

Commercial Bank Loans, Small and Medium Scale Enterprises (SMEs) and Economic Growth in Nigeria

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Certification

This is to certify that **Fiyinfoluwa Deborah ADELEKE** with the matriculation number **LCU/PG/001760** carried out this research work titled: **Commercial Bank Loans, Small and Medium Scale Enterprises (SMEs) on Economic Growth in Nigeria** in the Department of Management and Accounting Lead City University, Ibadan, Nigeria for the award of Masters Degree (MSc.) in Accounting and this has not been previously submitted.

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Date

Dedication

This work is dedicated to God Almighty and my supportive family.

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Acknowledgement

The researcher is grateful to the institution - Lead City University, Ibadan, Oyo State librarian who gave me the access to information I used in this research work.

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“Even though the above-mentioned institutions and persons have assisted in the correction of this research work, I alone stand responsible for the errors, if any, found in the work”.

Abstract

The focus of this study is to critically investigate the dynamic commercial banks loan, small-scale businesses in terms of SMEs' access to credit facilities on economic growth in Nigeria. It is guided by financial mediation theory, credit creation theory, and pecking order theory, with a focus on the Credit Creation Theory. The research design is ex-post facto, and the population includes the entire Nigerian economy and SMEs that received commercial bank loans. Purposive sampling is used, and data from secondary sources with the period of observation was limited to ten (10) years which span from 2013 to 2022, primarily the CBN bulletin, are analyzed using simple percentages, correlation analysis, linear regression, and ANOVA. The results shows that in correlational analysis, there is a weak negative correlation between commercial banks' loan to SMES and GDP, and strong positive correlations between commercial banks loan to SMES and both SMES' contribution/output and average capacity utilization with ($P < 0.05$). Commercial Banks Loan to SMEs had a non-significant effect on GDP (Adj R2 = 0.03164, $F(5,137) = 0.325213$, $p = 0.574543$); Commercial Banks Loan to SMES and Average Capacity Utilization (Adj R2 = 0.472707, $F(5,137) = 20.72255$, $p = 0.0002$); and return on asset (Adj R2 = 0.354618, $F = 13.08832$, $p = 0.0016$). Furthermore, there is a significant difference between the means of the four variables being compared (average capacity utilization, SMES' contribution/output, commercial banks loan TO SMES, and GDP) with ($F = 147.3154$, $p < 0.05$). Increasing commercial loans to Nigerian SMEs can positively influence economic growth by improving SMEs' contribution/output and average capacity utilization. Policymakers and financial institutions should offer favorable loan terms, targeted sector support, and improved access to finance to stimulate growth, job creation, and poverty reduction.

Keywords: Commercial Banks Loan, SMEs Credit Facilities, Economic Growth, Average Capacity Utilization SMES' Contribution/Output, GDP

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**List of Acronyms
Meaning**

Abbreviation

| | |
|---------|---|
| GDP | Gross Domestic Product |
| GNP | Gross National Product |
| SMEs | Small and Medium Enterprises |
| OECD | Organisation for Economic Cooperation and Development |
| IFC | International Finance Corporation |
| CRMS | Credit Risk Management System |
| TFP | Total Factor Productivity |
| CU | Capacity Utilization |
| CIRD | Centre for Industrial Research and Development |
| SAP | Structural Adjustment Programmes |
| SICF | Small Industries Credit Fund |
| SSICS | Small Scale Industry Credit Scheme |
| ABC | African Banking Corporation |
| NERFUND | National Economic Reconstruction Fund |
| NIDB | Nigerian Industrial Development Bank |
| BOI | Bank of Industry |
| SDG | Sustainable Development Goals |
| CBN | Central Bank of Nigeria |