly filled and returned. Pearson Product-Moment Correlation Coefficient statistical tool was used to test the research hypothesis generated for the study with the use of Software Package for Social Science (SPSS 23). The result obtained from the findings indicated that government policies, support and institutional knowledge transfer to SMEs agglomeration positively correlates with SMEs industrial development in Onitsha metropolis. This implies that SMEs agglomeration has stimulated industrial development in the clusters studied.*

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**Keywords:** Cluster, SMEs Agglomeration, Governmental policies, Industrialization and Competitive advantage.

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## Introduction

A “cluster lead” enterprise is the positioning of SMEs in a centre with the necessary facilitation skills and technical expertise to build a robust competitive market. Cluster as a group of agencies/SMEs gather to work together towards common objectives within a particular sector of emergency response (WHO, 2006). It is organizing a coordinated market for global and country competence with a strengthened global preparedness and acting as a provider of last resort in its sector. The origin of cluster lead market also known as industrial cluster is attributed to the “Principle of Economics” by Alfred Marshal (1890). The approach best describe the industrial setting of the Onitsha industrial market.

The cluster lead approach has encountered unprecedented governmental and academic setbacks which have hindered the Nigerian industrial market from blossoming into its full capacity and innovation. The gargantuan inflation rate, inflated interest rates on loan, continuous and unpredictable currency depreciation and untransformed knowledge of the academia have enshrined depletion and slow impact of the cluster lead industry (market) in Nigeria. Cluster lead market approach (industrial cluster) as an engine room and brain box of industrial growth and economic involvement has however not entirely enshrine its advantages regardless of its robust presence in the Nigerian industrial market. The Onitsha cluster market, Aba cluster market and Alaba cluster market with their unprecedented growth have however contributed to industrial growth and development and economic growth at large. But the cluster approach require undiluted and cognate government enabling environment, motivations and academia transformable knowledge to build an evolved industrial market that will compete at both the country and global level. The concept of small and medium scale (SMEs) clusters as adopted in some developed nations help achieve industrialization however this has been an illusion in Nigeria. Thus, the cluster SMEs require enquiry to its involving-through to industrial development in Nigeria.

## Research Hypothesis

This study is primarily concerned with the SMEs cluster and industrial development in Onitsha of Anambra state of Nigeria.

It is important to state that the following hypotheses as formulated for this research. The hypotheses include:

- H<sub>01</sub>:** there is no significant relationship between Government policies to aid SMEs agglomeration and Product Ability in Onitsha metropolis.
- H<sub>02</sub>:** there is no significant relationship between Knowledge Driven SMEs and Efficient Production in Onitsha metropolis.
- H<sub>03</sub>:** there is no significant relationship between Government SMEs support and Global Product Competitiveness in Onitsha metropolis.

## Literature Review

### Conceptual Framework

#### Concept of Small and Medium Scale Enterprises (SMEs)

The designation of small-scale industry cannot mean the same thing everywhere. It varies from country to country and even within a country, its definition still means different things to different sectors. Small-scale enterprise is a business that employs a small number of workers and does not have a high volume of sales. Such enterprises are generally privately owned and operated sole proprietorships, corporations or partnerships (Richards, 2016). A small scale business is defined as one which is independently owned, operated and not dominant in its field of operation (Tushabomwe, 2006). Khan and Dalu (2015) hold that small and medium scale enterprises have long been catalysts for both industrial growth and

economic growth of nation for both in developed and developing countries, and it plays an important role for employment generation, facilitator of economic recovery and national development. However, Ogunleye (2004) state that what might therefore be defined as Small and Medium Scale Enterprise (SME) in a developed country; can be regarded as a large-scale enterprise in a developing country, using such parameters as fixed investment and employment of the labour force. Thus, it is sacrosanct to recognize that definitions of SMEs change over time and hence, even in a developing country, what was previously classified as SME could be regarded as a large-scale industry when the quantities of relevant parameters change during the production process.

According to Ugwoke (2014), there are standards adopted when defining small-scale industry, which makes it apparent. Broom (1983), puts it that the definitions are not rigidly fixed since people adopt different standards; some go by the number of employees or asset size while others, volume of sales and so on. Hogget and Kuranthko (1998) citing the committee for economic development (CED) of United Nations, outlines the following as a guide when defining small business, which includes small-scale industry are managers are also owners, area of operation mainly local, owners supplied capital, Small in size within the industry.

The CBN (2010) view SMEs for the purpose of the Small and Medium Enterprises Credit Guarantee Scheme, as an enterprise that has asset base (excluding land) of between ~~N5~~million – ~~N~~500 million and labour force of between 11 and 300 while the Centre for Industrial Research and Development (CIRD) Ile-Ife, defined a small-scale enterprise as an enterprise with a working capital base not exceeding N250, 000 and employing on full time basis, 50 workers or less. These definitions also differ with the Nigerian Bank for Commerce and Industry (NBCI) definition of small scale business as one with total capital not exceeding N740, 000, (excluding cost of land but including working capital). However, their differences are insignificant as they all belong to the category of small and medium enterprises. The major activities of small scale businesses in Nigeria are food vending, farming, hair dressing/barbing salon, welding, bread/cake baking, sale of second hand clothing, produce buying, sale of health/herbal products, secretarial/telephone services, sale of hand sets and recharge cards, repairs/unlocking of hand sets, commercial molding of cement blocks, vehicle spare parts, soft drinks/beer sales, etc.

The path of SMEs towards industrialization differs from one country to another. However, the objectives of SMEs for industrial development include the following;

- i. To expand the range of economics and choices to individuals by giving them independence from other people and nations.
- ii. To raise standards of living.
- iii. To expand the availability and distribution of basic life-sustaining goods.

### **The Cluster Concept**

Clusters are geographic concentrations of interconnected companies and institutions in a particular field (Porter, 1990). The term Cluster enterprises or business cluster was popularized by Michael Porter in his *Competitive Advantage of Nations* (1990) and also known Porterian cluster. He further defined cluster as “a geographically proximate group of inter-connected companies and associated institutions in a particular field, linked by commonalities and complementarities”. Porter (1998) further states that clusters offer a constructive way to change the nature of the dialogue between the public and private sectors. Clusters encompass an array of linked industries and other entities important to competition

which include suppliers of specialized inputs such as components, machinery, and services, and providers of specialized infrastructure. Clusters also often extend downstream to channels and customers and laterally to manufacturers of complementary products and to companies in industries related by skills, technologies, or common inputs.

Clusters are groups of inter-related industries that drive wealth creation in a region, primarily through export of goods and services. The use of clusters as a descriptive tool for regional economic relationships provides a richer, more meaningful representation of local industry drivers and regional dynamics than do traditional methods. An industry cluster is different from the classic definition of industry sectors because it represents the entire value chain of a broadly defined industry from suppliers to end products, including supporting services and specialized infrastructure. Cluster industries are geographically concentrated and interconnected by the flow of goods and services, which is stronger than the flow linking them to the rest of the economy. Clusters include both high and low-value added employment (Sandag, 2011).

A cluster allows each member to benefit from its competitive advantage as if it had greater scale or as if it had joined with others without sacrificing its flexibility. The rationale of industrial cluster is to identify those areas of the economy in which a region has comparative advantages and to develop short and long-term strategies for growing the regional economy. It fosters competitive innovation and throws up the conscious mind sets to show more efficiency in production and service provision.

### **Classification of Clusters**

The classification is arranged by geography and type of comparative advantage. These are further arranged differently by status quo of uniqueness.

### **Geography Cluster**

These clusters are set in Sectorial clusters, Horizontal cluster and Vertical cluster.

**Sectorial clusters:** A cluster of businesses operating together from within the same commercial sector e.g. marine (south east England; Cowes and now Solent) and photonics (Aston Science Park, Birmingham), Mechanical parts engineering services (Ogbunabali and Ala-oji in South-Eastern of Nigeria).

**Horizontal cluster:** This is interconnections between businesses at a sharing of resources level e.g. knowledge management.

**Vertical cluster:** This can best be described as a supply chain cluster. It is also expected particularly in the German model of organizational networks that interconnected businesses must interact and have firm actions within at least two separate levels of the organizations concerned.

### **Type of comparative advantage**

Several types of business clusters based on different kinds of knowledge are further known in the following categories:

**High-tech clusters:** These clusters are high technology-oriented, well adapted to the knowledge economy and typically have as a core renowned universities and research centers like Silicon Valley and the East London Tech City or Paris-Saclay.

**Historic know-how-based clusters:** These are based on more traditional activities that maintain their advantage in know-how over the years and for some of them, over the centuries. They are often industry specific. For example: London as financial center.

**Factor endowment clusters:** They are created because a comparative advantage they might have linked to a geographical position. For example, wine production clusters because of sunny regions surrounded by mountains where good grapes can grow.

**Low-cost manufacturing clusters:** These kind of clusters basically emerged in developing countries within particular industries, such as automotive production, electronics, or textiles. Examples include electronics clusters in Mexico (e.g. Guadalajara), Argentina (e.g. Córdoba), and Nigeria (e.g. Balogun market, Ogbunabali, Onitsha market and Ala-oji). Here, Cluster firms typically serve clients in developed countries. Drivers of cluster industry emergence include availability of low-cost labor, geographical proximity to clients (e.g. in the case of Mexico for U.S. clients; Eastern Europe for Western European clients, Ala-oji for the whole south-east of Nigeria).

**Knowledge services clusters:** Like low-cost manufacturing clusters, these clusters have emerged typically in developing countries and exhibit strong inter-relationships. They have been characterized by the availability of lower-cost skills and expertise serving a growing global demand for increasingly commoditized (i.e. standardized, less firm-specific) knowledge services, e.g. software development, engineering support, analytical services. Examples include Bangalore, India; Recife, Brazil; Shanghai, China. Multinational corporations have played an important role in "customizing" business conditions in these clusters. One example for this is the establishment of collaborative linkages with local universities to secure the supply of qualified, yet lower-cost engineers.

In Nigeria, Onitsha market to be specific can best be described as an emerging industrial cluster. This is due to the fact that as technological and industrial changes occur, new cluster groupings may come into existence. Emerging clusters are groups of relatively small, inter-related industries that have initially experienced high rates of growth. They can be non-traditional industries, such as environmental technology. The key fact about industrial cluster of SMEs is that it helps to build large industries over time.

### **Industrialization**

Industrialization is concerned with the expansion of a country's manufacturing activities, including the generation of electricity and the growth of its communications network. It is also a process of reducing the relative importance of extractive industries and of increasing that of secondary and the tertiary sectors (Adejuge, 2004). There is evidence to suggest that industrialization and in particular manufacturing is the prime mover of economic development. This is due to the fact that employment, wealth creation and poverty alleviation are facilitated.

The potential of industrialization for explosive growth is particularly distinctive to manufacturing. As manufacturing activity expands, instead of running up against shortages of land or resources that inevitably constrain the growth of agriculture or the extractive industries, it benefits from economies of scale in terms of unit costs of production (UNIDO, 2009). In Africa, the few economies that have showed some promise are driven by industrial development e.g. South Africa, Nigeria, Mauritius, Botswana, Egypt, Namibia and Senegal. Industrialization in Nigeria has been quite different leading to not too impressive results. In fact, large scale manufacturing plants were rare in Nigeria until the 1950s. The only

enterprises equipped in organization and finance for these activities were the trading companies, which imported manufactured goods beyond their capacity of production, while the overseas manufacturers who produce the goods for the Nigerian market saw little or no reasons to locate production in Nigeria (Kirk, 1981). In 1958, the contribution of manufacturing to GDP was N81 million (4% of GDP). Five years later (1963), it rose to N157.8 million (5.6% of GDP). The corresponding annual rate of growth was 17%. By 1967, manufacturing contributed N225.8 million (8.4% of GDP). The high degree of transformation taking place in the manufacturing sector was very remarkable. From 50% in 1958, the value-added generation from the processing of agricultural products fell to less than 25% in 1967, while industrial factory production accounted for the rest (Anakom, 2008).

The sector was to record more worrisome developments in later years. For instance, manufacturing value-added as a percentage of GDP was about 5% in 2000 (less than the proportion at independence in 1960), making Nigeria one of the 20 least industrialized economies in the world. The situation later picked up as industrialization soared during the oil boom era (1973–1981) with manufacturing share of GDP reaching 11%, but later had a precipitous decline to about 5% in 2000. Manufacturing export was barely 0.4% of exports, while import of manufactured goods was about 15% of GDP or more than 60% of total imports (Ikpeze, 2004). In 2011, manufacturing of goods ratio to industry was at 32.7% and grew all through the years continuously in 2014, 2015 and 2016 by 48.5%, 50.4% and 52.2% respectively while the ratio of industry to GDP had a contrasting faith as it fell continuously within the same period in 2011, 2014, 2015 and 2016 as follows 22.4%, 20.5%, 18.9% and 17.8%. This shows that regardless of the assumed growth in manufacturing ratio to industry production ratio SMEs have barely transformed to competitive and product efficient manufacturing firms and industry at large. Nigeria's manufacturing sector especially since the 1980s have been beset by numerous challenges including low capacity utilization; unstable infrastructure (which impacts on cost of doing business); absence of venture capital for business startups; high cost of capital especially from banks and other financial institutions; lack of long term loans; absence of enabling macroeconomic environment; multiple taxation by the different agencies of government, etc. All these have combined to frustrate the country's entrepreneurs especially the Small and Medium Scale Enterprises (SMEs) known to be the engine of growth of most developed and developing economies. It has also resulted in high cost of doing business to the point that even the little produced is always exorbitant and therefore unable to compete in the international market even as the country has become dumping ground for all types of poor quality foreign goods usually cheaper and more attractive to consumers.

The theoretical framework of this study is anchored on the Porter's diamond model in that it maintained the need for agglomeration of supporting and related industries and other industry components to create an environment for innovation and competitive advantage (Porter's, 1990).

### **Empirical Review**

Looking at the various empirical studies related to SMEs and its performance, the study examines Willie, Abiodun, Isola, Olumuyiwa, Helen and Mohammed (2012)'s "Indigenous Technologies and Innovation in Nigeria: Opportunities for SMEs. They inquire the position of Nigeria's indigenous technologies as it present significant opportunities for local economic transformation and, to some extent, for global competitiveness. An analysis of three major indigenous technology clusters in Nigeria, as well as a review of three successful country cases was performed. Information was collected from practitioners using structured questionnaires, focused group discussions and interviews. The study provided the following

recommendations amongst which is that there is need for government particularly at the grassroots, to acknowledge and support I-Tech development via facilitation of capacity development; creation of specialized markets which would serve as product outlets and possibly evolve to secure international interest; the recognition of outstanding individuals and the provision of venture funding. Obi (2011) examine “The Cluster Concept: Will Nigeria’s New Industrial Development Strategy Jumpstart the Country’s Industrial Takeoff?” and posit that industrialization is critical to economic development. He further stated that there is hardly any developed nation that is not industrialized. However, industrialization would only take place once there is a focused administration capable of wielding the necessary political will to implement clearly defined policies that can transform the nation’s processes away from primary production. The work observed that the experience of Nigeria indeed shows that the nation has never been lacking in policies. What is always absent is the political will to implement, coupled with the rapid turnover of people in government, with the resulting consequence of most of the policies being abandoned. The paper therefore argued that even the new industrial development strategy introduced by Nigeria, which is anchored on the cluster concept, will most likely suffer the same fate unless something is urgently done to reverse this ugly trend.

Alexandre, Mohamed and Luciano (2016) investigate “Regional Cluster, Innovation and Export Performance: An Empirical Study”, and their study revealed that regional clusters and innovations in product and processes are found in the literature as important determinants of firms' export performance with contradicting findings. Thus, investigate the role of agglomeration economies of a regional cluster on the export performance of firms. Furthermore, they tested the mediating effect of innovation and the extent by which the technological intensity of the industry can perform a moderating effect between the constructs. Based on a sample of 100 export companies operating in the manufacturing industries, they used structural equation modeling to estimate the determinants of export performance. The results revealed that the agglomeration economies of a regional cluster have been found as determinant factors of the export performance, as well as a significant source to generate innovations by firms. However, they found no evidence between the innovations in products and processes and export performance.

Cumbers, Mackinnon and Chapman (2013) study “Innovation, Collaboration, and Learning in Regional Clusters: A Study of SMEs in the Aberdeen Oil Complex”. They opined that the advantages to be gained from localized networks and learning are claimed to be particularly important for small and medium-sized enterprises (SMEs) in helping offset the size-related advantages of larger firms. Their study discover the need to support the role of localized forms of collaboration among the most innovative SMEs and their results also indicate the importance of extra-local networks of knowledge transfer and the unequal power relations that underpin inter-firm relations. These findings reinforce recent calls for a shift of focus from ‘regions’ to ‘networks’, raising some fundamental questions about the substantive basis of clusters policy.

Annemien, Weerd-Nederhof, Aard, Michael and Olaf (2009) investigate “Successful Patterns of Internal SME Characteristics Leading to High Overall Innovation Performance” and claims that Small and medium-sized enterprises (SMEs) struggle with the paradox of developing new products and technologies on the one hand and minimizing costs on the other. They explore successful patterns of internal SME characteristics that lead to high overall innovation performance and Cluster analyses were also conducted to find patterns in the internal characteristics of SMEs with high overall innovation performance. They find out

that companies that focus on incremental innovation and that achieve high overall innovation performance indeed share a pattern in their internal organization, when controlling for innovation type. The study contributes to management practice by simultaneously addressing multiple organizational characteristics for the successful organization of innovation.

In the study of Gudda, Henry and John (2013), they examine the “Effect of Clustering and Collaboration on Product Innovativeness: The Case of Manufacturing Small and Medium Enterprises (SMEs) in Kenya” intends to determining the effect of clustering and collaboration on product innovativeness (PI) in the context of manufacturing SMEs in Kisumu, Kenya. To answer the questions this empirical study raised, a sample of 126 SMEs on the basis of the manufacturing hubs of Kisumu, Kenya. This study provided evidence in support of clustering and collaboration on product innovativeness. The study concluded that clustering does indeed have a positive effect on manufacturing SMEs product innovativeness. The researcher recommends the setting up of SMEs clustering policies that promote collaborations with university/research institutions for purposes of sharing information/accessing the diverse knowledge base on new product design, development and production. Such collaborations and the direct contact with entrepreneurs in the same field will reduce risks and durations of the innovation process because of direct or informal information transfer between partner firms and university/ research institutions, hence enhanced product innovativeness.

Further study in Fiedler and Isabell (2011)’s “Commercialization of technology innovations: an empirical study on the influence of clusters and innovation networks” they asserted that the current body of literature offers contradictory results concerning the role of clusters and innovation networks in the commercialization of high technology. The study conducts a comparative analysis between small and medium-sized firms within and outside clusters with regard to the commercialization of their innovations in the emerging nanotechnology sector. Data were obtained through a pre-tested survey of 336 small and medium-sized nanotechnology firms in Germany from November 2005 to January 2006 as well as 20 follow-up telephone interviews from November 2008 to January 2009 and a parametric one-tailed independent *t*-test and non-parametric Mann-Whitney-U-tests were carried out. The results revealed several differences in the commercialization process and activities between firms within and outside of nanotechnology clusters. Thus, their results support the notion that local geographic agglomerations such as clusters and networks can serve as catalysts and accelerators of technology commercialization and trigger the successful exploitation of science-based inventions.

### **Summary of Literature Reviewed and Research Gap**

The literatures reviewed so far show that cluster is a veritable tool for attaining the industrialization fit, nevertheless, without some important external and internal factors. From the empirical analysis, little or no emphases were made on knowledge transfer from the academics to the businesses, government and its policy supports, and the structure of the clusters or industry themselves to network and acquire technology. Thus, the study intend to verify the link among these elements of academics, government, and the SME’s business clusters in Onitsha metropolis as to how well they are linked to support innovativeness in achieving the industrialization goal of SME’s business clustering in Onitsha metropolis.

### **Research Methodology**

For the purpose of this research, we conducted some interviews and served questionnaires on the Chief Executive Officers of Small and Medium Enterprises in the Onitsha Metropolis of

Anambra state and some relevant government agencies concerned with the operations of Small and Medium Enterprises.

### Methods of Data Collection

The method of data collection in this study is basically primary source. The primary data for this research work was collected from several sources including the:

- i. Anambra State Ministry of Commerce, Industry and Agriculture.
- ii. Other trade and industry associations in Onitsha metropolis of Anambra State taking to consideration the size and their capacity to provide information relevant to the research.

A structured questionnaire was developed in line with previous conversation with some owners and staff of some small and medium enterprises. This questionnaire was structured according to factors that were considered relevant for the study.

### Population and Sample Size Determination

The study is arranged in two clusters, namely the plastic cluster in Onitsha known as the Osakwe Industrial Cluster which is situated at Awada Layout in Onitsha (**CLUSTER A**) with almost 85 industries employing over 1,800 workers, and the new motors spare part business cluster situated in Nkpor-Agu Onitsha (**CLUSTER B**) with about 117 businesses (Source: field survey). The total sample size is therefore 161 i.e. 68 and 93 arrived at with the application of the Taro Yamane formula at 5% level of significance but work with 154 i.e. 63 and 91 respectively.

### Method of Data Analysis

The 5 Likert-type scale techniques were adopted. Respondents filled a continuum ranging from strongly agree to strongly disagree. Pearson Product-Moment Correlation Coefficient statistical tool was used to test the research hypothesis generated for the study with the use of Software Package for Social Science (SPSS). The formula is as follow:

$$r = \frac{n\sum xy - \sum x \sum y}{\sqrt{(n\sum x^2 - (\sum x)^2)(n\sum y^2 - (\sum y)^2)}}$$

**Degree of Freedom (df) = n-2**

**Decision Rule:** Reject  $H_0$  if  $t_{cal} > t_{\alpha/2, v}$

### Data Presentation and Analysis

#### Data Presentation

The research was carried out in the form of a survey using questionnaires and the respondents were motivated to complete the questionnaires and assured confidentiality to fast track there unbiased response for completion of the study.

A total of 161 copies of the questionnaire were distributed to the Small and Medium Enterprises (SMEs) in Onitsha metropolis in Anambra state and 157 (representing 97.5%) were returned. Out of the returned questionnaires, 154 (representing 95.7 percent) were found useful.

### Distribution of responses

S/N	QUESTIONS ON DEPENDENT VARIABLE; INNOVATION	SA 5	A 4	UD 3	D 2	SD 1	TOTAL	$\bar{X}$
1	You initiate improvements in your product's ability to satisfy needs	45	38	24	27	20	154	34.9
2	Your business engage efficient production process to improve product quality and reduce cost	29	33	5	47	40	154	28.4
3	My business often initiate newer methods or processes of production	40	57	9	22	26	154	33.7
4	Your business have access to newer technologies	51	32	11	28	32	154	33.6
5	My products can compete favorably with foreign products	16	29	25	56	28	154	27.4
6	My products can suitably substitute imported products	39	13	8	41	53	154	27.1

Source: Field Survey, 2017

From the response of the correspondents it is observed that SMEs improve their product satisfaction capacity, initiate newer methods/process of production to boost their competitiveness and adopt newer technologies that enhance product quality. However, the SMEs response also shows that they don't enjoy efficient production process that would have improve their product quality and reduce cost which also affect the capacity to compete with foreign products, thus their product can't serve as substitute for imported products in the larger industry and market.

Source: Field Survey, 2017

S/N	QUESTIONS ON INDEPENDENT VARIABLE; SMEs AGGLOMERATION	SA 5	A 4	UD 3	D 2	SD 1	TOTAL	$\bar{X}$
7	The government give adequate support to the development of localized SMEs	21	10	5	66	52	154	22.9
8	Higher institutions are able to support the SMEs with knowledge driven research outputs	12	14	13	47	68	154	21.1
9	Government policies has been favourable in enabling innovations in the cluster	22	26	10	56	40	154	26.4
10	There is available collaboration strategy in-place between the cluster and higher institutions (research institutions)	19	15	21	62	37	154	25.3
11	The cluster creates synergy among the business owners	34	37	15	38	30	154	31.3
12	Competition within the cluster stimulates innovation	43	31	3	33	44	154	30.5

The respondent's further show that government support is totally lacking and higher institutions are also not proffering alternatives to product improvement through transferable knowledge that can drive the SMEs and the Industry at large. The government policies also showed that they are insufficient to trigger improved SMEs as most respondents showed that funds set aside to boost SMEs activities are hijacked by political associates that are barely involved in SMEs activities. There is little or no strategic collaboration between the cluster and institutions which have hampered their innate talents (ideas) from being put into useful production. The synergies between owners create anticipated productivity in the SMEs

activities. The level of competition within the industry cluster however does not facilitate innovation as appropriate finances; environment and policies are barely provided.

### **Hypothesis Testing**

**H<sub>01</sub>:** there is no significant relationship between Government policies to aid SMEs agglomeration and Product Ability in Onitsha metropolis.

The correlation coefficient between Government Policies and SMEs Product ability shows: ( $r = 0.879^{**}$ ,  $P < 0.05$ ). The correlation P-value at 0.0000 is significant at 0.01 level of significance and thus at 0.05 level of significance. The Consequential effect of no significant relationship is therefore rejected stating that there is a significant relationship between Government policies and Product Ability in Onitsha metropolis.

**H<sub>02</sub>:** there is no significant relationship between Knowledge Driven SMEs and Efficient Production in Onitsha metropolis.

The correlation coefficient between Knowledge Driven SMEs and Efficient Production shows: ( $r = 0.872^{**}$ ,  $P < 0.05$ ). The correlation P-value at 0.0000 is significant at 0.01 level of significance and thus at 0.05 level of significance. The Consequential effect of no significant relationship is therefore rejected stating that there is a significant relationship between Knowledge Driven SMEs and Efficient Production in Onitsha metropolis.

**H<sub>03</sub>:** there is no significant relationship between Government SMEs support and Global Product Competitiveness in Onitsha metropolis.

The correlation coefficient between Government SMEs support and Global Product competition shows: ( $r = 0.876^{**}$ ,  $P < 0.05$ ). The correlation P-value at 0.0000 is significant at 0.01 level of significance and thus at 0.05 level of significance. The Consequential effect of no significant relationship is therefore rejected stating that there is a significant relationship between Government SMEs support and Global Product competition in Onitsha metropolis.

### **Conclusion**

Based on the results explained above, the findings indicated that the three independent variables in Government Policies on SMEs agglomeration, Government SMEs support and Knowledge driven SMEs support positively correlates with Product capacity, efficient production process and global product competition respectively in Onitsha metropolis of Anambra state. This implies that Cluster SMEs agglomeration has been stimulated by governmental factors and institutional knowledge transfers. This is contrary to descriptive provision in the study. However, this finding contradict the findings of Alexandre, Mohamed and Luciano (2016) and Obi (2011), who state that lack of political will to implement policies coupled with the rapid turnover of people in government and the consequence policy abandonment will affect SMEs and Industrial growth in Nigeria. But, the overall findings show that governmental policies and support with institutional knowledge transfer facilitate SMEs to industrial development in Onitsha metropolis of Anambra state. Thus, the study concludes that influence government engineered and supported cluster concept of SMEs agglomeration improves industrial development in Onitsha metropolis of Anambra state, Nigeria.

### **Recommendations**

Based on the findings and conclusion made in the study, the following recommendations are proffered;

- Government should step up incentives for cluster SMEs (industrial) with ease of access to un-inflated loan.

- Government should also create sensitization programmes in collaboration with the institutions to transfer new knowledge (technological innovation) for ease of doing business and for efficient productivity.
- Government support programme should not be politicized to ensure that clustered SMEs get the support in full for continuous and improve production capacity and efficiency.

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## Appendix

### Correlations

		GOVERNMENT POLICIES TO INNOVATION	PRODUCT ABILITY
GOVERNMENT POLICIES TO INNOVATION	Pearson Correlation	1	.879**
	Sig. (2-tailed)		.000
	N	154	154
PRODUCT ABILITY	Pearson Correlation	.879**	1
	Sig. (2-tailed)	.000	
	N	154	154

\*\* . Correlation is significant at the 0.01 level (2-tailed).

### Correlations

		KNOWLEDGE DRIVEN SME SUPPORT	EFFICIENT PRODUCTION PROCESS
KNOWLEDGE DRIVEN SME SUPPORT	Pearson Correlation	1	.872**
	Sig. (2-tailed)		.000
	N	154	154
EFFICIENT PRODUCTION PROCESS	Pearson Correlation	.872**	1
	Sig. (2-tailed)	.000	
	N	154	154

\*\* . Correlation is significant at the 0.01 level (2-tailed).

### Correlations

		GOVERNMENT SME SUPPORT	GLOBAL PRODUCT COMPETITION
GOVERNMENT SME SUPPORT	Pearson Correlation	1	.876**
	Sig. (2-tailed)		.000
	N	154	154
GLOBAL PRODUCT COMPETITION	Pearson Correlation	.876**	1
	Sig. (2-tailed)	.000	
	N	154	154

\*\* . Correlation is significant at the 0.01 level (2-tailed).